

Can the crisis pave the way for a sustainable global golden age?

Carlota Perez

Abstract

This presentation will argue that the recent financial crisis was not an ordinary one but a once-in-a-half-century event, with a major impact on the real economy and a role in the pendular dynamics of capitalism. It will hold that the crisis was endogenously generated by the way technological revolutions are assimilated. On the basis of recurring historical patterns, it will see the major bubble collapse as marking the end of a job done by finance and signalling the need for a structural shift with the return of an active State. During the past decades market competition and finance have installed a vast technological potential that can only yield maximum growth and social welfare if enabled by adequate institutional innovation. Recovery will require not only appropriate financial regulation and a redesign of its architecture but also the conditions for promoting and profitably funding a structural change in the economy. The elements for fostering a sustainable global golden age are discussed as being within the range of the possible. The move towards it will however require a combination of Keynes and Schumpeter.

Finance, Innovation and Growth

Mariana Mazucatto

Abstract

The presentation will look at the relationship between technological change and economic performance, including both industrial performance (sales) and financial performance (stock price, volatility). Results will indicate that firm specific characteristics are key in allowing innovative efforts (R&D, patenting) to result in higher performance—with ‘persistence’ of innovation being more important for industrial performance than financial. Drawing on some recent results from the FINNOV project, the presentation will also look at the degree to which innovative firms get rewarded or penalised by financial markets (VC, credit ratings, bank interest rates). The implications of the results for both innovation policy and financial market reform will be discussed.

Innovation, Financial Coordination and the future of the European Union

Pier Paolo Saviotti

Abstract

In this presentation the impact of the increasing divergence in competitiveness of EU countries will be discussed. It will be argued that the imposition of financial discipline alone will not necessarily help the 'weakest' countries to improve their competitiveness and it might even worsen it if not accompanied by reforms aimed at improving these countries' competitiveness by raising their efficiency and by inducing changes in the composition of their economic systems.

Financing Instruments to Combat the Crisis

Ryszard Wilczynski

Abstract

Financial markets turn out to be both growth facilitators and vehicles of instability, leading to a deterioration in balance of payments. Recent decades have been witnessing various sovereign liquidity to solvency problems of countries. To address these problems financial governance needs to be expanded, comprising innovative financing instruments. Among instruments, there is an increasing emphasis on internationally coordinated, insurance – type tools which provide an easier and more rapid access to liquidity.

Comparing the Industrial dynamics of automotive industries in the Stockholm and Southern German regional economies

Gunnar Eliasson

Abstract

Globalization of production is breaking up the 200 year industrial knowledge monopoly and backbone of the wealthy Western economies; their engineering industries. Development is moved by a distributed manufacturing technology made possible by the integration of computing and communications (C&C) technology. Previously internal value chains are distributed over global markets of specialized subcontractors creating new profitable opportunities for smaller scale production.

The principles behind this development were understood already by Adam Smith (1776), who was observing the spontaneous ongoing decentralization of the production organization of the British economy in response to strong economic incentives. Change today, however, is considerably faster, and dramatically raised its pace around the mid 1990s when new C&C technologies suddenly established the *Internet*, broadly defined, as the perhaps most disruptive platform for global industrial change ever. One question is in what shape the currently leading industrial economies will eventually emerge.

To illustrate I compare the spontaneously ongoing, experimental and unpredictable restructuring of Southern German and Swedish automotive industry. Business models based on past experience from economies of volume production and price competition are here confronted with strategies of innovative product competition and distributed, small scale manufacturing.

Coevolutionary Links between Innovation, Innovation Policy and Innovation Finance, some ideas emerging from the Israeli experience

Morris Teubal

Abstract

The presentation deals with the role of two types of policy related co-evolutionary process on the evolution of Innovation and ICT high tech in Israel between 1969 (creation of the Agency in charge of Innovation Policy-the Office of the Chief Scientist) and the year 2000 when an Entrepreneurial High Tech Cluster (EHTC) had already emerged. The analysis of innovation Policy-Innovation co-evolution and that of Innovation-Innovation Finance co-evolution (all variables defined broadly) covers the three Phases comprising the above period, namely a Background Conditions Phase (Phase 1m 1969-1984); a Pre-Emergence Phase (Phase 2, 1985-1992); and a Venture Capital and EHTC emergence phase (Phase 3, 1993-2000).

A necessary condition for the second co-evolutionary process is strong Innovation Policy-Innovation co-evolution, a process that may lead to rapid increases in business innovation and to an excess demand for Government support which would stimulate the search for and policy making directed to identify adequate private sources of innovation support (such as Venture Capital, especially during Phase 3 in Israel). The strongest Innovation-Innovation Finance co-evolutionary process took place precisely during that Phase it being a quantitative, synchronous and systemic process. This contrasts with the more qualitative co-evolutionary processes which took place in previous phases.

The analysis focuses on possible lessons from that case, both concerning the analytics of co-evolution and concerning Innovation Policy broadly conceived."

The analysis details the Israeli case and considers possible implications both for the conceptualization of co-evolutionary processes and for Innovation Policy broadly conceived.

Funding policies on the Innovation Union plan

Diogo Vasconcelos

Abstract

I will focus on the Schumpeterian approach endorsed by the “Innovation Union” initiative approved by the European Commission 6th October 2010, to be endorsed by the European Council next 16 December.

I will specifically mention the following features of the European innovation plan (<http://ec.europa.eu/innovation-union>):

- a) The focus on the major societal challenges as opportunities to boost growth and jobs.
- b) The adoption of a broader sense of innovation, including public sector innovation and social innovation. See <http://socialinnovationexchange.org/node/5412>
- c) Will discuss “Share of fast growing Innovative firms” as the new headline indicator on the contact of Europe 2020, to complement R&D intensively. This indicator is forward looking and compelling (young innovative firms need to grow to create employment), mobilizing, (it stresses the role of business in innovation), analytically very relevant, and with strong links to policy. See http://ec.europa.eu/commission_2010-2014/geoghegan-quinn/hlp/
- d) The solutions to address the lack of financial support for young innovative companies

I will then outline specific new funding mechanism to promote innovation:

- a) Innovation Procurement. EU public procurement amounted to around 2155 billion Euro, equivalent to 17-18% of EU GDP. Public purchases can be a boost for innovative products and technologies in the area of climate change, energy, digital media, health services, aging and other societal challenges.
- b) My proposal of a funding mechanism for next generation infrastructures, on the context of the next EU budget. Traditional telecommunications companies inherited the current infrastructures and are not wired to invest in long term infrastructure. The financial crisis has totally dried-up financing for infrastructure projects.
- c) Ways to solve the “cohesion policy conundrum”. Cohesion policy’s investment for innovation and research (2007-2013) amounts to €86 billion (compared to € 50 billion for FP7) out of a total of € 343. For the previous period 2000-2006 the figure was € 26 billion. This dramatic increase in structural funds for innovation and research has led to a large proportion of cohesion funds not being used (estimates vary from 50 to € 100 billion of the total) particularly in less developed regions.
- d) The emergence of Social Innovation Funds
- e) A new funding mechanism for public sector innovation, focus on social outcomes: the Social Impact Bonds

Financing Technology based Small Firms (TBSF's) in Europe: the ambiguous role of venture capital and high-tech stock markets

Valerie Revest

Abstract

This presentation raises the issue of the ability of financial intermediaries such as venture capital and high tech stock markets to support Technology Based Small Firms in Europe. Firstly, opacity remains about the concrete effects of the intervention of venture capitalists and the nature of their behaviour: coach or scout? Secondly, the capability of the Alternative Investment Market to finance entrepreneurial innovating firms is questioned, through the multiple functions performed by this market.

Venture capital in Canada

Jorge Niosi

Abstract

The venture capital industry – like other industries with high levels of risk and uncertainty – has always required the support of the state; this support is a necessary but not a sufficient condition. Like in other risk intense industries, a careful design of public support is indispensable. Canada is moving from a massive backing to a more sophisticated support that bears resemblance to the Israeli Yozma Program.