

Europe of the Future and the Future of Europe: The Innovation/Austerity Choice

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Abstract:

Although innovation policy usually follows the business cycle, it is both desirable and possible to reverse this trend. Perhaps the most telling commentary on contemporary Europe is the silence that met the presentation, at the recent European Parliament Innovation Conference, of the Chinese R&D spending curve passing the European Union curve in 2013. This intersection is a symptom of a deeper divergence in response to economic downturn between societies committed to innovation and those committed to austerity. One response to downturn is to double down on fiscal stimulus to increase spending in the short term and to create jobs, exemplified by the early Obama Administration's relatively modest stimulus package. Another response is to pull back, decrease government spending or, at best, hold it constant, as in the UK. The optimal response, as exemplified by China's continuing infusion of resources into higher education and advanced technology development, is for government to pursue fiscal expansion targeted at innovation, providing short-term economic stimulus while accelerating the transformation from a manufacturing-based economy to a knowledge-based economy.

Keywords:

innovation in Europe, innovation policy, knowledge-based economy, R&D funding