

Fostering Inclusive Growth

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Schumpeterian growth theory

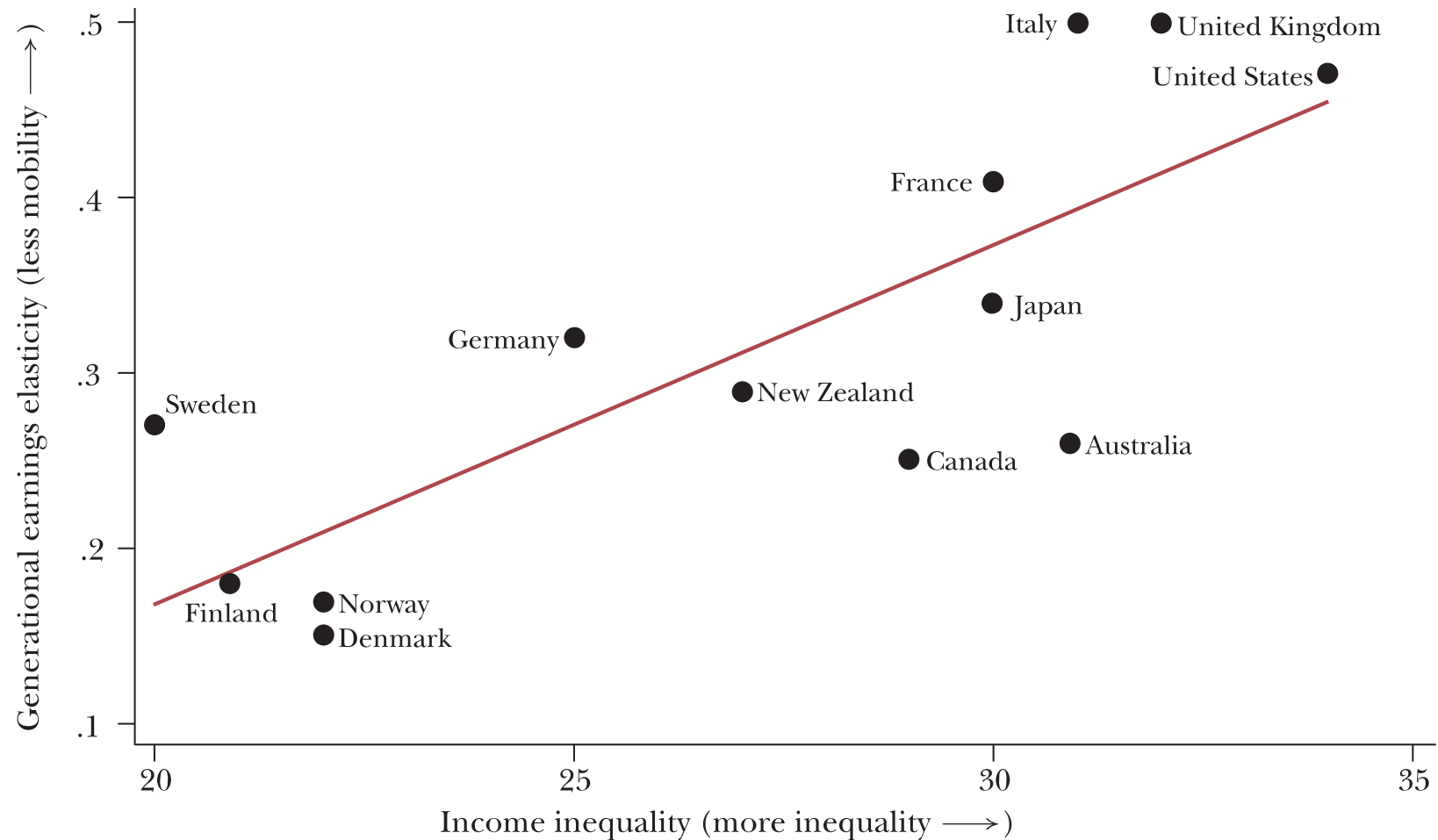
- Long-run growth driven by innovations
- Innovations result from entrepreneurial activities motivated by prospect of innovation rents
- Creative destruction: new innovations displace old technologies

Preliminary idea

- Different measures of inequality which must be looked at differently
 - Top income inequality, “Gini”, social mobility

Cross-Sectional Income Inequality and Inter-generational mobility

The Great Gatsby Curve: More Inequality is Associated with Less Mobility across the Generations



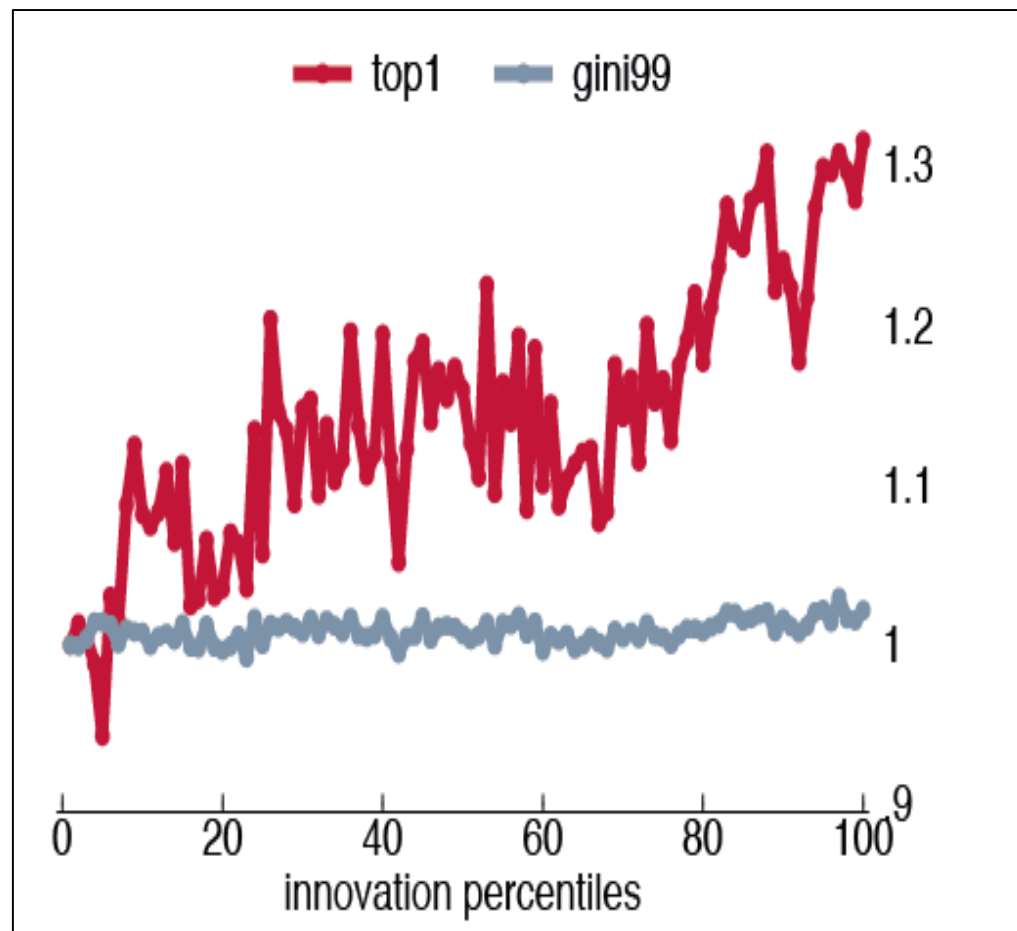
Source: Corak (2013) and OECD.

Challenge

- Can we make innovation-led growth more inclusive and how?

Not so obvious...

- Innovations generate rents from new products or processes...and it is precisely the prospect of such rents which motivates innovation investments
- Mr Skype is currently among the richest in Sweden...he was unknown 20 years ago...



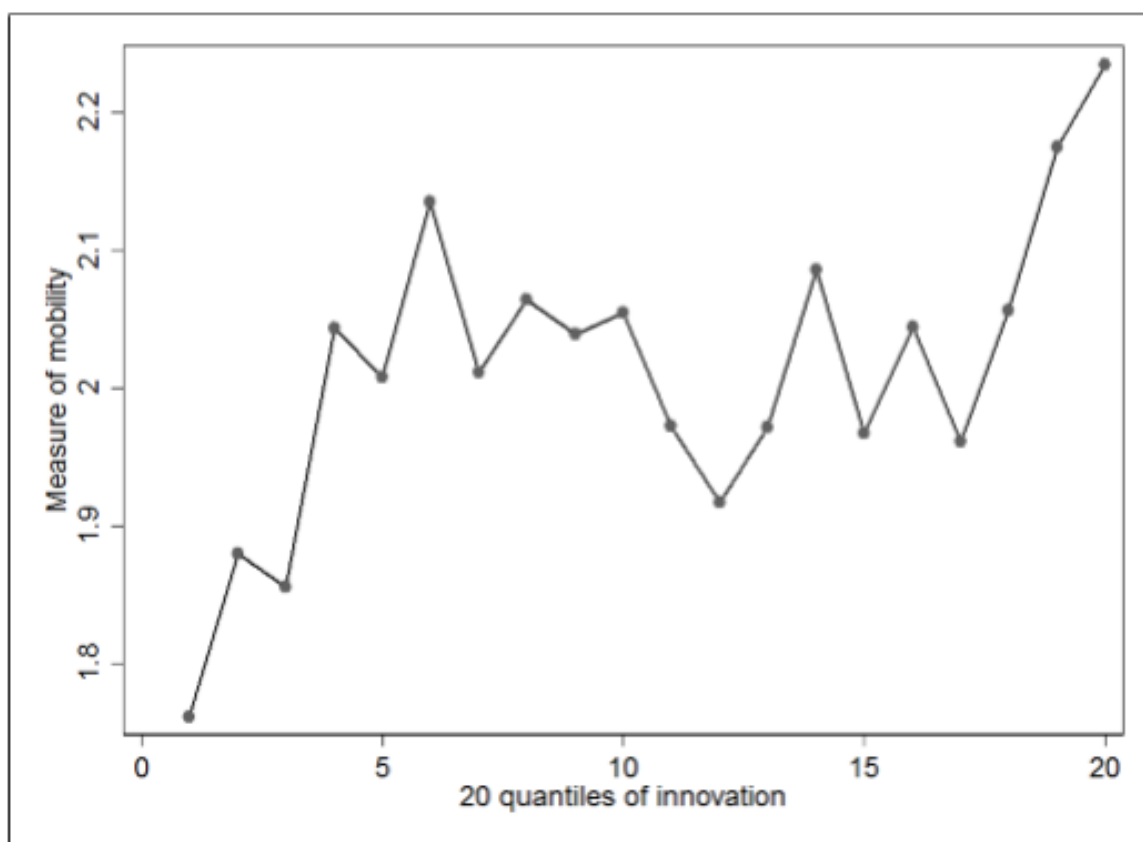
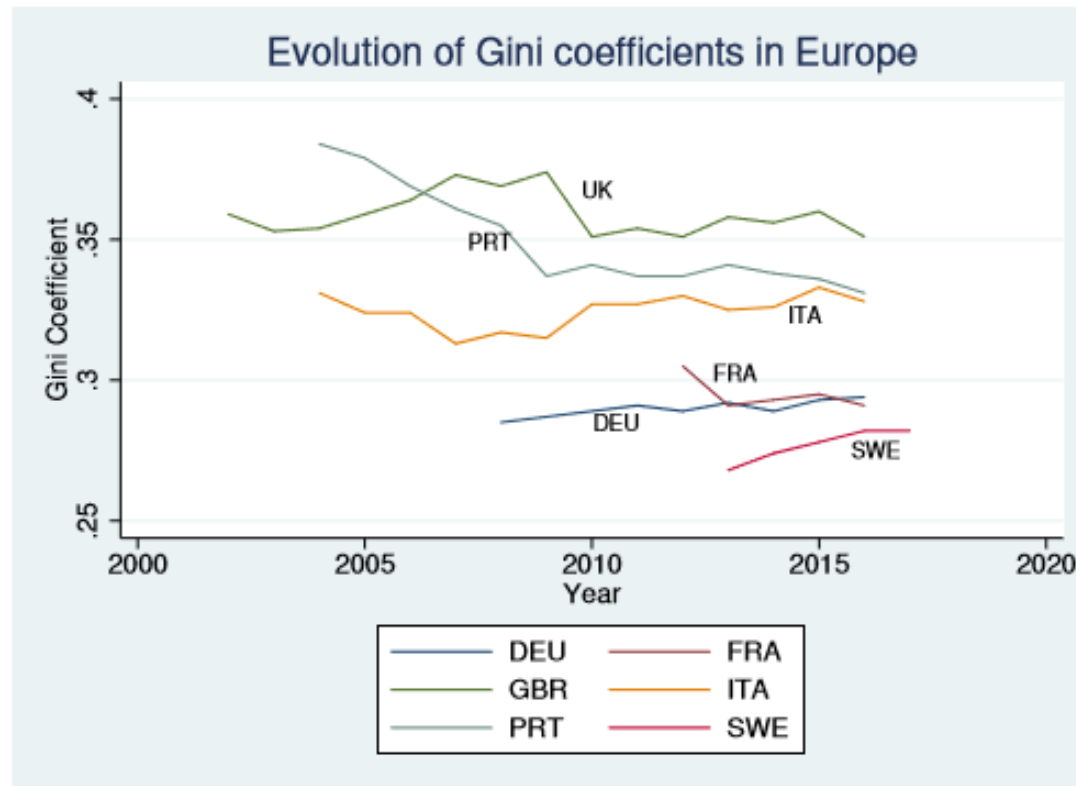


Figure 4: Innovation and social mobility

By contrast, lobbying...

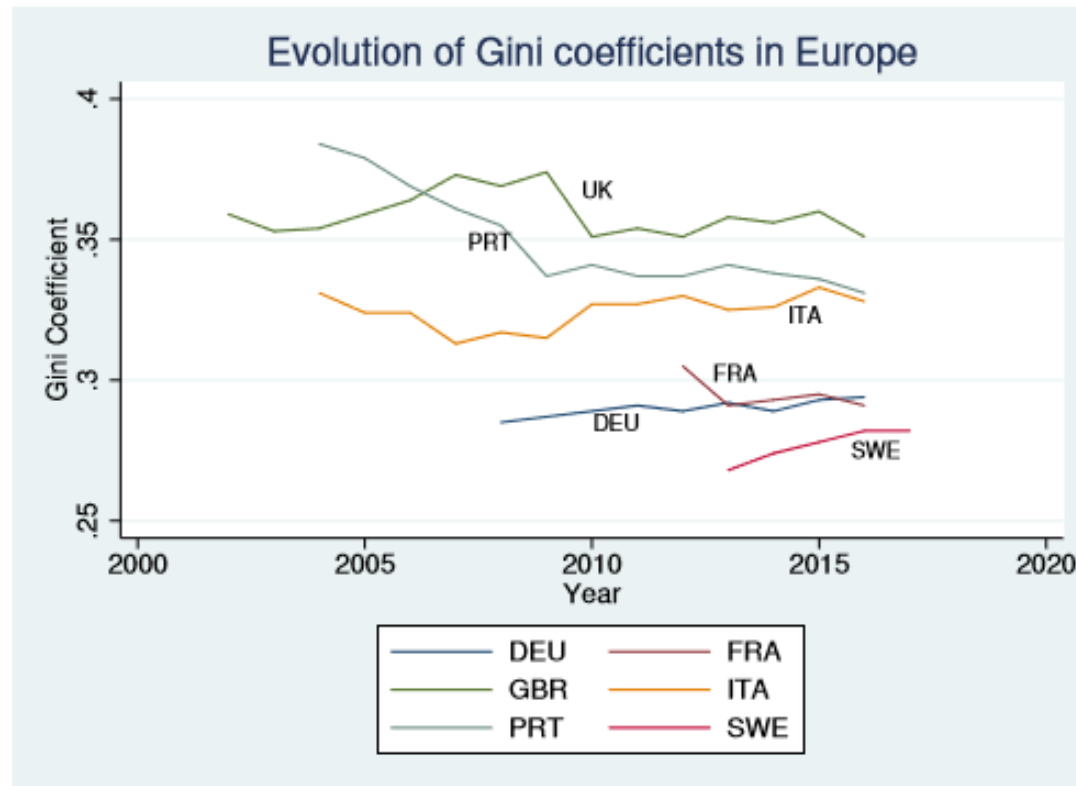
- Increases top income inequality
- Increases inequality at large
- Reduces social mobility
- Steve Jobs versus Carlos Slim

Gini Coefficient (after redistribution)



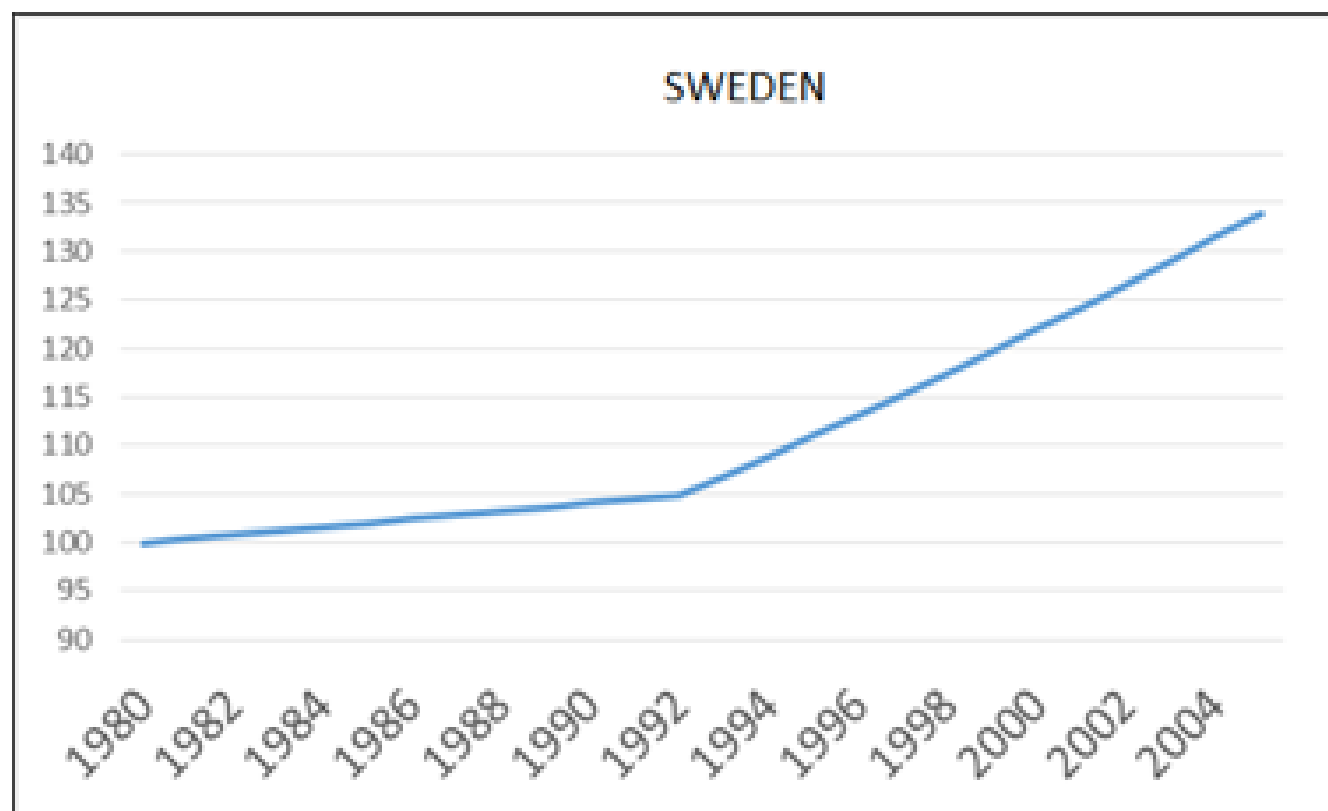
The tale of two EU countries

Gini Coefficient (after redistribution)

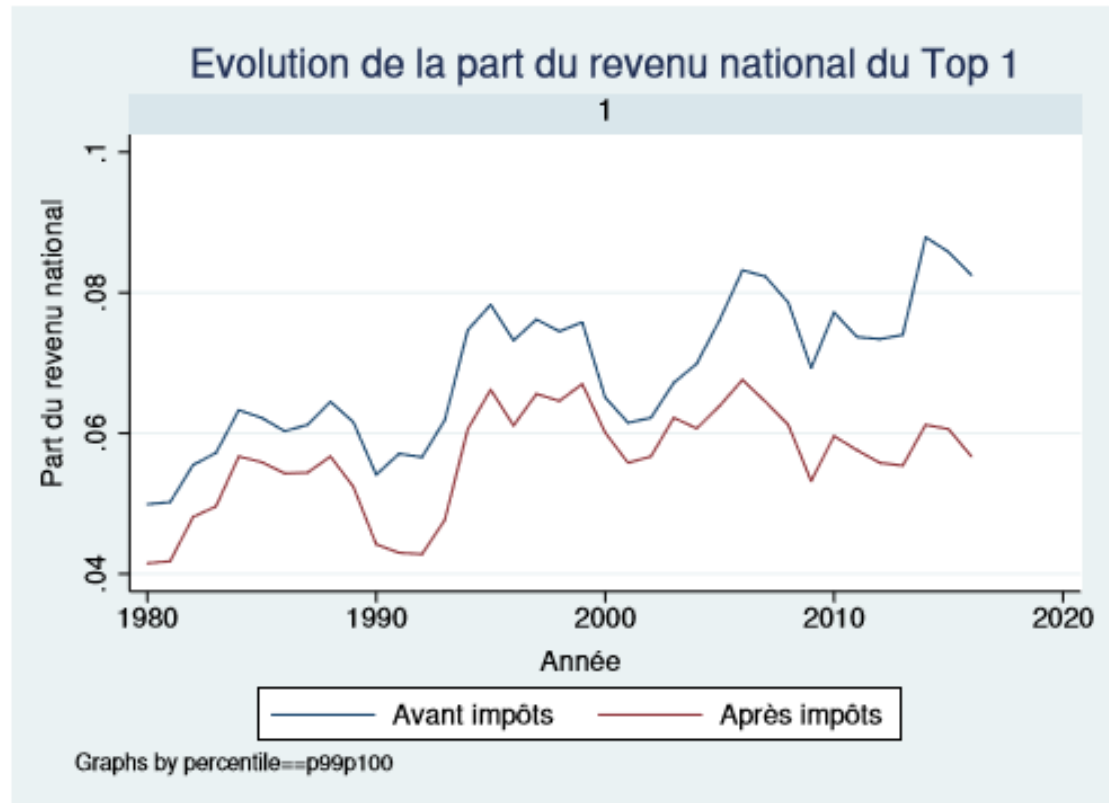


Resident Patent Application

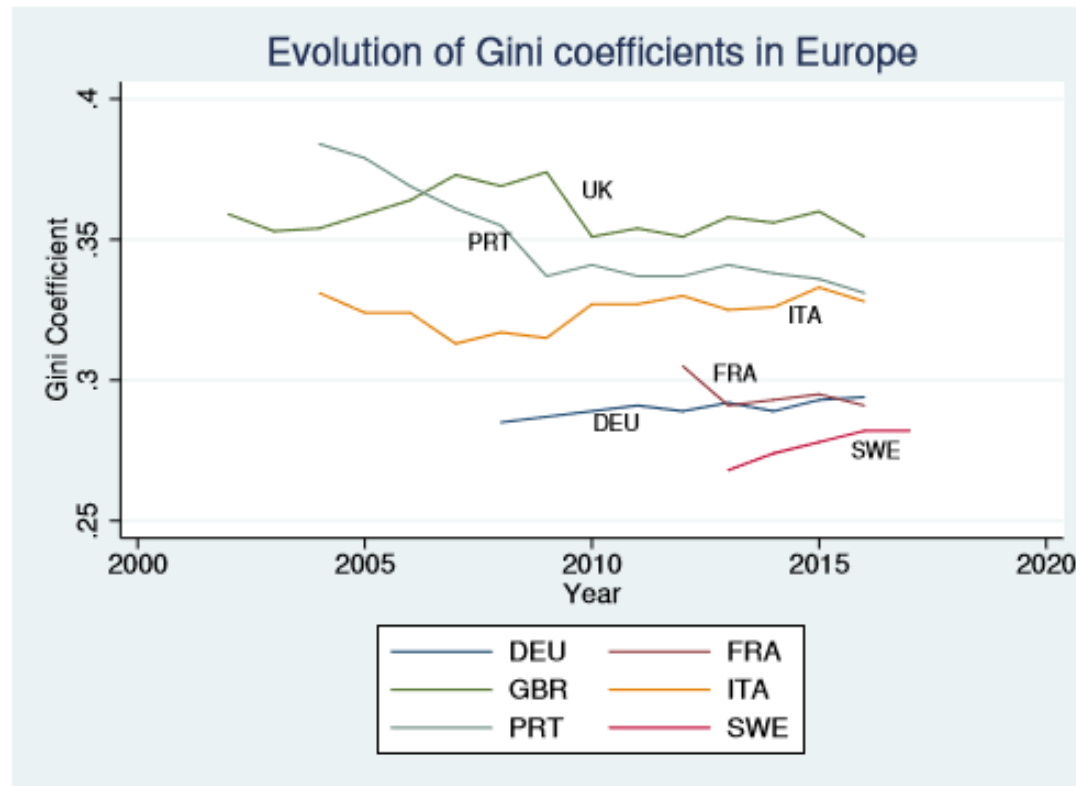
Country	RPA in 2017 per 100 billion GDP (in 2011 PPP US\$)
Germany	1961
Finland	1439
Denmark	1340
Sweden	1222
France	966
UK	710
Belgium	651
Italy	610
Portugal	276
Ireland	243
Spain	241



Sweden



Gini Coefficient (after redistribution)



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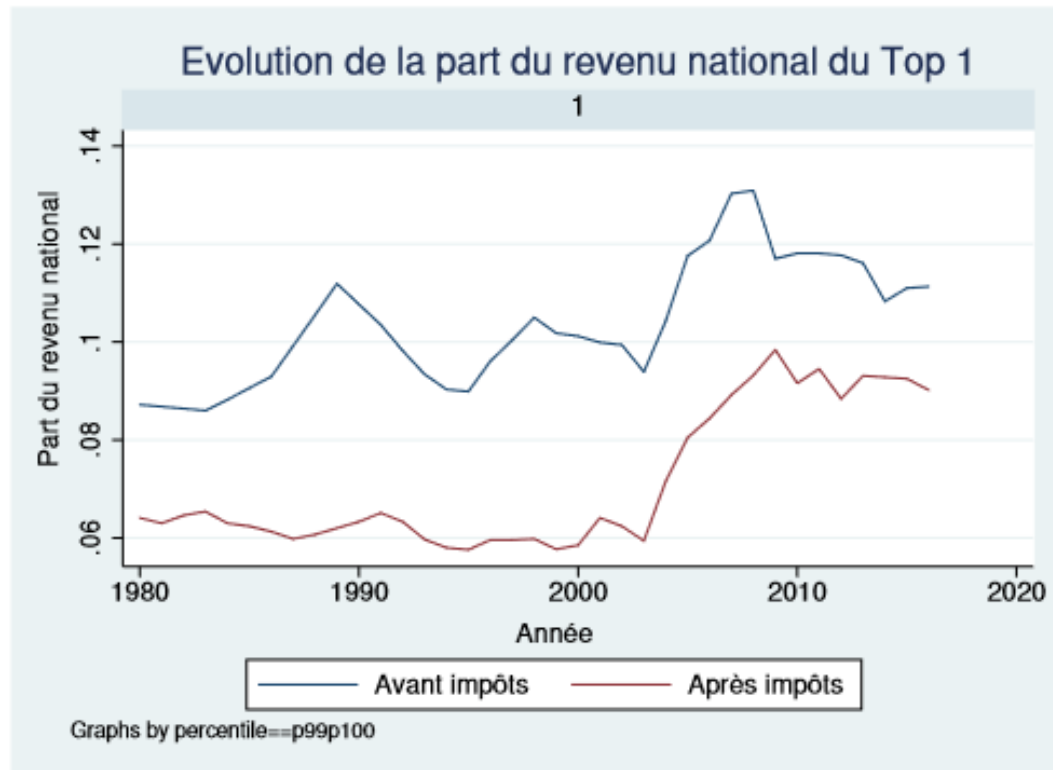
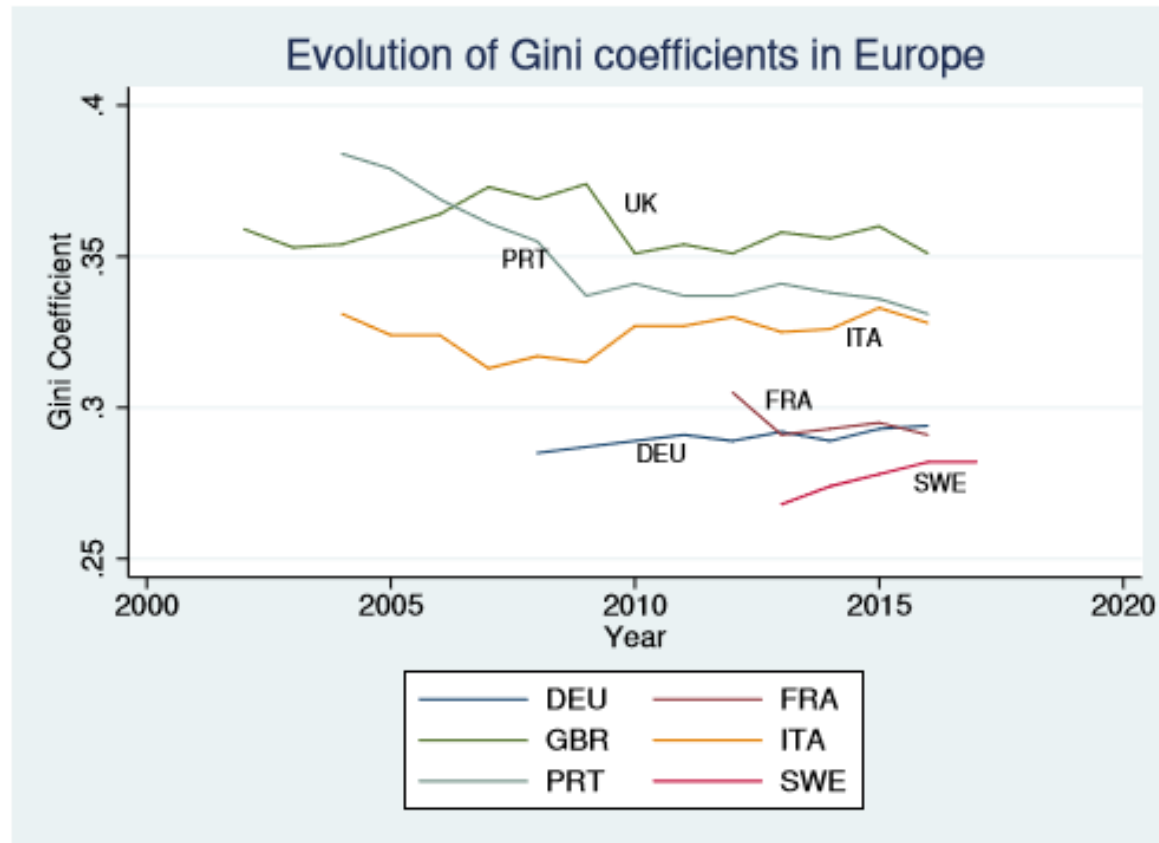


Figure 3: from the World Inequality Database

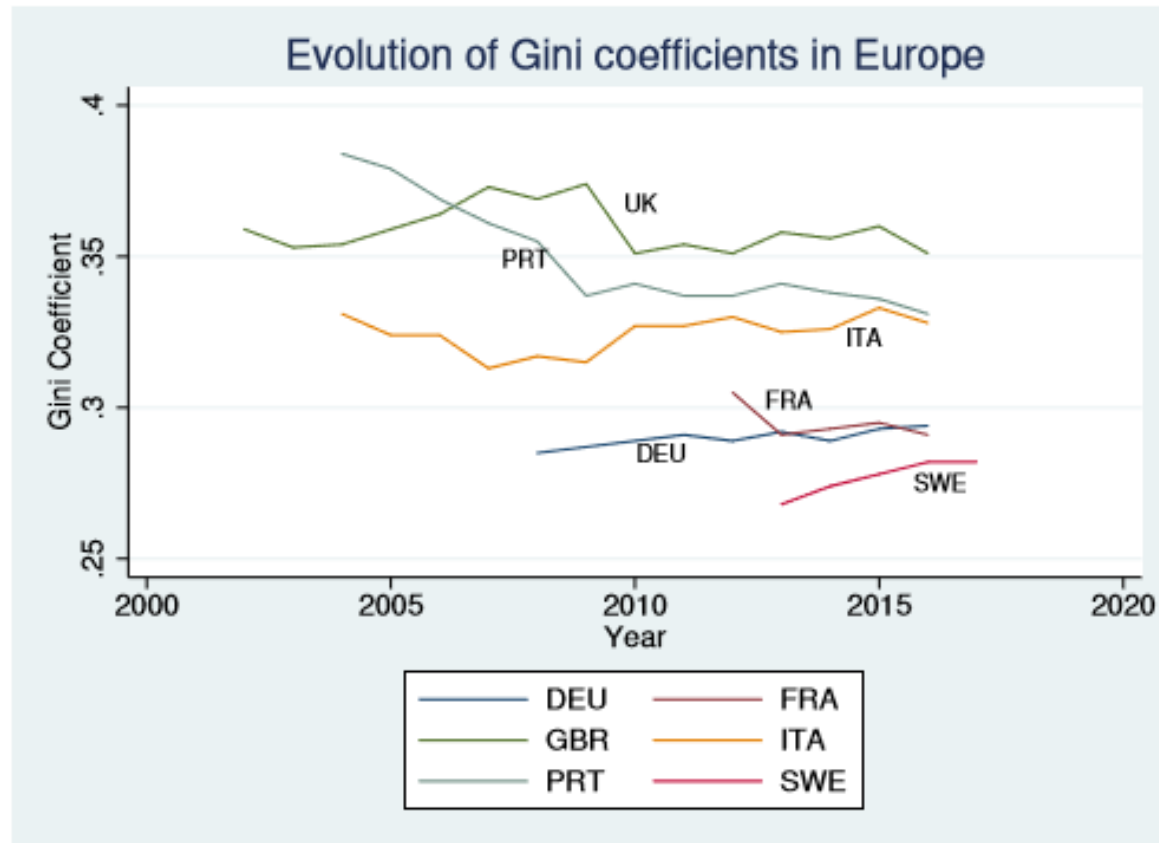
Gini Coefficient (after redistribution)

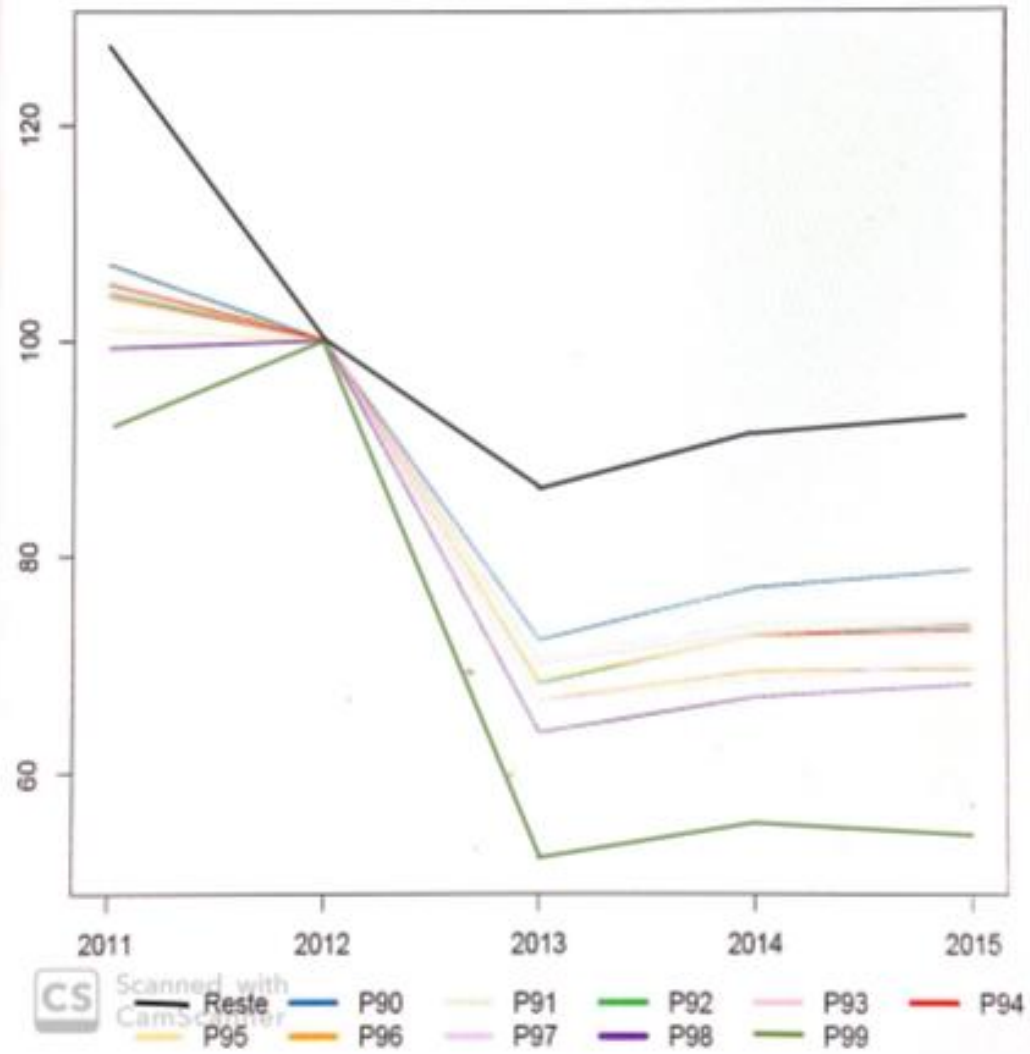


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Gini Coefficient (after redistribution)



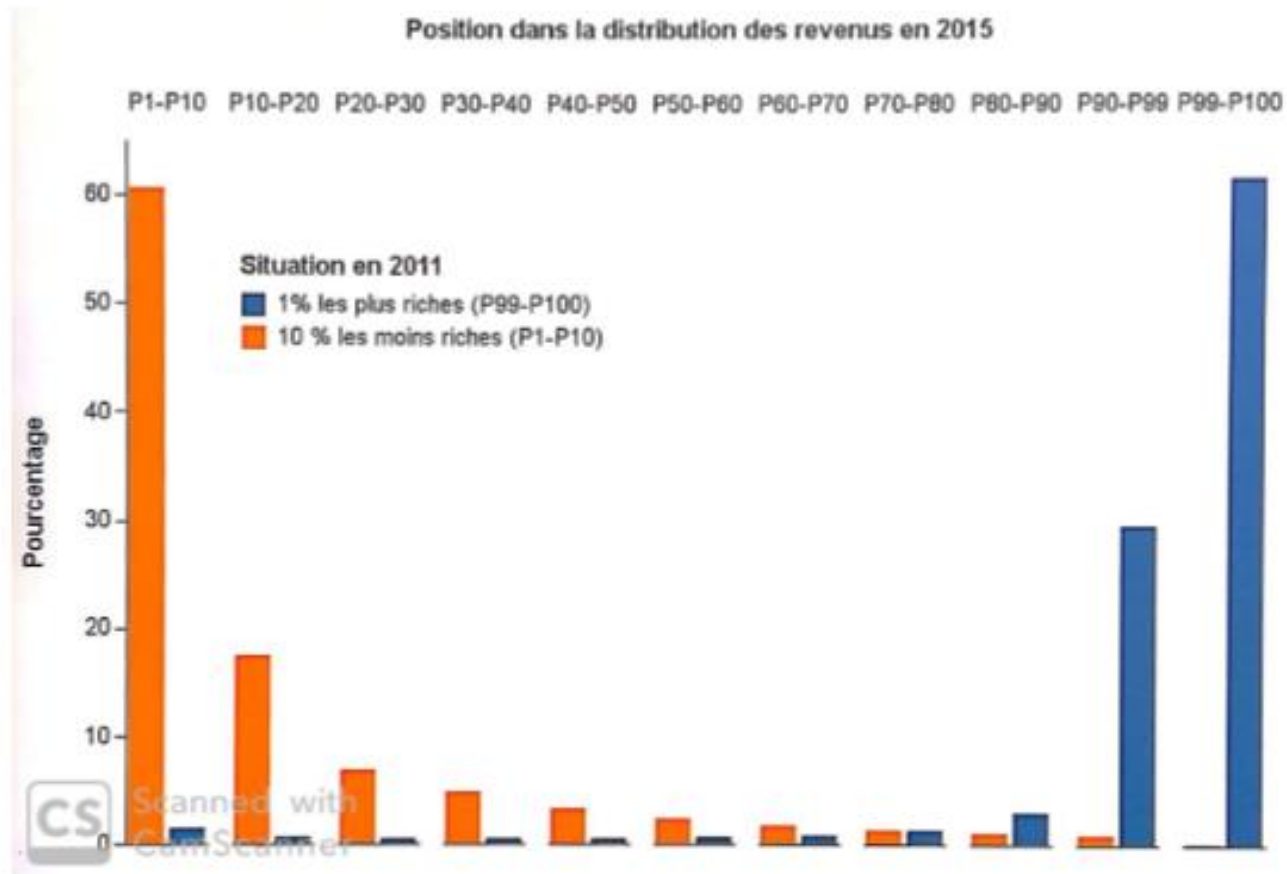


Mobilité sociale



Figure – Matrice de transition individuelle pour le RFR

Mobilité sociale



Taking stock

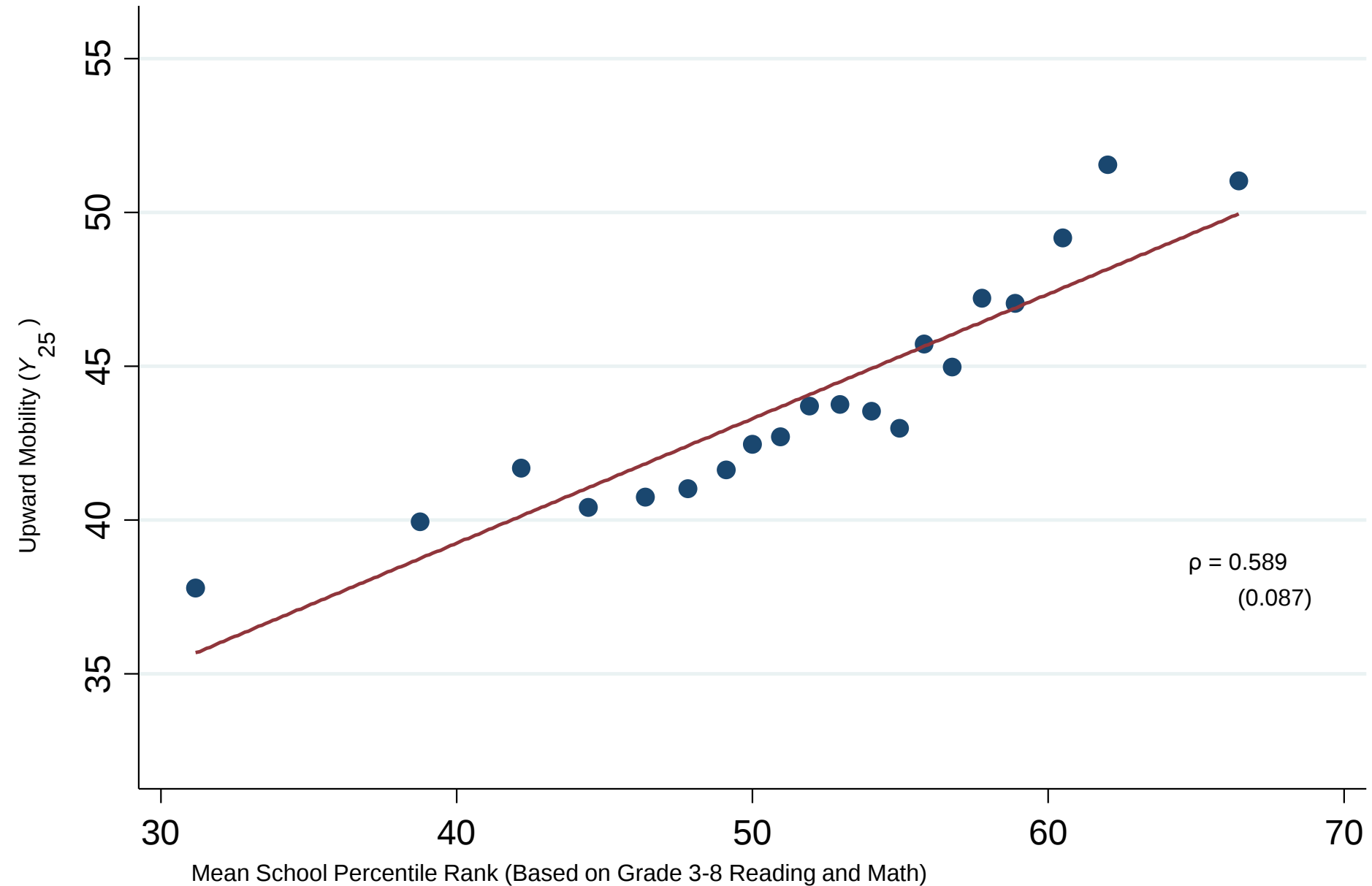
- Some countries have managed to make innovation-led growth inclusive
- Overtaxing capital income is not the way to go

Promoting inclusive growth

- Look at main drivers of innovation-based growth
 - Education
 - Product market competition
 - Labor market dynamism
- Each of these enhance social mobility

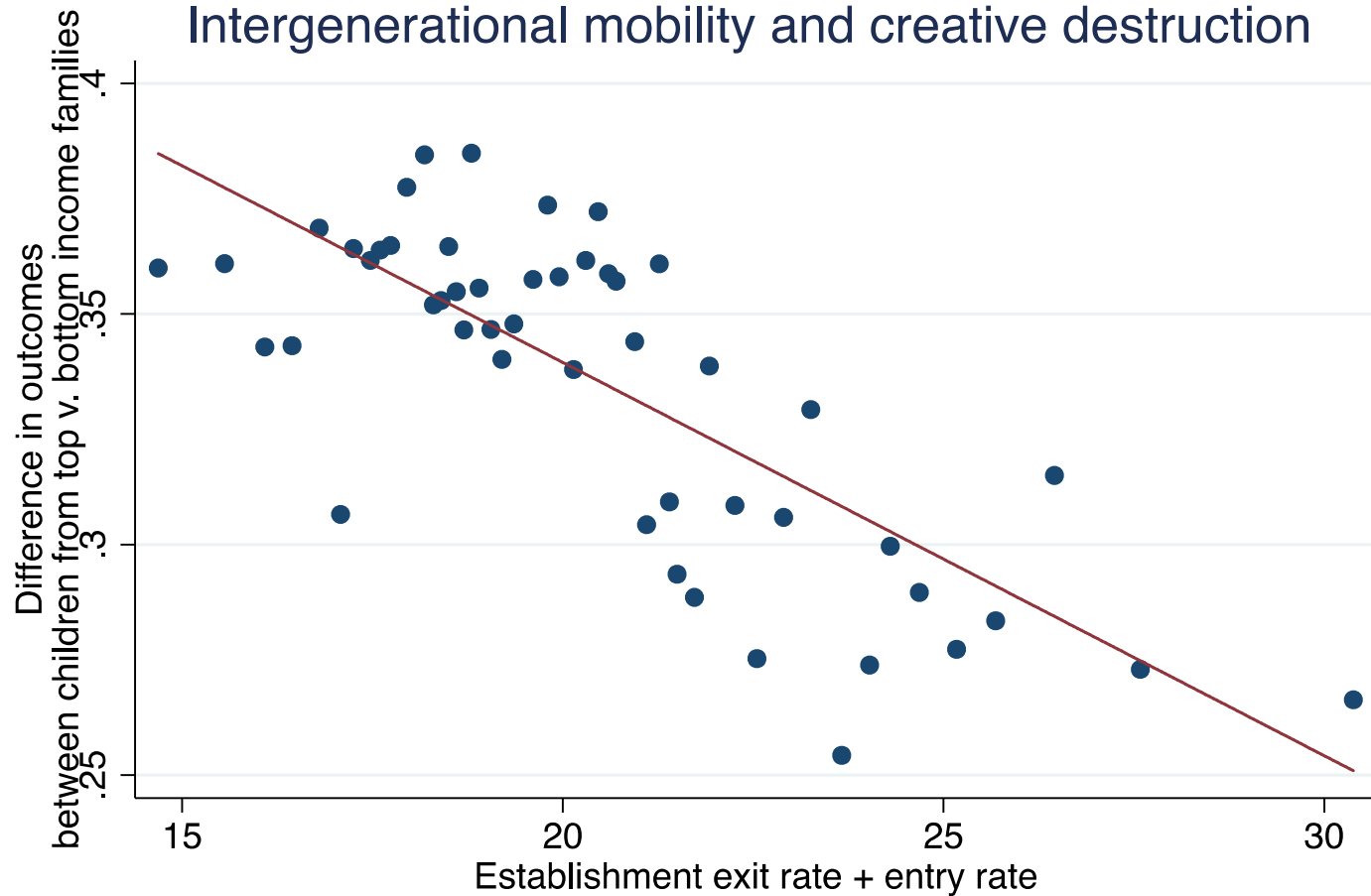
Enhancing social mobility: schooling

Factor #3: Upward Mobility vs. Test Scores



Enhancing social mobility: competition

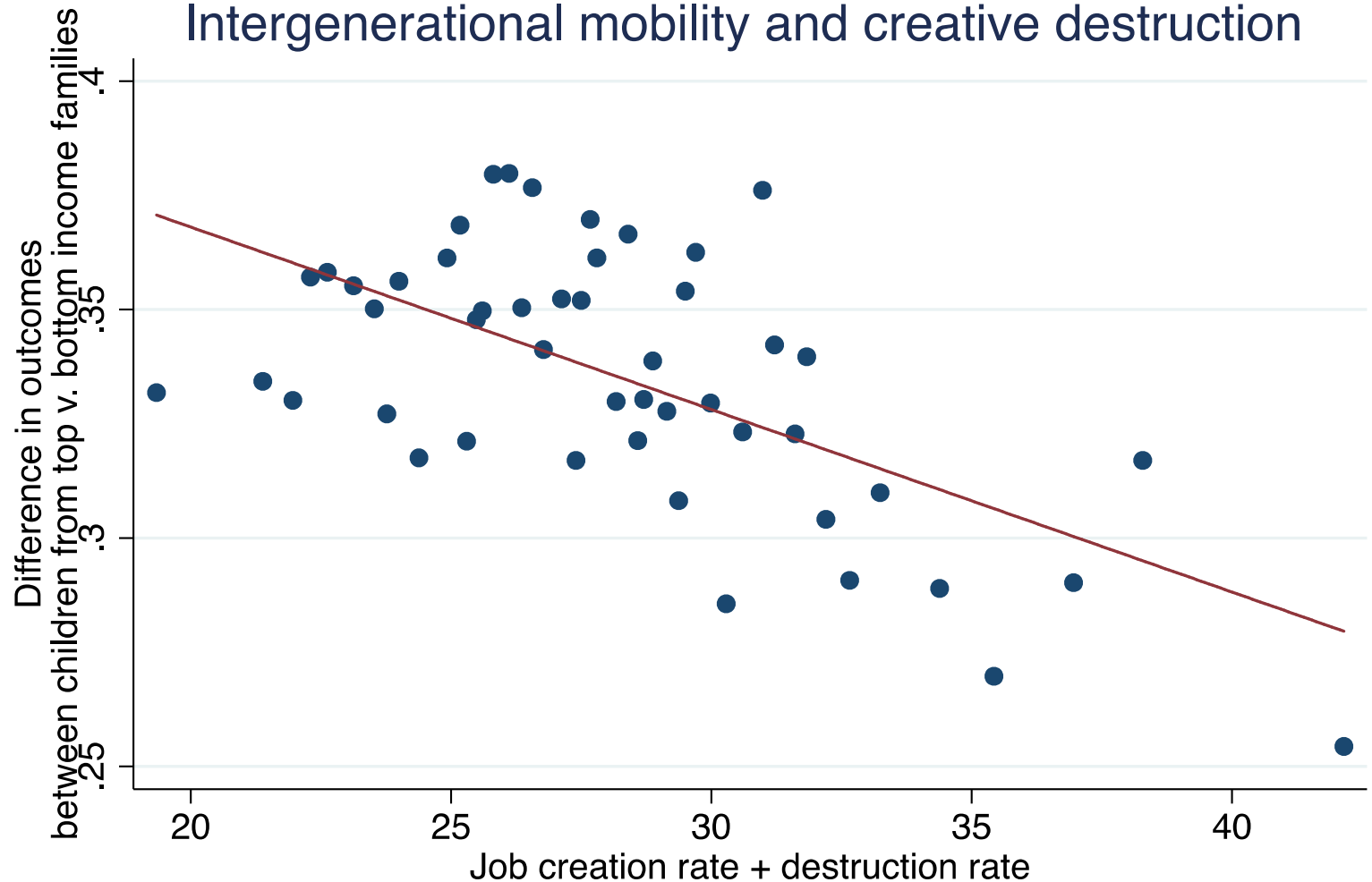
Intergenerational mobility and creative destruction



The relative mobility measure comes from the Equality of Opportunity Project.
It is the slope coefficient of a within MSA regression of child income rank against parent income rank.

Enhancing social mobility: Flexsecurity on labor market

Intergenerational mobility and creative destruction



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Conclusion

- Thus there is hope for generating more inclusive growth
- Way to go: enhance social mobility
 - Education
 - Competition
 - Flexsecurity