



The Policy Studies Organization

Speaker

Robert Atkinson – *Information Technology and Innovation Foundation*

DUPONT SUMMIT 2013

..... Pressing Issues, Economic Realities

December 6, 2013 * Historic Whittemore House, Washington, DC

" Why the Global Economy Fails to Maximize Innovation and How to Fix it"

Traditional trade theory holds that trade maximizes welfare because it allows nations to specialize in their comparative advantage. When trade was largely composed of “northern” industrial goods and “southern” raw materials this framing may have made sense. But in a globally integrated economy where most trade takes place between nations with similar factor endowments and an increasing share of trade is in innovation-based industries (e.g., information and communication technologies, clean energy, life sciences, aerospace, and research instruments), the traditional rationale for trade and the global framework governing it needs to be radically updated.

Globalization is both a blessing and curse to innovation industries. It’s a blessing because large global markets hold the promise of attaining needed scale. It’s a curse because a growing “innovation mercantilism,” with its rampant trade barriers, subsidies to national champions, and disregard of intellectual property rights makes it harder for innovators to earn the above-average “Schumpeterian profits” needed to drive forward the next wave of innovation.

Innovation mercantilism holds a strong appeal for nations wanting to climb the development ladder. While it might result in higher taxes, reduced consumer welfare and dampened entrepreneurial efforts in the long run, in the short run innovation mercantilist policies offer the seductive payoff of higher-wage jobs in innovation industries.

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" Why the Global Economy Fails to Maximize Innovation and How to Fix it"

Collectively nations face a prisoners' dilemma: embracing innovation mercantilism that might spur growth in the short run but damage global innovation, or eschewing these policies in favor of legitimate innovation policies (e.g., funding for science, support for STEM education, R&D tax incentives, etc.) that maximize global innovation, but perhaps at the expense of some short-term national growth. This issue is the most serious global economic challenge, but few in the international trade and development community have yet to recognize it as such. If mankind is to maximize the global innovation needed to tackle an array of pressing challenges, including developing low-cost clean energy technologies, making breakthroughs in drugs and medical devices, and developing new technologies to boost productivity, the world will need a fundamentally new approach to trade in innovation-based industries. Nations will need to expand "good" innovation policies (e.g., funding of scientific research, R&D tax credits, science and engineering education) while dramatically curtailing if not eliminating innovation mercantilist policies. And multilateral institutions will need to make supporting such a shift a top priority.



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Biography

Dr. Robert D. Atkinson is one of the country's foremost thinkers on innovation economics. He has an extensive background in technology policy, he has conducted ground-breaking research projects on technology and innovation, is a valued adviser to state and national policy makers, and a popular speaker on innovation policy nationally and internationally. He is the author of *Innovation Economics: The Race for Global Advantage* (Yale, 2012) and *The Past and Future of America's Economy: Long Waves of Innovation That Power Cycles of Growth* (Edward Elgar, 2005). Before coming to ITIF, Atkinson was Vice President of the Progressive Policy Institute and Director of PPI's Technology New Economy Project. *Ars Technica* listed Atkinson as one of the 2009's Tech Policy People to Watch. He has testified before a number of committees in Congress and has appeared in various media outlets including CNN, Fox News, MSNBC, NPR, and NBC Nightly News. He received his Ph.D. in City and Regional Planning from the University of North Carolina at Chapel Hill in 1989.

