

Aghion, Antonin, and Bunel: Power of Creative Destruction

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Why I like this book

- Thank you for having me
- Very happy to have the opportunity to read their book – long term admirer of Philippe's work
- Obvious
 - Emphasis on innovation as growth generating
 - Emphasis on democratic institutions as key
 - mitigating effects of CD
 - Enabling innovation
- Less obvious
 - Importance of path dependence in the direction of innovation
 - Due to existing knowledge bases
 - Important role for civil society
- **Discuss two issues that arose in my reading of the book:**
 - Patents
 - Performance measurement

Limits to patenting

- **Patents heavily used as measures of innovative activity**
 - Benefits – by technology, available over long periods and many countries
 - But welfare-enhancing innovation is broader than technological and important innovations not patentable
 - Benefits of hand washing
 - Clean drinking water to prevent cholera
- **Book emphasizes property rights to innovation as important incentive and temporary rent creator – true enough**
 - But industrial development via imitation is hampered by national treatment of patenters
 - TRIPS agreement at the WTO is essentially “one size fits all” regardless of level of development – Penrose 1951
 - Historical examples – US, Southeast Asia, China

Edith Penrose's view

“Up to the present, the regime for the international protection of patent rights has been developed primarily in the interest of patentees. The gains to be derived from an extension of the patent system have been stressed, but the concomitant increase in social costs has been seriously neglected. So far as it goes, the International Convention has not been to any important extent incompatible with the best interests of the world economy. Nonetheless, the Convention in no way helps to alleviate the restrictions on trade and industrial activity which unregulated international patenting permits. A reconsideration of its provisions from this point of view is in order.” (Penrose, 1951, p. 233.)

Thoughts on measurement and the productivity slowdown

- Internet shifts many costs onto users, may lower incentives to test websites and get data entry correct – time wasted on bugs may play a part
- Economists focus on GDP per capita, but
 - Environmental and climate change mitigation not fully reflected in measured output (GDP)
 - Recent increased regulation, much related to above
 - E.g., lighting improvements; cap and trade, etc.
- Using GDP per capita fails to give credit to
 - Environmental improvement
 - Penalize GDP for carbon output?
 - Improvement in health except that which contributes to productivity
 - Air quality?
- We should not be surprised that productivity stagnates
- What if we improved our measures of welfare?