

Innovation for Pro-Poor Growth



The Open University

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Wages' share in GDP: USA and European Union, 1960-2005



Source: Ian Dew-Becker and Robert Gordon

<http://en.internationalism.org/ir/133/china/graph3>



“The top 1 percent [in the US] gained 57 percent of the increase in national income between 1977 and 2007...During the four-year period of expansion during the Bush presidency (2002–6), the top 1 percent captured 73 percent of the increase ...

This is not a misprint.”

Wade, 2012, Challenge, May-June, p3

Global growth and global poverty



	GDP Growth p.a (%)		Living below \$1.25 pd (MDG1) (m)	
	1990- 2000	2000- 2008	1988- 1990	2007- 2008
World	2.9	3.1	1,668	1,329
China	9.9	10.4	724	208
India	5.5	7	414	456
SSA	2.2	4.9	224	355

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How do we explain this pro-rich growth-trajectory?

- Globalisation is inherently unequalising
- The reserve army of labour -global unemployment – “Planet of slums”
- Financialisation
- The trajectory of innovation

How does innovation fit into this agenda?



- Both:
 - Choice of technology
 - Generation of new technology
- Both:
 - Participation of poor in production
 - Products meeting the needs of the poor



What drives the direction of innovation?

- Demand
- Prices of capital and labour
- The character of infrastructure
- Path dependency and firm trajectories
- Regulatory environment

Taxonomy of innovation



Capital and scale intensive		
Labour intensive, small scale		
Inefficient		Efficient

Global innovation patterns, circa 1970



Capital and scale intensive		High wages low cost of capital Large market Vibrant entrepreneurship
Labour intensive, small scale		
Inefficient		Efficient

Appropriate but not efficient



Capital and scale intensive		High wages, low cost of capital Large market Vibrant entrepreneurship
Labour intensive, small scale	Low wages, high cost of capital, Small market Weak entrepreneurship	
Inefficient		Efficient

U

V

?





“Is this a V recovery or a W?
I think it’s the latter...”

(CEO HSBC Bank, Financial Times, 5th Oct 09)

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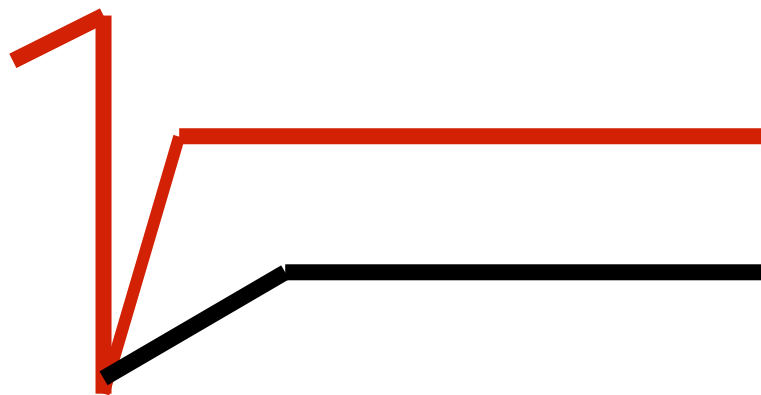


Perhaps its an

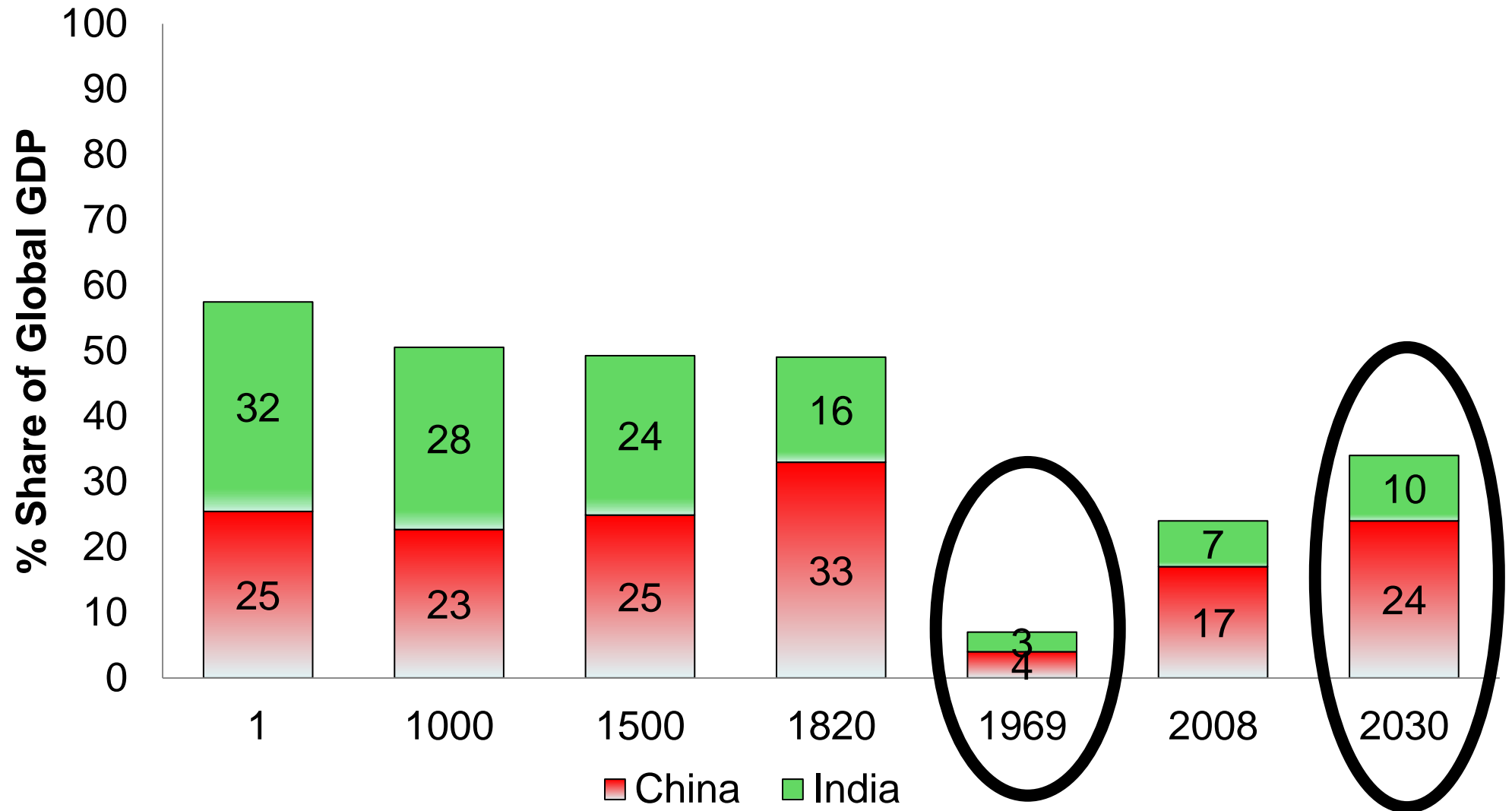
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OR, MAYBE



Back to Centre Stage

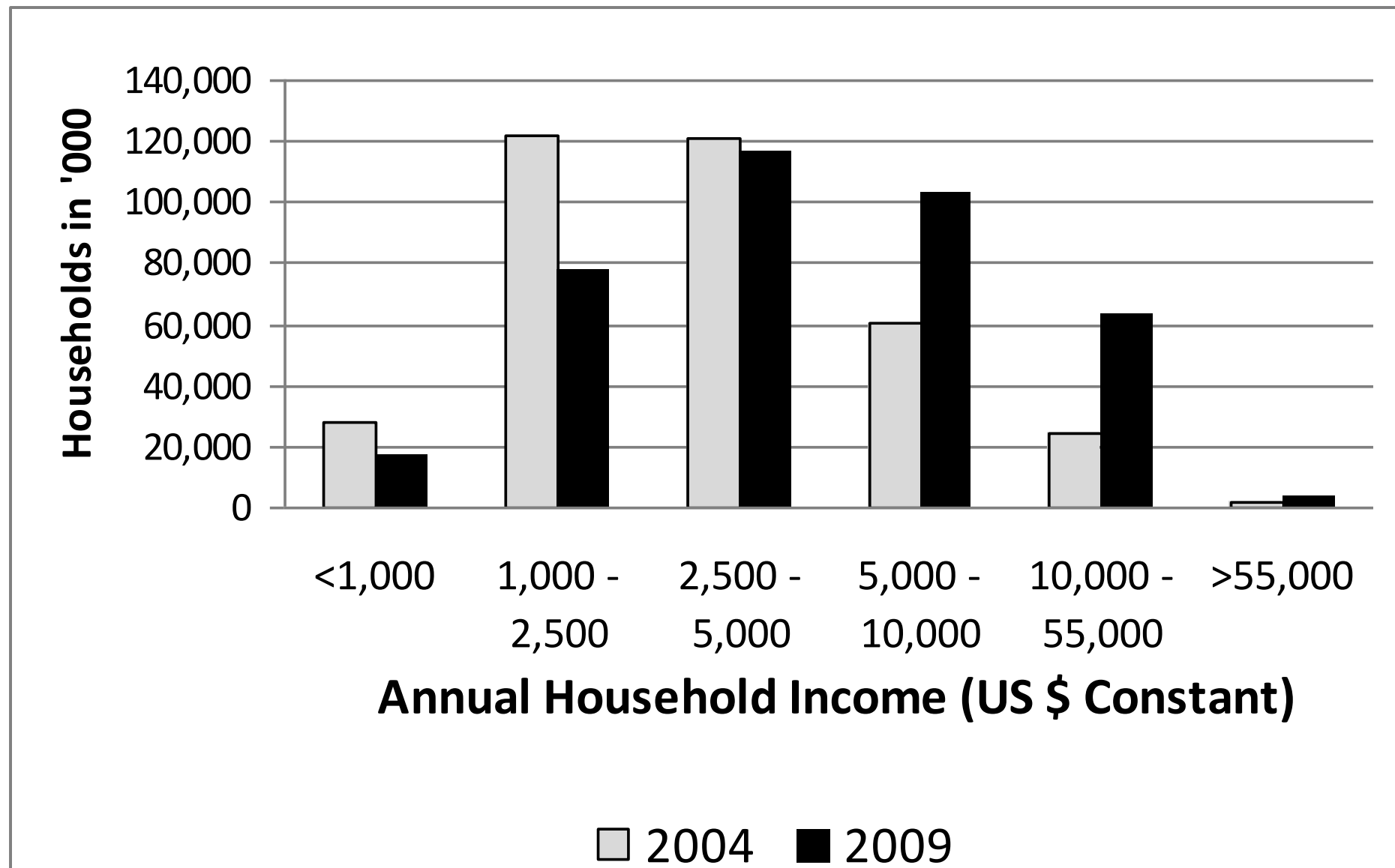




Forces of disruption to the innovation trajectory

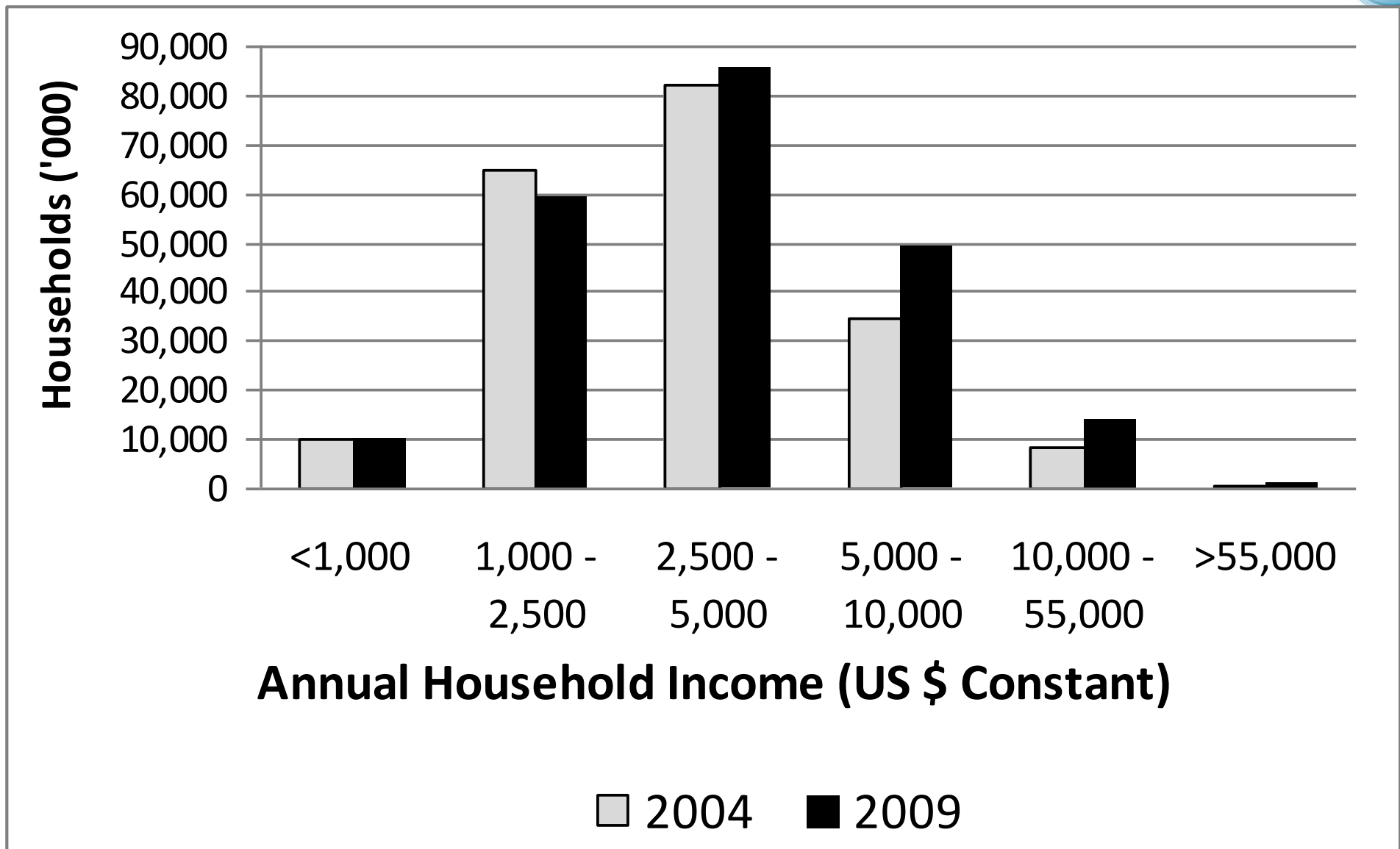
1. The character of low income markets

Number of Chinese households, by disposable income, 2004 and 2009



Compiled from <http://www.portal.euromonitor.com>

Number of Indian households, by disposable income, 2004 and 2009



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Forces of disruption to the innovation trajectory

1. The character of low income markets
2. The global diffusion of innovative capabilities



The global diffusion of innovative capabilities

- Learning in global value chains
- Global shares of R&D
 - (2%-1970, <10%-1990, 24%-2007)
- Education and training
- Growth of large emerging country firms



Forces of disruption to the innovation trajectory

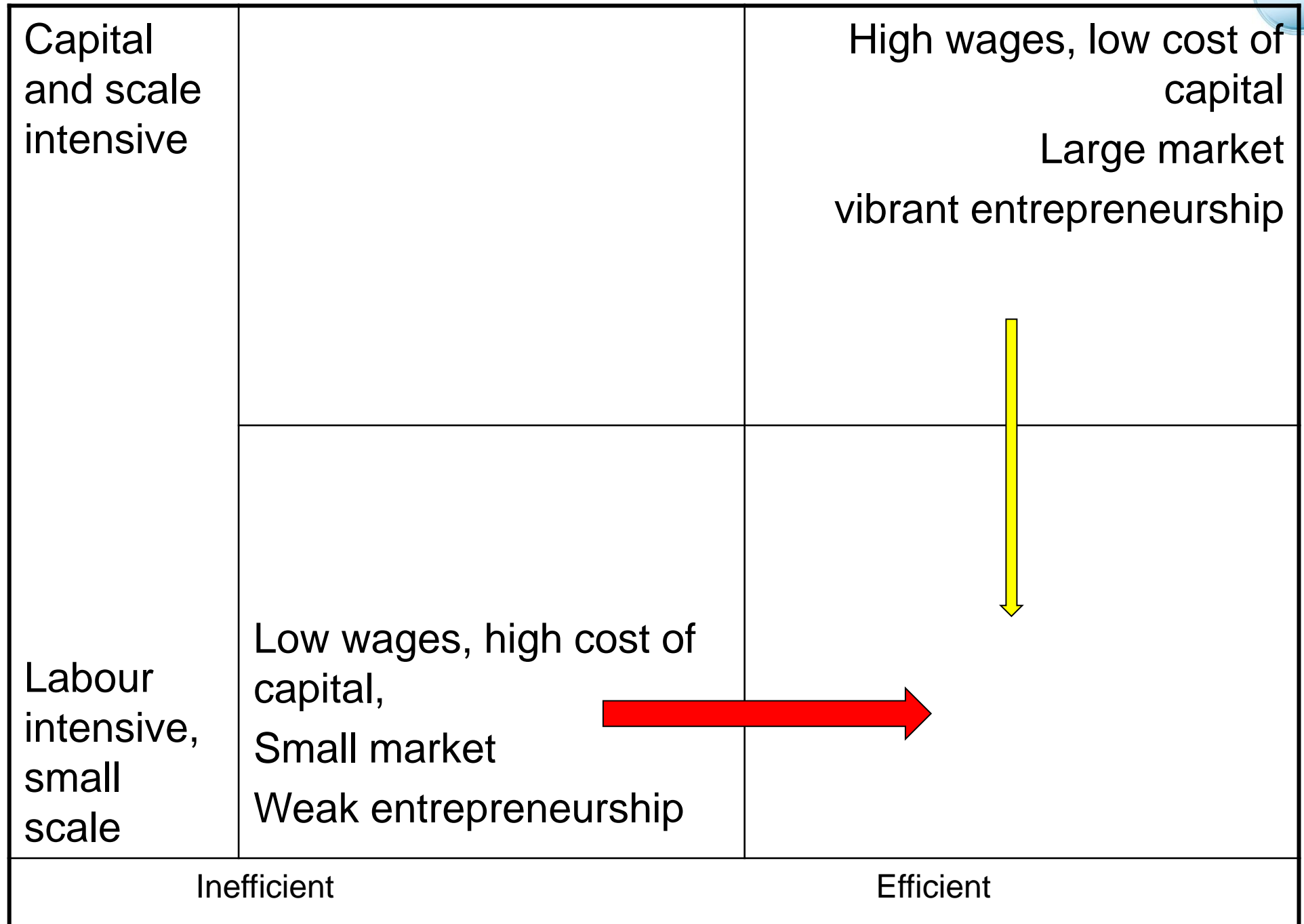
1. The character of low income markets
2. The global spread of innovative capabilities
3. Radical new technologies allow for distributed production
 - Renewable energy, nanotechnology



Forces of disruption to the innovation trajectory

1. The character of low income markets
2. The global spread of innovative capabilities
3. Radical new technologies allow for distributed production
 - Renewable energy, nanotechnology
4. New innovators
 - Dynamic SMEs in rural areas
 - Grassroots innovation
 - PPP

A poverty-reducing innovation path?



A poverty-reducing innovation path?



Capital and scale intensive		High wages, low cost of capital Large market vibrant entrepreneurship
Labour intensive, small scale	Low wages, high cost of capital, Small market Weak entrepreneurship	Low wages, high cost of capital, Large market vibrant entrepreneurship
Inefficient		Efficient

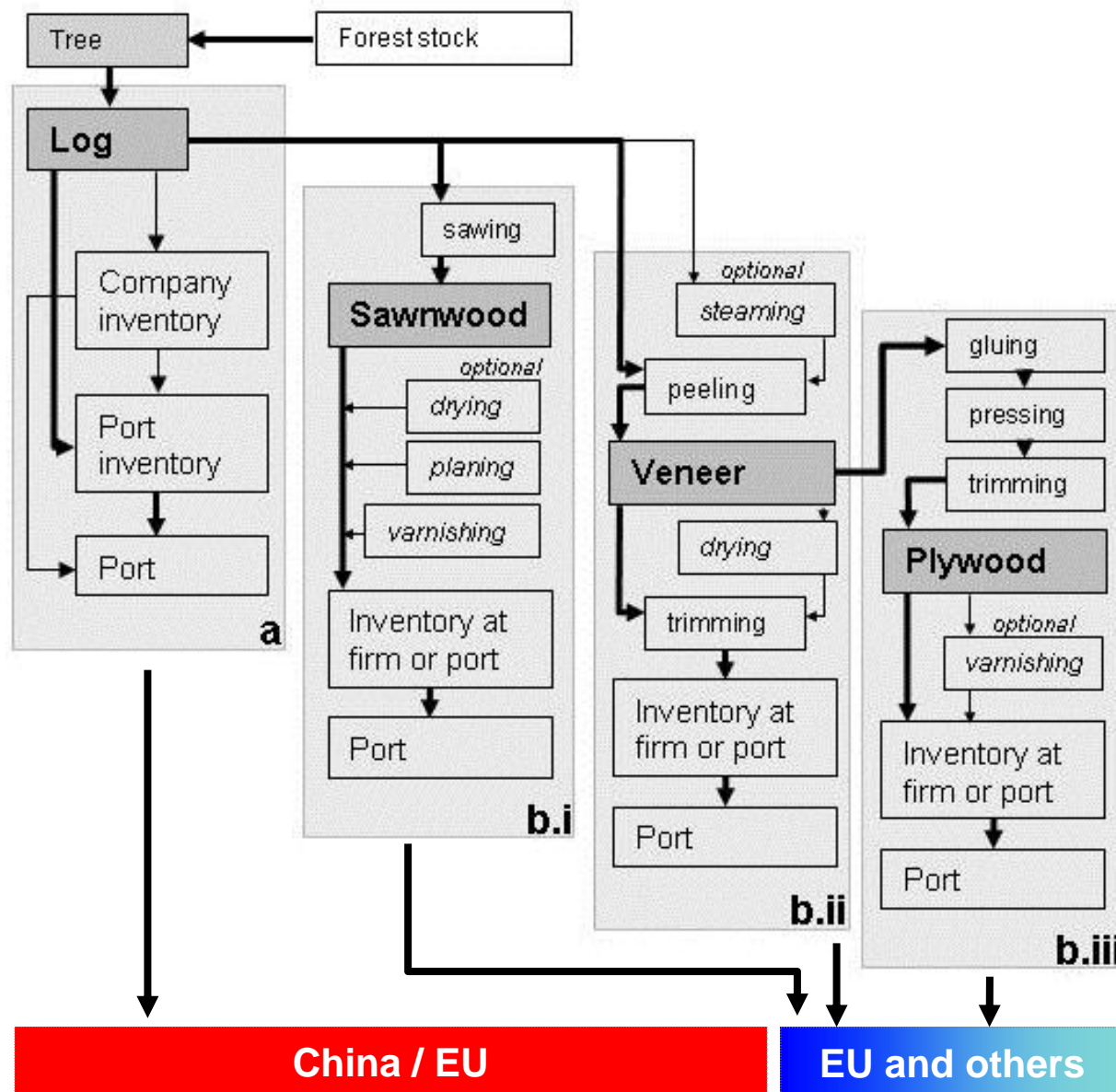


From Schumacher to Schumpeter

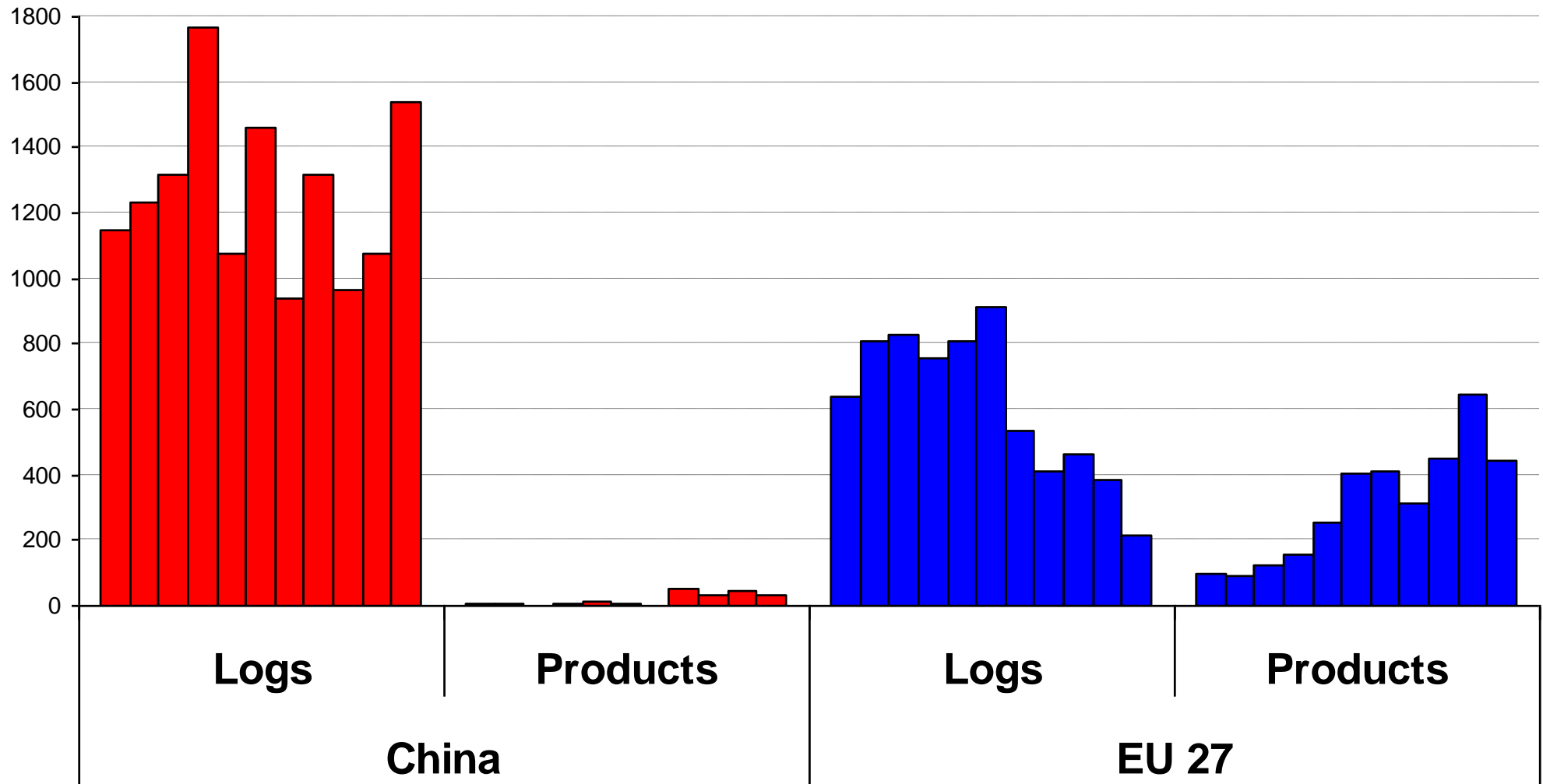
- The diffusion of AT now driven by the market



Gabon's Domestic Timber VC



Gabon: Exports to China and EU-27



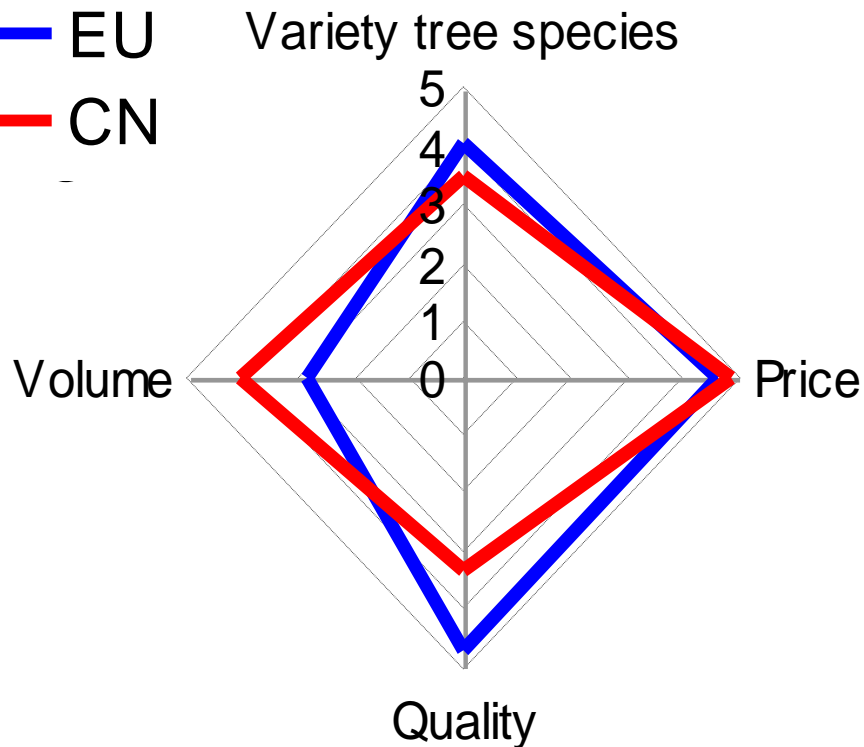
Gabon: Buyers' Standards



- **Critical Success Factors** (1=not important, 5=very important)

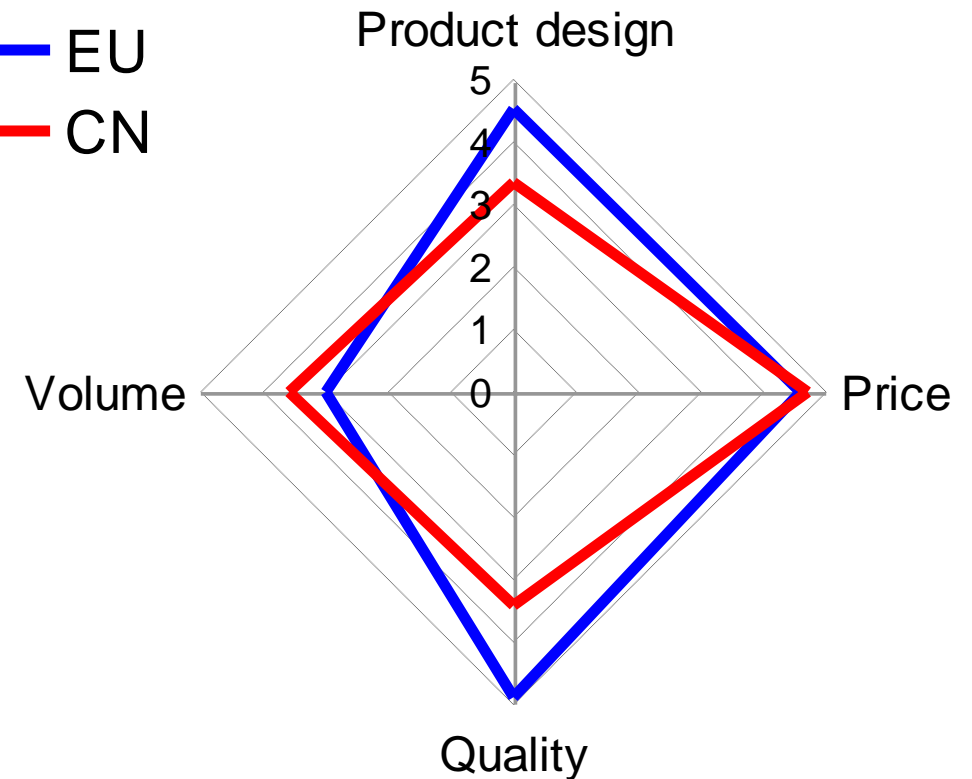
Logs

— EU
— CN



Products

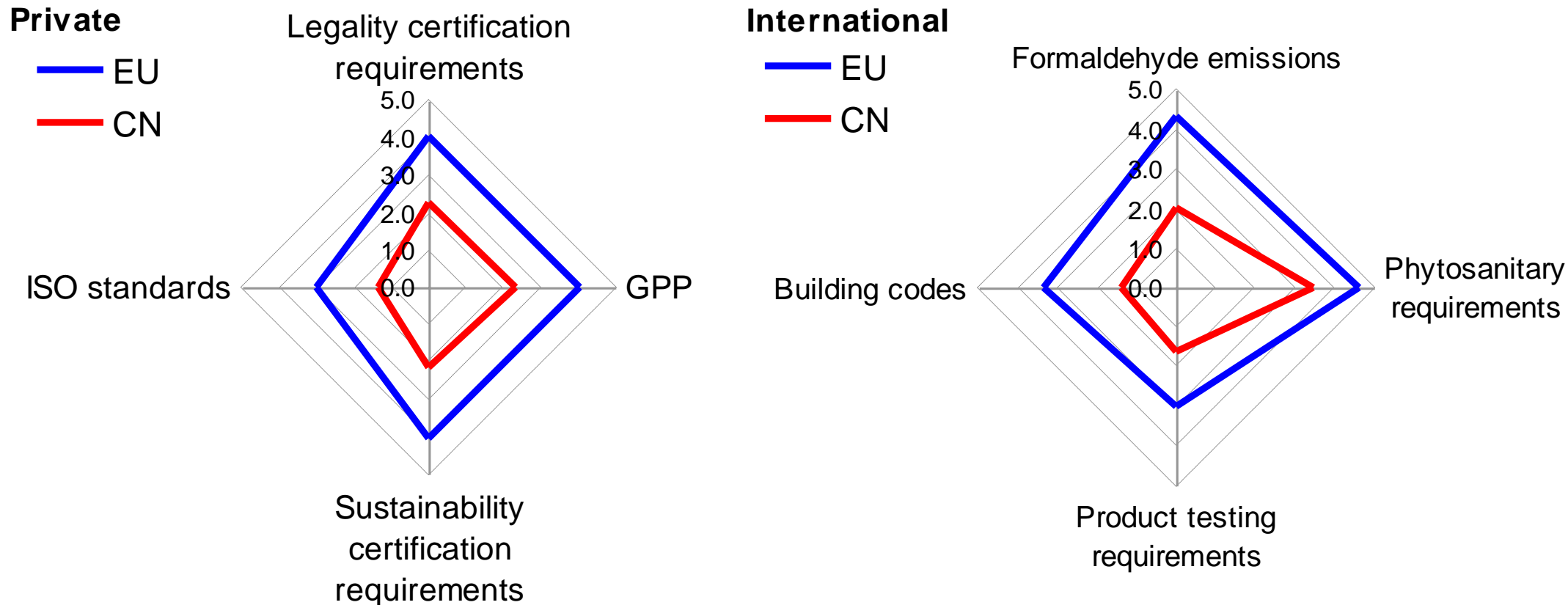
— EU
— CN



Gabon: Buyers' Standards



- International regulations and private standards
(1=not important, 5=very important)



Some examples from the Cameroons



- Chinese Batteries vs Japanese Batteries
 - 50% of life
 - 33% of cost
- Motor cycles
 - Break down more often
 - Much cheaper



grassroots INNOVATIONS

RESEARCHING SUSTAINABILITY | FROM THE BOTTOM UP

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1 2 3 4

Community Innovation for Sustainable Energy (CISE)

This 3-year research project studies the diffusion of community energy projects in the UK, such as cooperatively-owned windfarms, behaviour change initiatives and solar clubs. *Continue reading »*

Speeding it up



- Diffusion has a momentum of its own, but
- Address market failures
 - Not just factor prices
 - Knowledge imperfections
 - Sweep of standards
- Reorienting systems of innovation
- Strengthening the role of non-market actors
- Redistributing income