

Basic Research and Growth Policies

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Only a few countries around the world invest substantially in basic research. It appears that these countries are close to the technological frontier and that their industry's degree of exposure to best practice is high. We use multi-sector Schumpeterian growth reasoning, augmented by basic research, to develop policy guidelines for investment into basic research. In particular, we address the following issues: What is a country's optimal amount of public basic research expenditure? Does this amount depend on the country's distance to frontier and/or on its level of globalization? What is the optimal financing scheme for basic research? Should basic research efforts target at specific sectors or areas?