

4차 산업혁명시대의 지역혁신과 포용적 성장

정책포럼

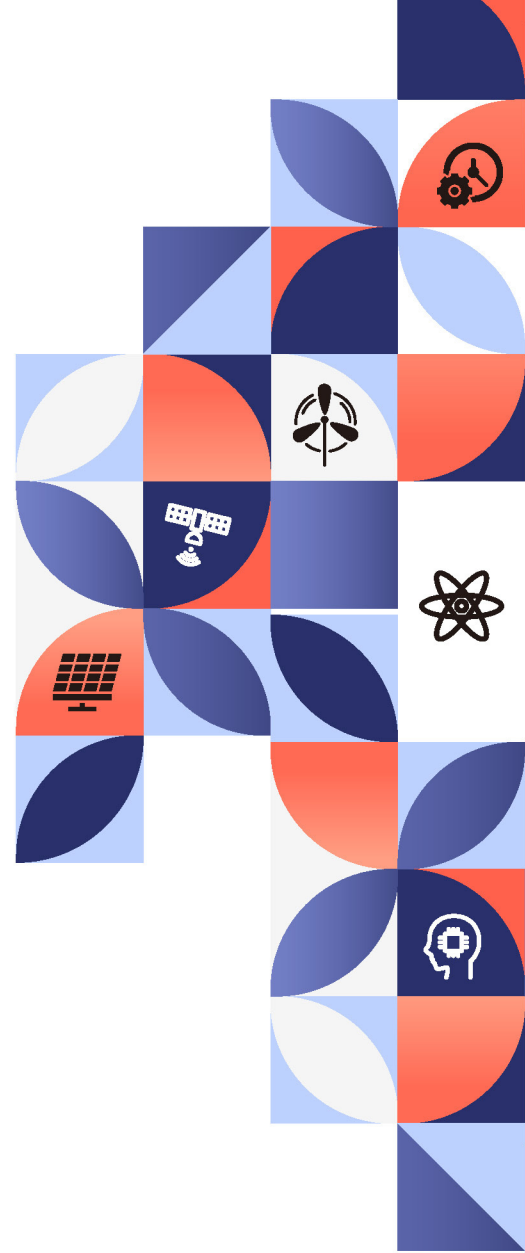
북유럽의 포용적 성장과 일본의 지방창생전략

일시: 2019. 5. 9. (목) 09:00 ~ 11:50

장소: 대전컨벤션센터(DCC)

주최: 산업연구원, 대전세종연구원, 한국지역정책학회

후원: 국가균형발전위원회, 산업통상자원부




4차 산업혁명시대의
지역혁신과 포용적 성장

PROGRAM

시 간		진행순서
09:00~09:10	'10	• 인사 및 소개 박 경 (목원대학교 교수)
09:10~10:00	'50	특별강연1: 성장과 평등: 북유럽국가에서의 혁신과 후생의 연계 Björn Asheim (룬트대학교 교수)
10:00~10:50	'50	특별강연2: 일본의 지방창생정책과 지역사회의 미래 Hiroshi Matsubara (동경대학교 교수)
10:50~11:50	'60	토론자: 강영주 (대전세종연구원 미래전략실장) 구양미 (서울대학교 교수) 문창용 (대전광역시 국장) 이경호 (산업통상자원부 과장) 허문구 (산업연구원 선임연구위원) ※ 가나다 순

※ 순차통역(영어, 일어) 제공



4차 산업혁명시대의
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CONTENTS

| 특별강연 1 | 성장과 평등: 북유럽국가에서의 혁신과 후생의 연계 1

Björn Asheim (룬트대학교 교수)

| 특별강연 2 | 일본의 지방창생정책과 지역사회의 미래 23

Hiroshi Matsubara (동경대학교 교수)

| 토 론 | 31

특별강연 1

성장과 평등: 북유럽국가에서의 혁신과 후생의 연계

Björn Asheim (룬트대학교 교수)

Growth with equality: How the Nordic countries link innovation and welfare

Professor Bjørn T. Asheim * **

University of Stavanger*; CIRCLE, Lund University**
uis.no

Presentation at Workshop on 'Experience of inclusive development in the Nordic countries and local revitalization policies of Japan', Daejeon, South-Korea, 9th May 2019.

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1

Structure of the lecture

- Problem landscape: What is going wrong - growing populism: Why is it rare to observe growth with equality?
- Causes of the problems: Economic, historical, and cultural factors
- Underlying explanations of the causes: Long-term economic policy
- Is everything bad, or are there alternative stories: Introducing the dichotomy of liberal vs. coordinated market economies
- Why is some countries experiencing a better development?
- The way forward: How to deal with the challenges of lack of growth, increased regional and social inequality and populism? Can problems be solved, if there is still time, or it is already too late?

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2

The problem landscape - economic factors

- Strong growing populism in the developed, Western world
- Resulted in Brexit, Trump as president in the US, right and left populist parties in government in Italy (Lega (Nord) and Five Star movement) Le Pen and the Yellow Vests in France, Alternative für Deutschland, Sweden Democrats, True Finns, Danish People Party and Progress Party in Norway (and even stronger tendencies in Eastern Europe (Poland, Hungary, and Czech Republic, which I will not deal with here)
- Basic causes: *Economic* - slow economic growth or stagnation with low or no productivity growth and low or no increase in value output per worker resulting in high unemployment and stagnating living standards.
- *Migration* - Anti-immigrant parties: Strict immigration policy based on assimilation (not integration)
- An increasing unequal distribution of the low economic growth socially and regionally resulting in raising inequality in societies and growing disparities in income and wealth

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The problem landscape - economic factors

- This has resulted in geographical uneven distribution of growth and jobs with relatively prospering larger urban areas (the centre) and declining smaller towns and rural areas (the periphery - 'the revenge of the places that don't matter')
- This picture of the development of economic welfare corresponds to the political/electoral landscape: In larger urban areas majority for Remain and Clinton, while the core voter for Brexit and Trump as well as populists parties in general is found in the peripheral areas
- However, there is a historical and cultural dimension to this too beyond the economics: The relatively strength of traditionalists/nationalists vs. 'enlightenment'/civilisational influence
- Educational level - on average much higher levels in larger cities

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4

The problem landscape: Historical and cultural factors

- Raising populism is not just a result of contemporary economic factors but has historical and cultural roots
- Resistance to - especially 'non-white' - immigration is strongest in peripheral areas, which have very few of this type of immigrants, and lowest in larger cities, where one finds the largest share of these immigrants
- It was not the poorest voters who voted for Trump in his core areas; Clinton's voters in these areas had a lower average income
- The populist 'instinct': 'the inherent malice and ability to suppress other people that resides in human beings' (according to the Jante law, formulated in 1933 by a Norwegian author, Axel Sandemose, living on a remote island in Northern Jutland, Denmark) or 'the glee of punishment' (Kuper, FT) and 'why is everyone so mean and stupid, and why is it getting worse?' (Armstrong, FT)
- Does any recognise familiar features in Trump - being 'authentic' and not civilised? (Paradox living up in a rich family in NYC)

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5

Explanations of the causes

- Three important explanatory factors:
 - Neo-liberalism of deregulation and liberalisation
 - EU's austerity economic policy
 - Globalisation
- *Neo-liberalism:*
 - A 20th-century resurgence of 19th-century ideas associated with laissez-faire economic liberalism and free market capitalism
 - Reduction in government spending in order to increase the role of the private sector in the economy and society
- These market-based ideas and the policies they inspired contributed to a paradigm shift away from post-war Keynesian consensus, which lasted from 1945 to 1980

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6

Neo-liberalism - deregulation and liberalisation

- This policy manifested itself most explicit in Britain and the US, i.e. liberal market economies, in the 1980s during the regimes of Reagan and Thatcher
- It meant 'liberating' the repressive tendencies of capital by 'freeing' capital of restrictions and regulations and weakening countervailing power such as represented by trade unions
- The state is the problem and the family and the civil society (Cameron: 'The big society') should take over as a problem solver
- However, the family and civil society cannot solve serious structural problems such as globalisation and robotisation, and, thus, cannot substitute the state as problem solver
- Ideological 'compensation': Religion (US) and migration take over the roles as problem solvers/causes of problems in populism

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7

Neo-liberalism

- This resulted in less power of the state to tax corporations, which resulted in less public spending to fund and promote the civilisational tendencies of capitalism ('Reagan put the economy on a trajectory that ultimately led to the triumph of Trumpism and an economy of malaise' (Komlos, 2018))
- Another outcome - pointed out by Lazonick - of allowing CEOs to be partly paid in share options, which collapsed the division of labour between the CEOs as value creators and the Board as value extractors. This increased the short termism of the system
- Today this has resulted in share buybacks to boost share values in a short term perspective instead of investing profit in R&D and innovation to secure future competitiveness
- Research and development as a percentage of revenue has declined since the 1980s, in part because the share price usually suffers when companies announce this kind of spending

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8

Neo-liberalism - further aspects

- This has also led to a huge increase in social inequality. The median chief executive of a large US company received 254 times as much as the median employee in compensation in 2018 (with about one in 10 earning more than 1.000 times as much). The multiple 40 years ago was under 30.
- It also meant opening up the media sector for private capital, with the result we see today of the dominance of FOX-like news stations and newspapers, and a 'beyond facts' world
- Nobody reflected on the difference between tangible and intangible products - tangible products such as cars can more easily be regulated through setting standards (even if VW cheated), but what is the criteria for a high quality intangible product (news) - it has been 'reduced' to popularity polls
- This implied that the traditional 'educational' role of public broadcasting was eroded as well as the public platform for evidence and fact based public discourse

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9

The varieties of capitalism

- Neo-liberalist economic policy has effected *liberal* market economies (e.g. the Anglo-American world, especially US and UK) more more than *coordinated* market economies (Nordic countries and western Europe (Germany, the Netherland, Austria, Switzerland))
- The Gini coefficient after taxes and transfers is 0.394 higher in the US than anywhere in western Europe according to the OECD. The only western European country that approaches US inequality is Britain (and with less social mobility (unusually for Europe) than the US)
- In the Nordic countries the inequalities in Sweden the last 20-25 years have grown more than in the other Scandinavian countries due to greater impact of neo-liberalist policies reducing taxes (which has lead to growth in top incomes) and social security. Partly explained by the crises in the Swedish economy in the 1990s.
- Partly explanation of the election success of the neo-nazist Sweden democrates (together with the large influx of immigrants in 2015). A majority of voters and representatives of the party came from regions which 'don't matter'

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j10

Institutional framework: Varieties of capitalism – institutional complementarities

VARIETIES OF CAPITALISM	Liberal market economies (LME)	Coordinated market economies (CME)
Financial regulation	Short-term financial markets, equity financing	Long-term patient capital, debt financing
Corporate governance	Shareholder value, limited business coordination; antitrust laws	Stakeholder value, strong business associations, intercorporate networks
Innovation outcome	Radical innovation, involving sharp breaks with extant processes	Incremental innovation involving continuous product and process development
Capital-labour relations	Decentralized bargaining, contentious workplace relations	Coordinated bargaining, statutory worker representation
Training and employment	Basic education and firm-specific training, short tenure, high turnover of jobs, high interfirm labour mobility	Vocational training, long tenure, low turnover of jobs, low interfirm labour mobility

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Austerity economic policy

- Austerity is a political-economic term referring to policies that aim to reduce government budget deficits through spending cuts, tax increases, or a combination of both. Lead to increased unemployment and reduced consumption, the latter strengthened by tax increases
- Used by EU to solve economic problems in connection with the financial crisis and the Euro crisis. Led to tremendous economic difficulties for southern Europe (PIGS countries) - very high (youth) unemployment
- The budget discipline of austerity promoted by Germany which strongly benefited from the introduction of Euro (in contrast to the weaker economies in southern Europe)
- In the UK parts of an austerity economic policy (the reduction of government budget) goes hand in hand with a neo-liberal policy. Partly explanation of the outcome of the Brexit referendum

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Theoretical perspectives - globalisation

- Not confuse globalisation with international trade
- International trade is just trade between countries, and has existed for several hundred years - internationalisation
- Globalisation is a relatively new phenomena from the beginning of the 1970s due to enabling factors such as technological development in production, communication, coordination and transportation
- It represents the global externalisation of the internal technical division of labour inside a factory, based on functions (tasks), what Marx called 'die manufaktuellen Arbeitsteilung', which lead to global production systems and value chains - first example: Ford's global car concept. Dicken got this right from the beginning in his 'Global Shift' (1992):

'Internationalization' refers simply to the increasing geographical spread of economic activities across national boundaries; as such it is not a new phenomenon. 'Globalization' of economic activity is qualitatively different. It is a more advanced and complex form of internationalization, which implies a degree of functional integration between internationally dispersed economic activities'.

Globalisation

- Internationalisation was based on the 'gesellschaftlichen Arbeitsteilung' - societal division of labour - which meant that regions and countries specialised in producing specific commodities for the market, which they - based on internal resource endowment - could do relatively most efficient (comparative advantage)
- Globalisation transfers power from countries to large corporations (TNCs vs. MNCs), which controls the global production systems and value chains
- More and more it is a trade between corporations in different countries most often in parts of products but also in final finished products, and not between countries as such
- Thus, globalisation cannot be substituted by 'openness' as Bill Emmott suggests in FT as a solution to the resistance towards it
- Combined with deregulation and liberalisation TNCs becomes increasingly difficult to control for nation states, which gives TNCs ample opportunities of manipulating and exploiting different tax regimes, labour regulations and social legislations in countries, whose industries are part of GPNs and GVCs

Globalisation

- Furthermore, private corporations gain advantages of policies (industrial, research and innovation, education) in individual countries, while it becomes increasingly difficult for nation states to gain any pay-back from these investments and to share social costs of TNCs operations
- On the other hand globalisation means a potentially more optimal use of global production factors, which creates competitive advantages for companies and cheaper products for consumers. This can have negative effects on industry in developing countries
- Challenge to find ways to control and regulate TNC - supranational organisations such as EU potentially useful tool
- Challenge largest for developing economies due to assymetric power relations
- Japan, South Korea and Taiwan did not become developed and rich due to globalisation but through national control of trade and industrial policy based on a combination of import substitution (infant industry argument) and export orientation

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15

Explanations of the causes - the basics

- The working of capitalism
 - Her we turn to Karl Marx, who still is the only scholar providing the fundamtal insight in the basic principles of how capitalism works
 - Marx argued that there is two tendencies inherent in the capitalist mode of production: The civilisational (dynamic/progressive forces) and repressive (pervasive) tendencies (formal and real subsumption) > Capital's tendencies of systematic and continuos dominance of all aspects of society - what Habermas called 'the system's colonisation of the lifeworld'

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16

Theoretical perspectives: Marx

- Innovation represents the *civilisational* (i.e. dynamic/progressive) tendencies of capitalism, which should be actively promoted
- Caused by the two main 'contradictions':
 1. Capital - labour
 2. Between capitals - competition between capitalists based on innovation and not cost - 'high road strategy' (innovation systems approach, Porter's cluster argument)

Ad 1: Nordic trade unions' wage demands forcing capitalists to innovate and at the same time securing a reasonable share of the value creation distributed between capital and workers

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Theoretical perspectives

- In the latter, based on national coordinated wage negotiations between capital and labour, strong trade unions and reciprocal accepted institutions governing the system, lies the source of the coordinated capitalist system to link innovation and welfare
- The repressive tendencies must be regulated and controlled (i.e. the financial crises would not have evolved if banks and the financial system were properly regulated) - the failure of 'neo-liberalism'
- The 'beauty' and strength of social democratic parties in the Nordic countries and other coordinated market economies was that this (i.e. the two tendencies of capitalism) was understood
- Civilisational tendencies were supported through economic and industrial/innovation policies and repressive tendencies regulated

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18

Theoretical perspectives: Schumpeter

- He argued that innovation was the source of economic and social change. Without such innovation, resulting from the activities of entrepreneurial individuals and big firms (contradictions between capitals), society would be stagnant
- Capitalism fuelled by innovation - must grow to survive - innovation the engine of capitalism
- Distinction between Schumpeter Mark I and Mark II industries
- Mark I: Innovation and technological change of a nation come from the efforts of entrepreneurs, or 'wild spirit' of entrepreneurs
- Mark II: Agents that drive innovation and the economy are large companies which have the capital to invest in R&D of new products and services and to deliver them to customers cheaper, and thus raising their standard of living

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Theoretical perspectives: Innovation systems

- A dynamic perspective on innovation and learning in the promotion of economic growth with an active role of government stimulating learning and innovation (i.e. the 'high-road' strategy)
- Placing innovation at the centre of economic growth
- Innovation as interactive learning (between T-H stakeholders (+ civil society) as well as within firms and organisations) - alternative to and critique of the linear, R&D based model
- Linking exploration and exploitation (e.g. strong R&I milieus)
- Innovation at the centre of economic growth
- IS both selection environments (shaping selection processes) and sources of new variety creation (shaping creativity)

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Innovation as a progressive force

- Productivity growth (process innovation)
- More value added production (product innovation)
- Smarter ways of doing things (organisational innovation)

In a globalising knowledge economy:

- Secure growth (developed economies)
- Promote growth (developing economies)
- Enable growth (less developed economies)

Strategic mechanism for solving societal problems (economic growth, poverty, environmental and climate problems, ageing)

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What has happened to innovation?

- Innovation has traditionally represented the most important source for increased labour productivity and value creation per worker
- But this seems not to be the case anymore. Even FT has asked the question why innovation does not deliver in the same way it did before, based on evidence of stagnating productivity growth and value output per worker even in the US in 2016
- Here we turn to Schumpeter's two 'agents' generating innovation and economic growth: the entrepreneur (Mark I) and the big corporations (Mark II)

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22

What is 'wrong' with innovation today?

- Today entrepreneurs create disruptive innovations, which only makes themselves richer but not their host societies
- Take airbnb as an example (one could also use Uber): Without a huge expansion in tourism, airbnb eats into the market of regular accommodation facilities (e.g. hotels etc.)
- Even if hotel jobs are mostly low skilled jobs and salaries not very high, hotels create employment and they pay tax as do the hotel employees. Owners of airbnb do hardly pay any taxes and do not employ any workers. Thus, they do not make societies richer

What is 'wrong' with innovation?

- Big corporations are more and more focused on tax evasion, share buyback and other short term activities, instead of investing their profits in innovation to secure future competitiveness
- Even pharmaceutical companies, that traditionally invested heavily in R&D, are now seeking mergers not based on improving their R&D capacity and increasing the number of new drugs in the pipeline, but to be able to relocate their headquarters to countries with lower corporate tax to pay less taxes
- Combined with less public money spent on R&D, this has implied that the underlying rate of innovation has slowed down, breakthrough innovations appears with longer intervals, resulting in lower productivity and value creation

Regional Innovation Scoreboard: 2018 Findings

- *Innovation leaders*: Stockholm, Copenhagen, South East UK, German, Benelux and Swiss regions. In Germany: 14 regions; Switzerland: 7 regions; UK: 5 regions; Sweden: 5 regions; Finland: 3 regions; Denmark: 2 regions; Norway: 2 regions; France: 2 regions. The remaining regions are strong innovators
- *Strong innovators*: Mostly regions in the Nordic countries, Germany and Switzerland. In Southern Europe only one region: Basque Country, and in Eastern Europe two regions: Prague and Bratislava
- *Moderate innovators*: Southern and Eastern European regions
- *Modest innovators*: Eastern European regions



Economic performance: Global competitiveness report (World Economic Forum)

	2005	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
▪ Finland:	1	6	6	7	4	3	3	4	8	8	10
▪ Sweden:	3	4	4	2	3	4	6	10	9	6	7
▪ Denmark:	4	3	5	9	8	12	15	13	12	12	12
▪ Norway:	9	16	14	14	16	15	11	11	11	11	11
▪ Spain:						36	35	35	33	32	34
▪ Italy:						42	49	49	43	44	43
▪ Portugal:						49	51	36	38	46	42
▪ Greece:						96	91	81	81	86	87

(2017: 1. Switzerland, 2. US, 3. Singapore, 4. Netherlands, 5. Germany, 6. Hong-Kong)

Basic requirements subindex: Infrastructure, macroeconomic environment, health and primary education > key for **factor-driven** economies

Efficiency enhancers subindex: Higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size > key for **efficiency-driven** economies

Innovation and sophistication factors subindex: Business sophistication, innovation > key for **innovation-driven** economies



Nordic innovation strategies

- **Finland:** *Science-driven* high tech strategy focusing on *radical product innovations* (STI mode of innovation). Adopted a *broad-based* policy combining STI and DUI modes of innovation - IS policy
- **Sweden:** *Technology-based* strategy of *process innovations* and *complex product innovations* through R&D investments in large industries (STI mode of innovation) - IS policy
- **Denmark:** S&T policies - innovation policy first introduced in 2012, combined with a *market/user-driven entrepreneurialism* characterized by *non-R&D* based, *incremental product innovations* especially within consumer goods sectors (DUI mode of innovation)
- **Norway:** *Resource-based* strategy for *process innovations* in large, export industries (STI mode of innovation - NIS/SIS policies) and *non-R&D* based innovations in SMEs (DUI mode of innovation - RIS policy)

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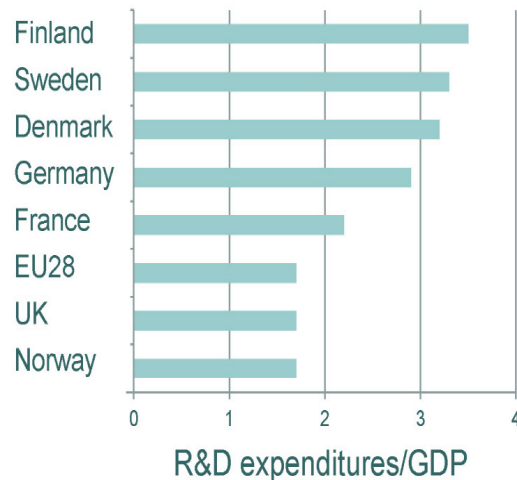
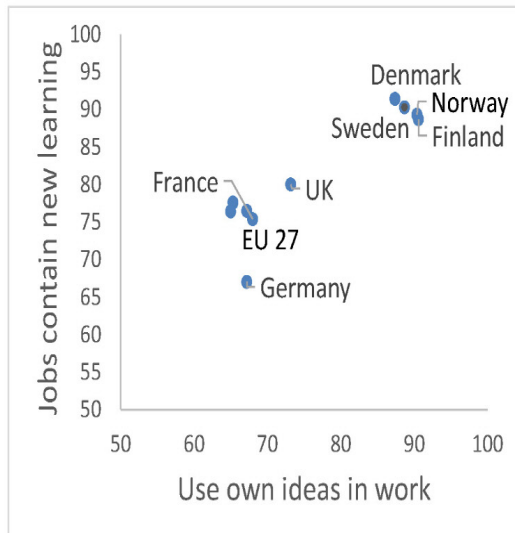


Forms of work organisation across European nations

- 'Learning' forms of work organisation (CME):
 - + : Netherlands, *Denmark*, *Sweden* and *Norway*
 - - : *Southern countries* and *Ireland*
- 'Lean' forms of work organisation:
 - + : UK, *Ireland*, *Spain* and France
 - - : Netherlands, *Denmark*, *Sweden*, Germany and Austria
- 'Taylorist' forms of work organisation:
 - + : *Southern countries* and *Ireland*
 - - : Netherlands, *Denmark* and *Sweden*
- 'Simple' forms of work organisation:
 - + : *Southern countries*
 - - : Netherlands, *Denmark*, *Finland* and UK



Broad participation - level of R&D-expenditures



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Innovation policy in Sweden

- Sweden has - according to OECD (2013) - the most resilient economy in Europe by always coming out of crises by being technologically more advanced
- It had an accumulated economic growth over the past three years of more than 10%, the highest in Europe (2017). Spain was second with 8%, however, starting on a much lower level, and not based on innovation but on cost reduction. (Sweden's growth has now slowed down due to large immigration)
- This is due to Sweden's proactive innovation policy existing before 'innovation' was part of the political discourse
- History matters: Long industrial history; large, international companies; 'pairing' of public utility suppliers (e.g. Vattenfall) with producers of capital equipment (e.g. ABB). Later theorised as 'development blocks' (Dahmen) and innovation systems approach, today implemented as 'strong Research and Innovation Milieus' (RIS) by VINNOVA
- Coordinated, long term innovation policy (10 years competence programs) focusing on new path development. Since 2001 VINNOVA as public agency responsible for innovation policy

Historical background - Sweden

- First promotion of strong R&I milieus in 1979 when STU (The Board for Technical Development) supported basic research in new and potentially important areas for Swedish industry (IT, microelectronics and biotech)
- First explicit promotion of strong R&I milieus in 1990 when 11 interdisciplinary material consortiums were established. This initiative had a 10 years perspective and was funded by the National Science Research Council
- In 1995 another ten years program was started (Competence Center Program). This is a further development of the concept which was introduced in the material consortiums. 28 centres were included in this program
- VINNOVA - Centres of Expertise - VINNEXcellence and VINNVÄXT - 10 years programs building strong, regional research and innovation milieus within a triple helix framework from 2003

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Social and welfare policies

- In the Nordic countries education and health policies is seen as investments in productive forces producing a well-educated and healthy, and, thus, productive workforce
- To sustain an universal welfare state a country needs a highly productive and competitive economy - central in the 'ideology' of social democrats and trade unions in the Nordic and CME countries
- A well-educated workforce is of strategic importance for firms', regions', and countries' absorptive capacity. Trade unions have been eagerly campaigning for an improved educational levels of the population
- The advanced production technology and technological development in Norway, in spite of relatively low R&D investments (>2%), is partly caused by the high level of absorptive capacity due to one of the highest levels of tertiary education in Europe (38% in 2013 against OECD average of 32%; in Italy only 10.5 % of the population had tertiary education in 2009)

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32

Education

- Norway uses in 2013 14.000 USD per student from primary to tertiary education (OECD average 9.300). This represents 9% of GDP (OECD: 6%). On the tertiary level 96% of the total spending comes from public sources (OECD: 68%; EU 21: 77%)
- Thus, education is seen as a collective, public responsibility and not only as an individual
- In addition to viewing education as a productive force to increase absorptive capacity, it is considered the main factor in promoting social mobility, which is a highly ranked political priority, contributing to egalitarian societies
- Consequently, education - including universities - is a free, public good with no tuition fees; in Norway to all citizens of the world, in Sweden and Denmark to citizens of the EU
- In the Nordic countries public agencies fund fellowships and subsidise cheap loans for students independent of family and own income

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33

Health and welfare policies

- The Nordic countries as well as other coordinated market economies typically have a well-developed system of unemployment benefit - long and generous. The same goes for maternity leaves
- The labour markets are regulated to secure job security and safety as well as to hinder wage dumping using importing labour from less developed countries. Workers are represented in firms' governing bodies
- The countries have an organised, public-private system of further education, to secure upgrading of the workforce partly so it is better prepared for new technological development, and partly to provide new employment opportunities for workers that have lost their jobs due to globalisation and technological development
- These arrangements are settled through negotiations between the partners of the labour market; as is done also with wage setting
- Hospitals are also a free public goods; in the Nordic countries without having to possess an insurance for hospitals. In Norway and Sweden the pension system is public, paid for by the public sector and the employer

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34

Summing up: Coordinated market economies as the alternative story of capitalist development

- Contrasts in economic and social development between CMEs and LMEs
- CMEs is not characterised by the same level of economic, social and regional inequality as the LMEs, even if there are tendencies of increasing inequality
- This indicates that neo-liberalism have negative effects in these countries, too, but also that countervailing forces are working
- The countervailing forces in play are efficient education, labour market and welfare policies that compensate, upgrade and secure the population work, income and welfare at a 'decent' level
- 'Many Germans worry that not everyone has benefited equally ... (from the country's amazing economic performance over the past 20 years). Much more than in the Anglo-American countries, Germany sees national growth as a national asset, and one that the state needs to ensure is distributed fairly. ... Does the state still serve its ultimate purpose to protect its citizens?' (NYT, 24th March 2017)
- These policies do not seem to slow down innovation and economic growth, rather on the contrary as many of the CMEs are among the most innovative and fastest growing economies (Sweden, Germany, Switzerland)

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Regulations promote innovation

- Traditionally, economists thought of regulation as a cost imposed by the government on companies (as Trump believes today)
- In the 1990s, Porter argued that government rules could sometimes push industries to pursue technological innovations that they would not have otherwise considered
- Numerous studies have shown that regulation promotes, rather than impedes, technological progress and innovation (in energy business, electronics industry and health care)
- Also in American car industry there is good historical evidence that regulations have been a primary driver of innovation. In the 1970s new fuel standards made cars smaller, safer and more fuel efficient, helping the car industry to become more globally competitive and catching up with European and Japanese imports
- Institutional complementarity to secure long-term rationality

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36

Why is CMEs doing better: Attempts at explanations

- The answer lies partly in institutional complementarities, which represents 'checks and balances' in the system and help mediating the civilisational and repressive tendencies of capitalism, and partly in the characteristics of the various institutions which produce long-term stability rather than short-term volatility:
 - *Financial regulation*: Long-term patient capital and debt financing vs. short-term financial markets and equity financing
 - *Corporate governance*: Stakeholder value vs. shareholder value
 - *Innovation outcomes*: Generally higher level of innovation across sectors and industries and a tendency of higher dependence on incremental than on radical innovations
 - *Capital-labour relations*: Coordinated bargaining, strong trade unions and statutory worker representation vs. decentralised bargaining, weaker trade unions and contentious workplace relations
 - *Training and employment*: Vocational training, apprenticeship, long tenure, low turnover of jobs and low interfirm labour mobility vs. basic education and firm-specific training, short tenure, high turnover of jobs and high interfirm labour mobility

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37

Why is CMEs doing better?

- It is **state with the market** that works in the CMEs and not market *against* the state as the neo-liberalist believe (Iversen and Soskice, 2019)
- The state is central in an advanced economy as government needs to ensure (that):
 1. Companies are subject to competition
 2. Workers are co-operative
 3. The population is adequately educated and trained
 4. The research that drives technological advance and innovation is funded
 5. The infrastructure on which the economy depends is built
 6. A fair distribution of value creation to secure social and regional equality

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38

The way forward: What can be done?

- State with the market: Combining innovation policy for economic growth with educational and labour market policies to secure a general high educational level of the population as well as specifically taking care of labour and regions that have been victims of globalisation and economic restructuring through public sponsored life-long learning to retrain and upgrade the affected labour force. Thus, making sure that people and places don't feel left behind (smart (innovative), inclusive and sustainable economic development - EU S3 policy)
- City regions and states in federal countries such as the US have also started to become places for 'niche' policy experimentation, e.g. with respect to environmental policy (California's Zero Emmission Vehicle program)
- Introduction of stricter regulation by EU and other supra-national units and agencies on anti-social exploitation of globalisation by TNCs and the one percent 'super rich' with respect to tax evasion, use of tax heavens, exploitation and dumping of labour (human rights regressions by companies using child labour and slave labour and causing irreversible damages to human health (Giuliani)), degradation of natural resources

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39

The way forward: The difficult, underpinning structural factors of governance and institutions

- At the end it all comes down to good governance and solid institutions, which is complex and long-term to change
- New organisations are relatively easy to build and also formal institutions such as laws and regulations can relatively quickly be changed (the introduction of neo-liberalist policy practices as an example), but informal institutions, such as trust and social capital, which represent the glue of the social order of good governance, is much harder and long-term to repair and strengthen
- The guiding principle and long-term goal should be to obtain a balance between promoting the civilisational tendencies and controlling the repressive tendencies of the capitalist system (through institutional complementarities). The environmental movement and green parties might be an agency to do this
- The first action that needs to be taken is to re-regulate media and broadcasting to get rid of big capital to recreate a public space for open and free exchange of ideas and meanings, where facts and evidence once again matters. The time perspective to do this, and to save the ideas of the enlightenment, is not very long

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40

특별강연 2

일본의 지방창생정책과 지역사회의 미래

Hiroshi Matsubara (동경대학교 교수)

KIET-DSI-KARP Symposium
Regional Innovation and Inclusive Growth
in the Fourth Industrial Revolution Era

Local Revitalization Policies and Future Regional Society in Japan

May 9, 2019

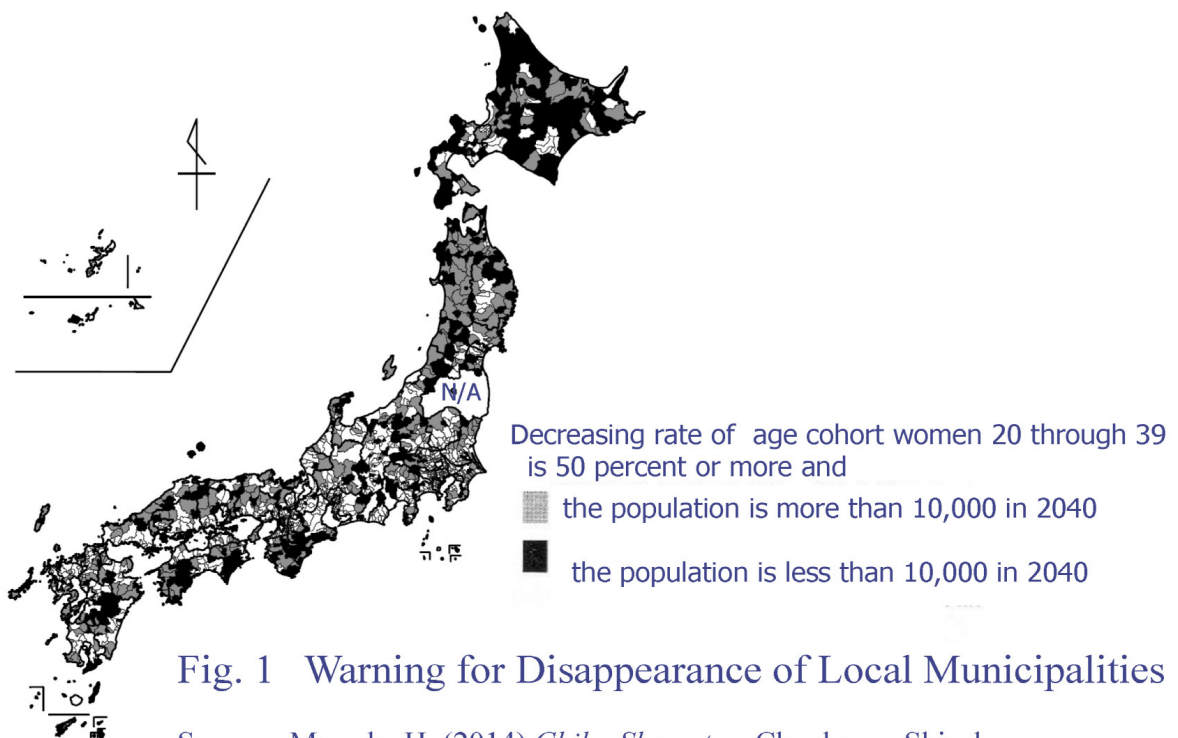
Daejeon Convention Center, Korea

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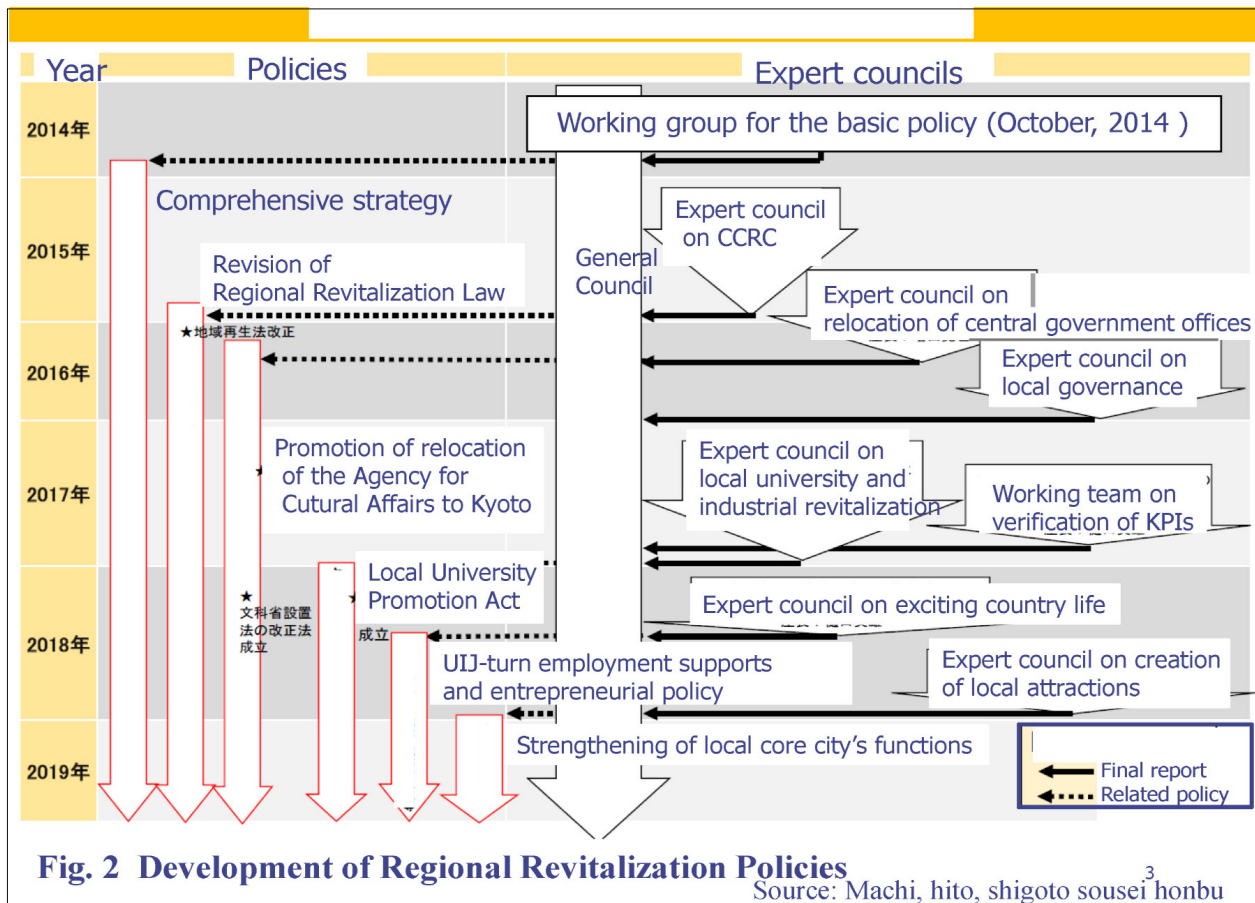
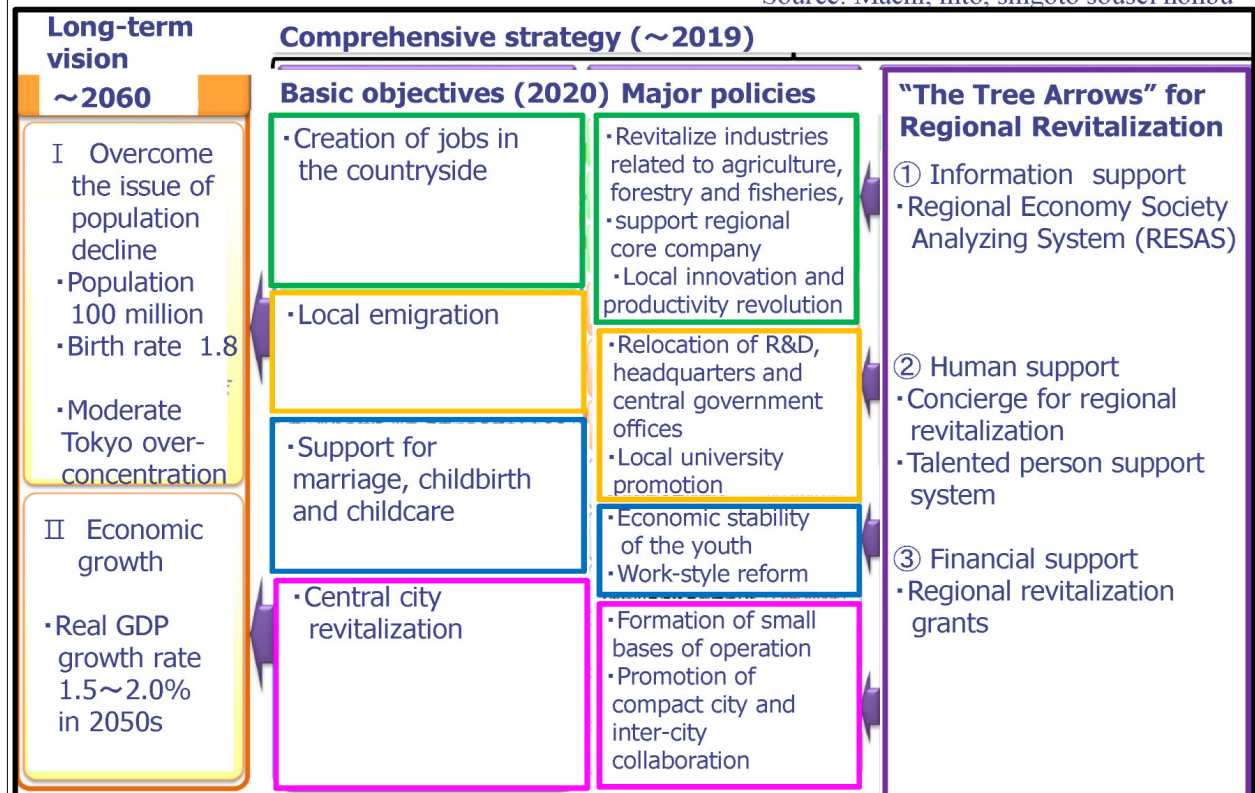
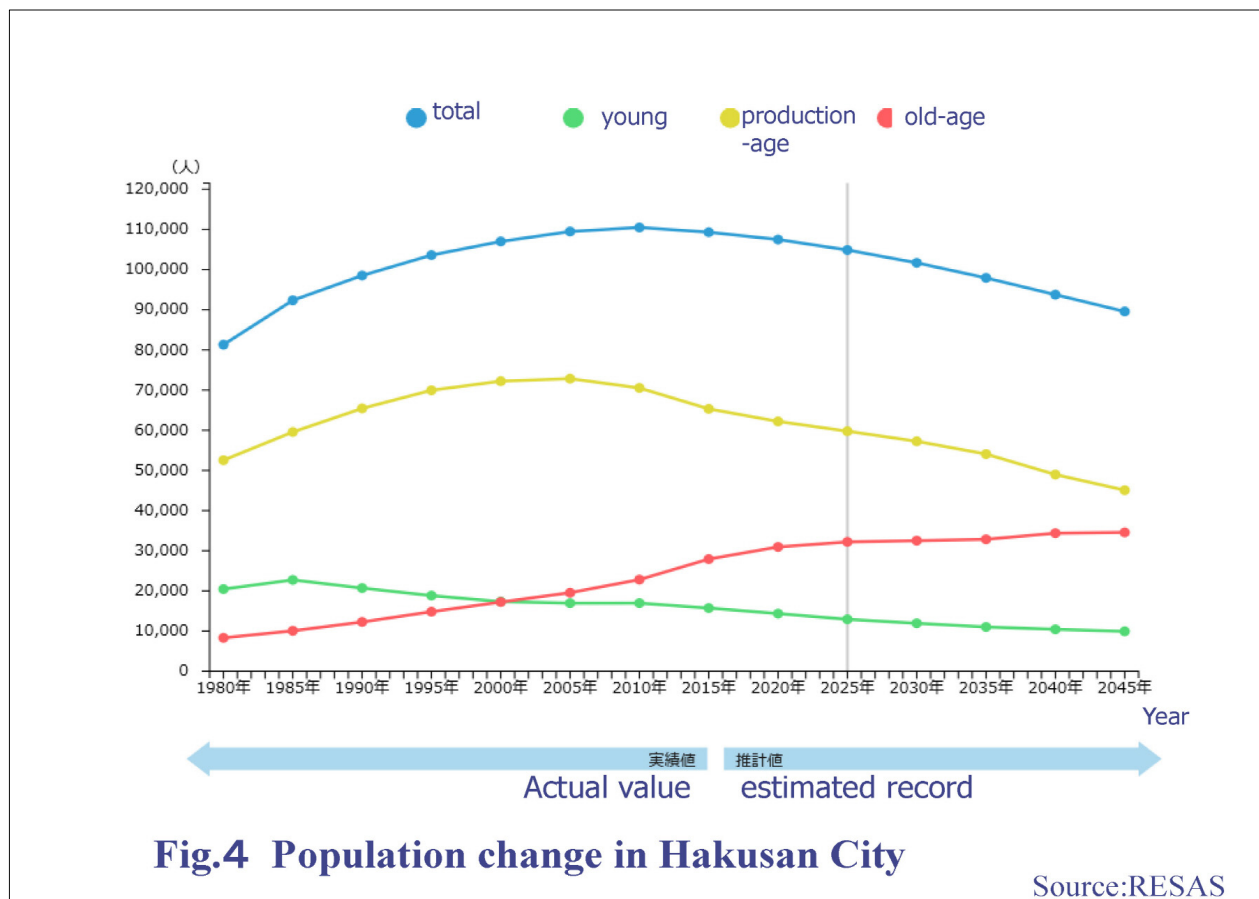
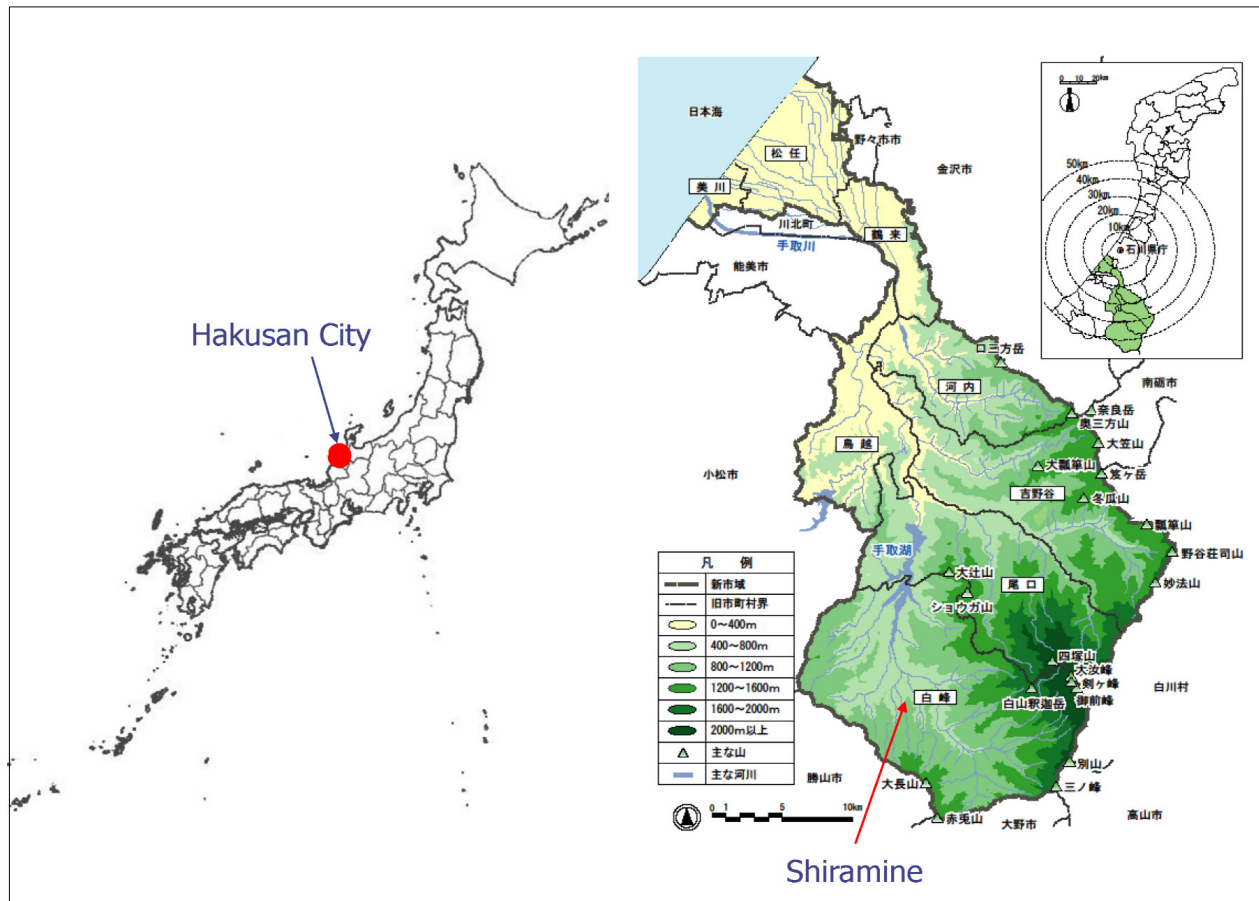
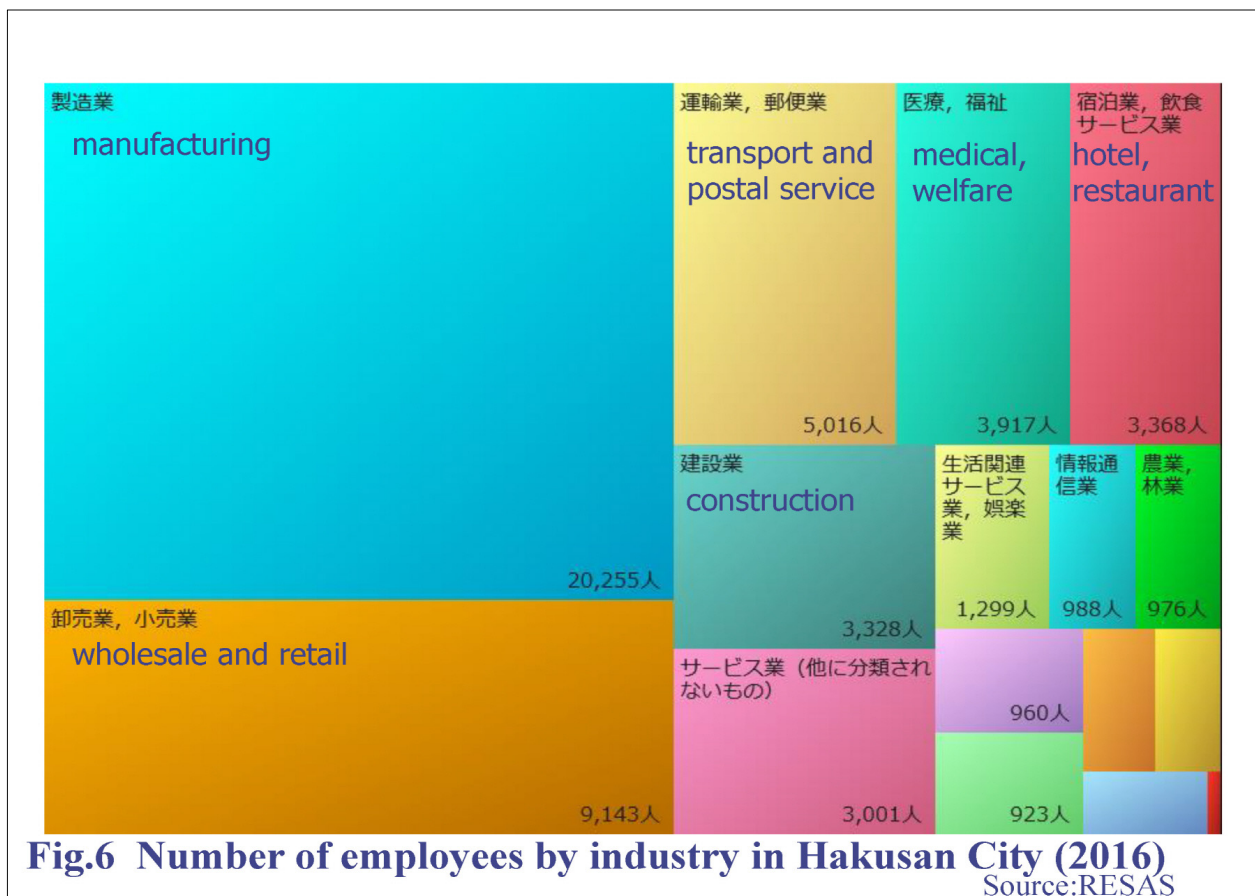
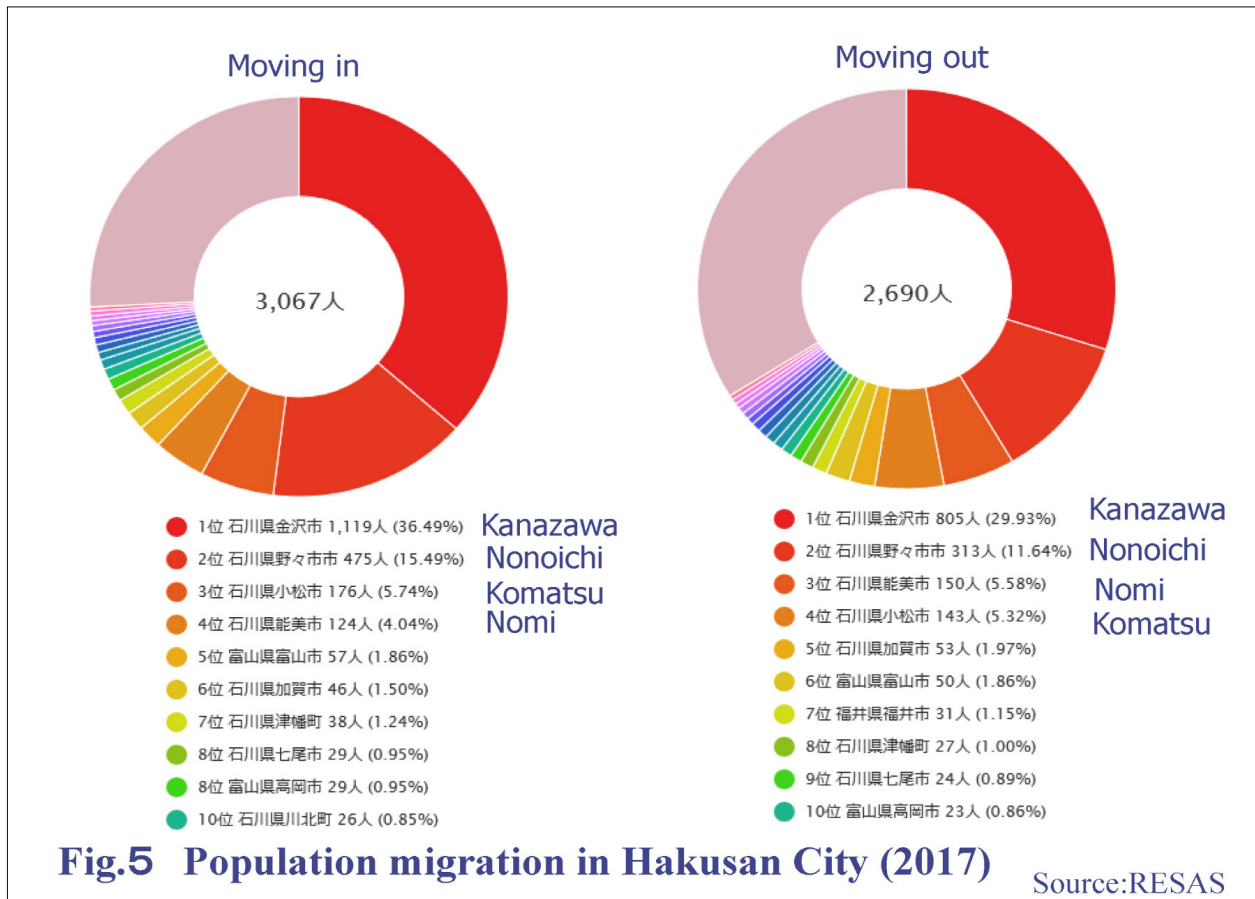


Fig.3 Overall Framework of Regional Revitalization Policies

Source: Machi, hito, shigoto sousei honbu







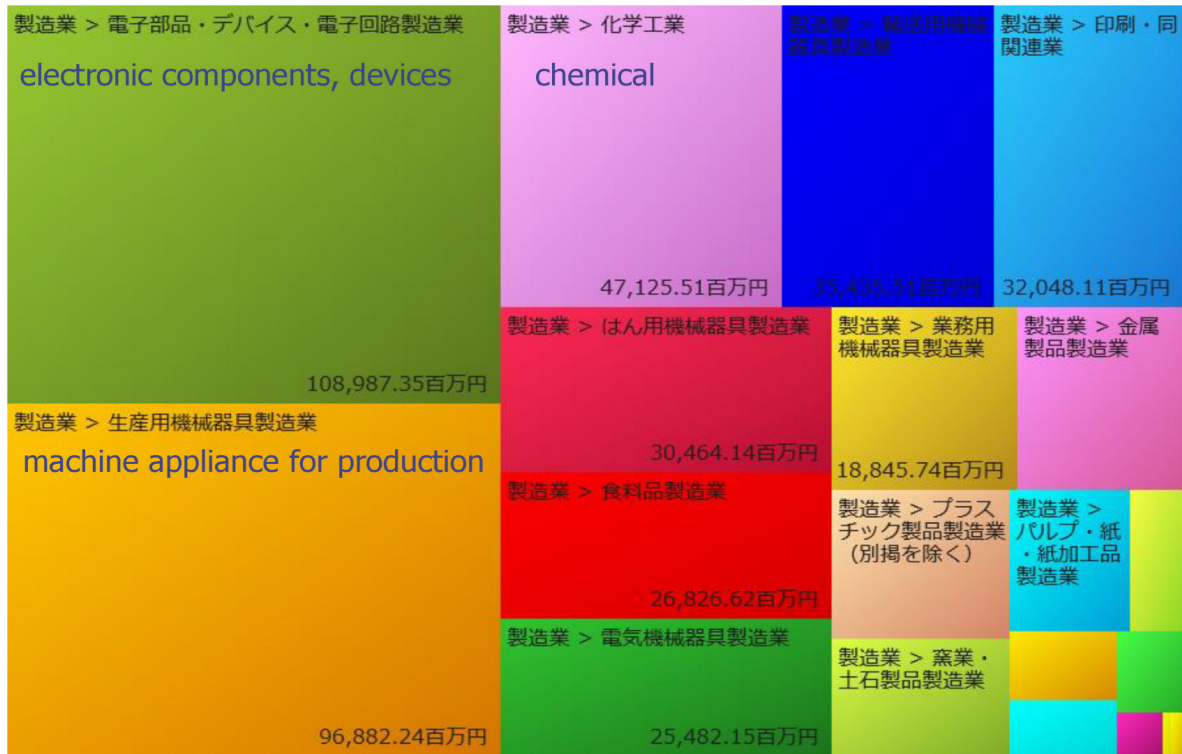


Fig.7 Value of shipments of manufacturing goods by industry in Hakusan City (2016)

Source:RESAS

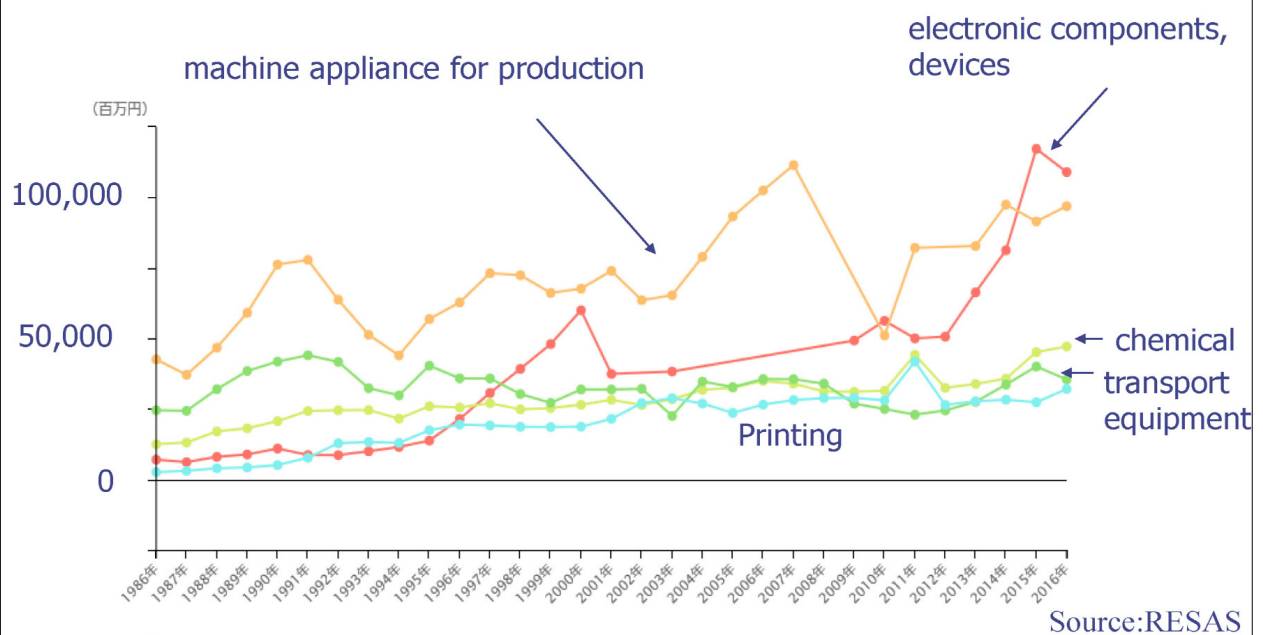
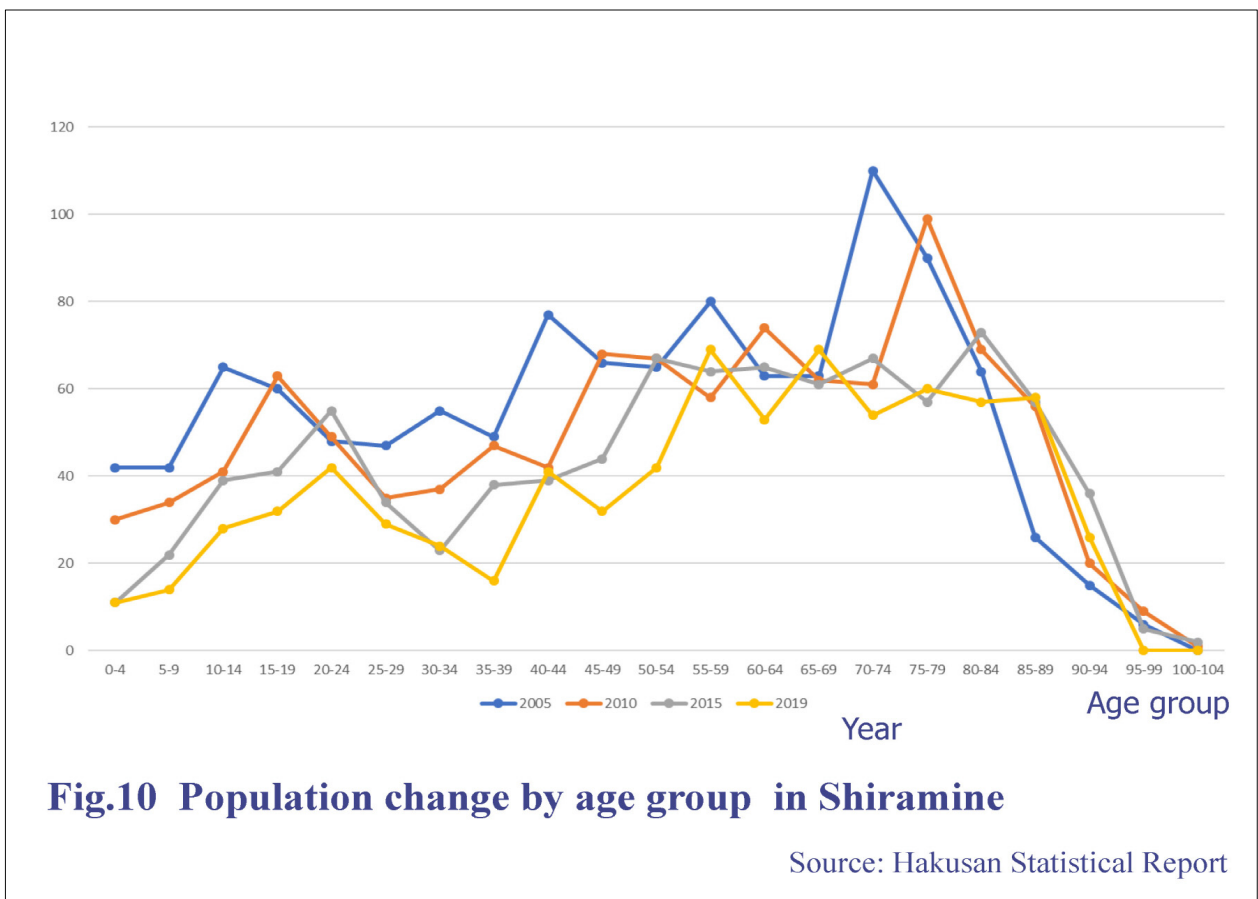
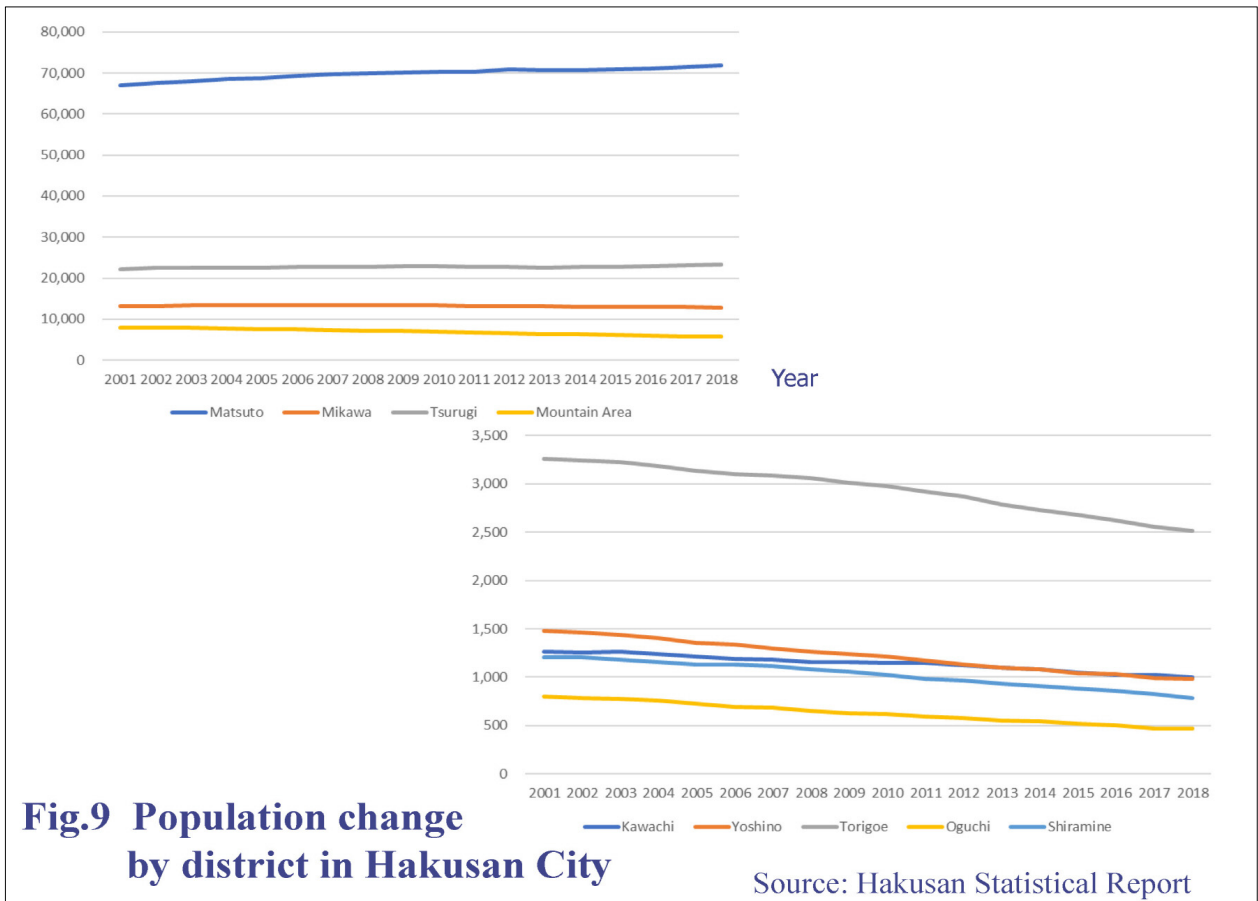


Fig.8 Change in value of shipments of manufacturing goods by industry in Hakusan City (2016)





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