



# Europe's Innovation for Growth Challenge at Crisis- times

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# Innovation for Recovery Growth?

- **In need of growth**
- **Where to look for growth ?**
  - **Can innovation deliver? In which time frame? At which public budgetary implications?**
    - **Innovation Political Disadvantage: benefits long-term, uncertain and skewed**
  - **Will innovation deliver ? Effectively? Efficiently? For everyone?**

**A specific focus on Europe**



# Innovation for Growth?

## ▪ Even before crisis:

- Europe's innovation deficit (on average)
  - Sectoral and company age composition suggestive of "creative destruction" capacity-deficit
- Heterogeneity in innovation and its contribution to growth: beyond simple "distance to frontier" or "catching up"
  - Persistent innovation leaders in North (SE, FI, DK, DE)
  - Some of the catching up countries using innovation (IE, EST)
  - Persistent innovation followers (FR, UK)
  - Absence of innovation-growth nexus in South (EL, PT, ES, IT)
  - Non-innovation based growth (LV..)
- Convergence in innovation much smaller than convergence in GDPpc



# The R&D and innovation policy agenda at crossroads

- **Challenge of the crisis**
  - An opportunity for creative exit strategy from ailing areas, freeing resources to move into new areas
  - Risk of structural stagnation
  - Financial and other market failures requiring government intervention
  - Constrained public and private financing
- **A new multipolar global innovation world: rise of China**
- **New Grand Challenges coming from climate change, ageing, security...requiring government intervention**
  - To create demand for innovation (pricing the externality, standards, regulation...public procurement): support for the deployment of technologies
  - To direct innovation supply (mission oriented R&D policies, but without picking winning technologies) : support for the creation of new technologies



## Some implications for (European) policy making

- **Innovation agenda as integral part of growth agenda**
- **Pre-crisis business-as-usual policy agenda will not be sufficient**
  - More focused on improving capacity for structural change through Schumpeterian creative destruction
  - More focused on exploiting the new geography of science and innovation
  - More focused on demand for innovation creation capacity of government intervention
  - Evaluating effectiveness and efficiency of intervention