

Knowledge and Development

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Innovation is, as Joseph Schumpeter once pointed out, above all a combinatory phenomenon. Success in accessing knowledge and exploiting it in a way that is beneficial for development depends on the ability to combine many different skills and resources, of which many will be external to the firm. Arguably, political choices, past as well as present, the quality of governance and the business environment, availability of skills, finance and broader social and cultural characteristics may all have a say for how well this combinatory dynamics works. Based on a review of the literature on how technological, economic and social factors interact in the development process this paper sets out to explore these interrelationships empirically. The results, based on data for 75 countries on different levels of development, suggest that there is a strong correlation between technological capability, (innovation-friendly) governance and social capital, confirming, it is suggested, the important role played by politics and deeper social and cultural factors for technological catch-up (or lack of such). This contrasts with the role played by for instance openness to trade, FDI, etc., which - according to the results presented here - hardly correlates with anything.