

Comment on “Policies to accelerate investment and innovation to raise productivity”

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Summary

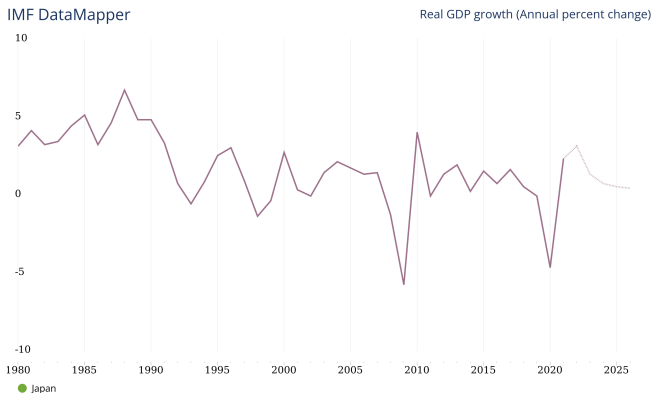
- ▶ Productivity (TFP) growth stagnated in US, EU, UK
- ▶ Any way to raise productivity growth?
- ▶ Lit review on evaluation of innovation/diffusion policies
 - ▶ Theoretical considerations on whether subsidies necessary
 - ▶ Empirical analysis

Innovation Policies

(1) Policy	(2) Quality of evidence	(3) Conclusiveness of evidence	(4) Benefit - Cost	(5) Time frame:	(6) Effect on inequality
Direct R&D Grants	Medium	Medium		Medium-Run	↑
R&D tax credits	High	High		Short-Run	↑
Patent Box	Medium	Medium	Negative	n/a	↑
Skilled Immigration	High	High		Short to Medium-Run	↓
Universities: incentives	Medium	Low		Medium-Run	↑
Universities: STEM Supply	Medium	Medium		Long-Run	↓
Exposure Policies	Medium	Low		Long-run	↓
Trade and competition	High	Medium		Medium-Run	↑

Source: Bloom, Van Reenen and Williams (2019)

Real GDP Growth in Japan



©IMF, 2021, Source: World Economic Outlook (October 2021)

Japanese Govt's Action Plan of the Growth Strategy

- ▶ Digitalization
- ▶ Green growth strategy toward carbon neutral in 2050
- ▶ Human capital, economic security, business dynamism, innovation, competition, regional development, etc.

Innovation Policies in Japan

- ▶ R&D tax credits
 - ▶ 2-14% R&D deductible from corporate inc tax (up to 25%)
- ▶ Direct government grants
 - ▶ JSPS Grants-in-Aid for Scientific Research
 - ▶ Moonshot research & development program

Q1: For Successful Industrial/Targetted Policies?

- ▶ Many countries try to promote green investments
- ▶ How should governments choose areas to subsidize?

Q2: Reallocation across Industries?

- ▶ Reallocation contribution seems large at firm level but small at industry level (e.g. Baqaee and Farhi (2020))
- ▶ Average TFP growth varies across industries, too
- ▶ Potential contribution of reallocation across industries?

Q3: Data for Productivity/Innovation Studies?

- ▶ Governments collect & organize data
- ▶ Data for better productivity/innovation analysis?
 - ▶ Possibility to match different datasets? e.g. Surveys on innovation activity, R&D, production, etc.
 - ▶ Wide range of industries?
 - ▶ Administrative data?