

Innovative activity is unevenly distributed geographically, with regional characteristics such as global market accessibility or an innovation-promoting policy environment affecting the spatial distribution. Using global data on regional characteristics, regional patenting output, and innovation-promoting policy environments, this column examines the origins of innovation clusters, and particularly the role of R&D tax policy instruments, in attracting innovative firms. It estimates that innovation-promoting R&D tax policy instruments contribute to about one-tenth of the long-term economic growth around the globe.

Innovative activity in most countries around the globe is concentrated within a few highly productive regions. For instance, hardware and software innovating firms in the US concentrate in Silicon Valley, while in China the innovation technology and high-tech industry is largely located in the Shenzhen area. Petrochemical and pharmaceutical innovating firms in Germany agglomerate in the Rhineland-Pfalz region, while Switzerland hosts most of its firms in that industry around Basel. The presence of innovation clusters, however, is by no means only a sector-specific phenomenon. Across all sectors and all countries around the globe, we observe a large degree of spatial heterogeneity in regional innovative capacity (e.g. Ratanawaraha and Polenske 2007, Feldmann et al. 2010)...

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