

Comments inspired by Ricardo Hausmann

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The future is hopelessly unpredictable and risky

- Forecasting how technology will evolve, impact on labor market, what goods to be in etc. is probably hopeless
- David's 4 categories: pessimists, optimists, adaptationists, somebody else-
 - All proposed by really smart people but inconsistent.
 - Lay economists end to end....
 - Even extrapolating from past pattern of luddites being wrong is probably wrong.

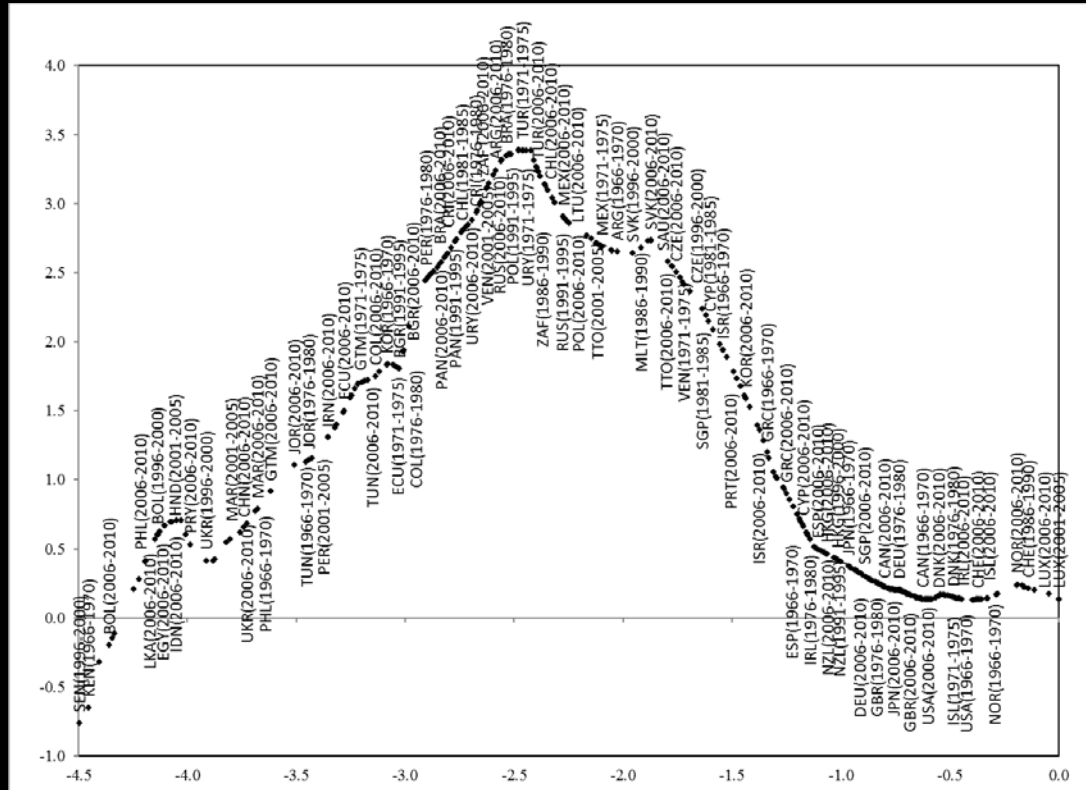
Pasteur: “Fortune favors the prepared mind”

- History offers many cases of success and failure within same products
 - American South vs Japan with new textile technologies.
 - US (and Japan) vs. Chile with Bessemer process (copper)
 - Brazil: Retrogression in steel industry.
- Key difference in development experience is not WHAT they were producing, but how prepared they were to identify and adapt new technologies.

Problem: DCs are poorly prepared for adjusting to even “non-disruptive” technologies

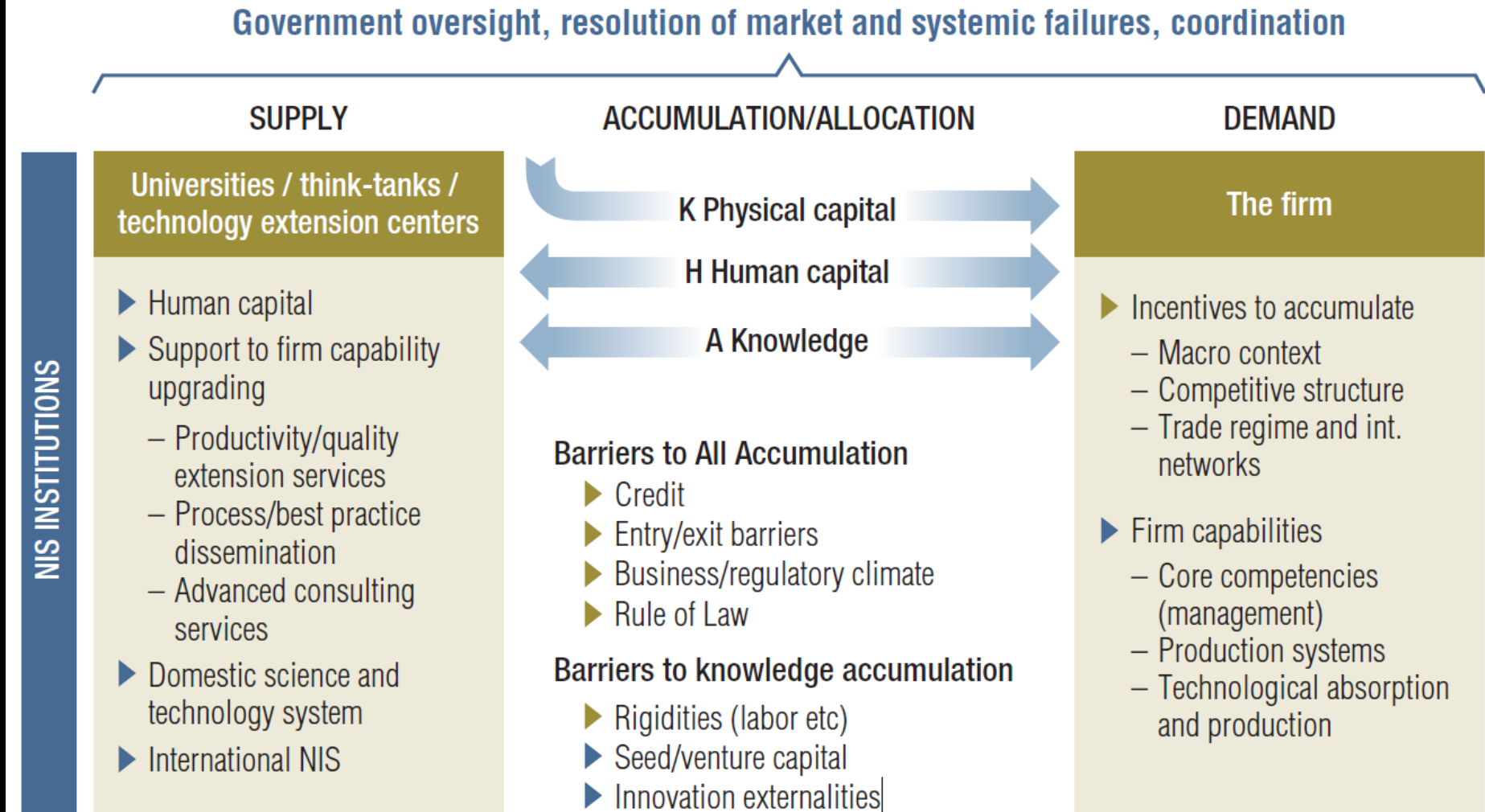
- Potential gains from tech adoption dwarf aid or any other North-South transfers:
- Griffith et al. (2010) returns to R&D rise steeply with distance from the frontier.
- Extrapolating: should be about 300% for Africa
- Paradox: facing those returns, poor countries don't innovate. Why?

Because they probably don't get those returns-missing complementary factors

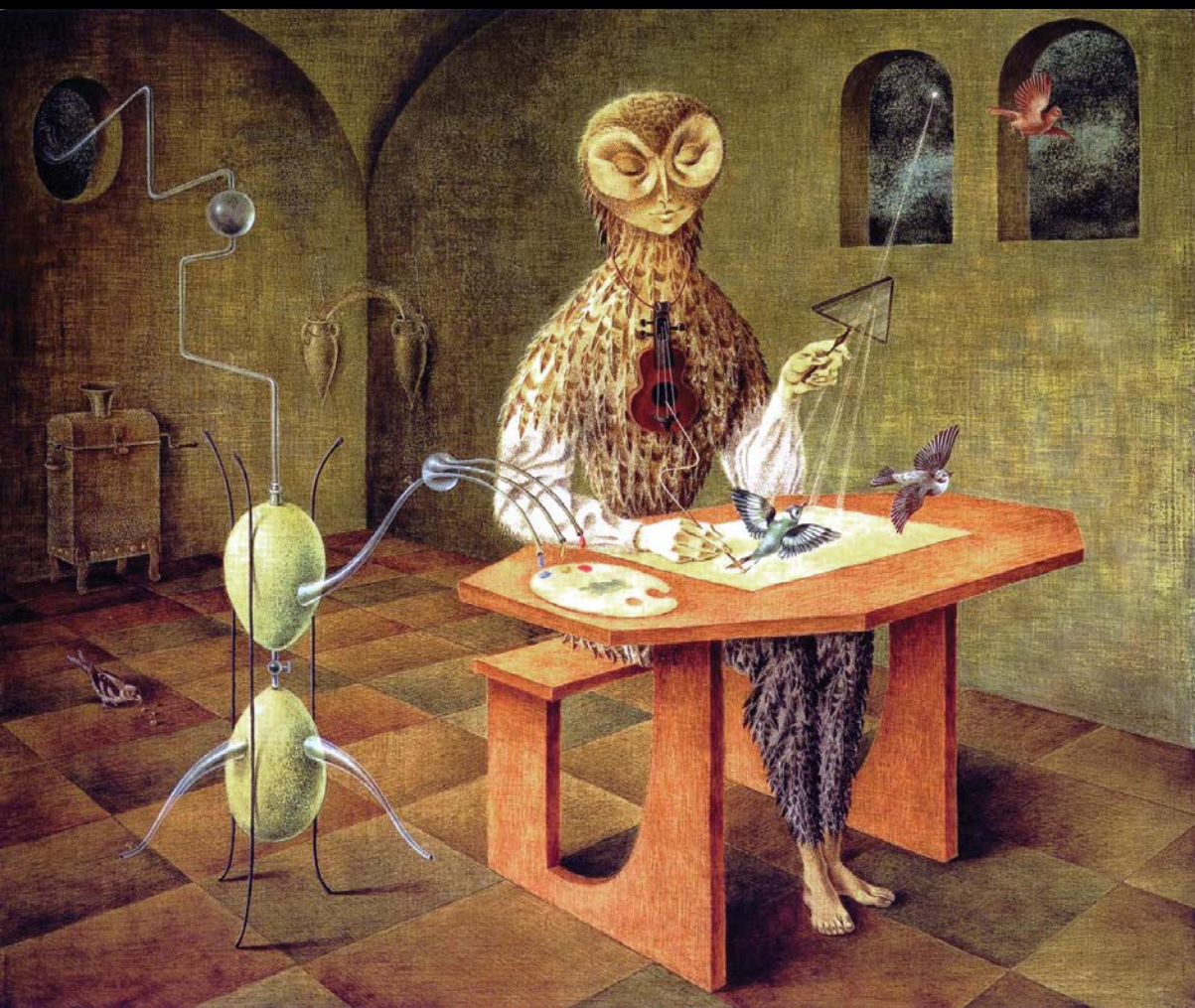


- Distorted product markets, close trade regimes.
- Missing markets for finance, etc.
- Weak firm capabilities (management quality)
- Weak human capital, S&T apparatus
- In general, more unaddressed market failures
- In sum: The National Innovation System is not up to the task of managing new technologies.
- We need to work on these in an integrated fashion.

FIGURE 3.4 The Extended National Innovation System (NIS)



Source: Maloney 2017.



The Innovation Paradox

Developing-Country Capabilities and the Unrealized Promise of Technological Catch-Up

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Coming soon!!!!