

# RIETI BBL Seminar Handout

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# Comments on “The Acquisition and Commercialization of Invention in the American Economy” by J. Walsh

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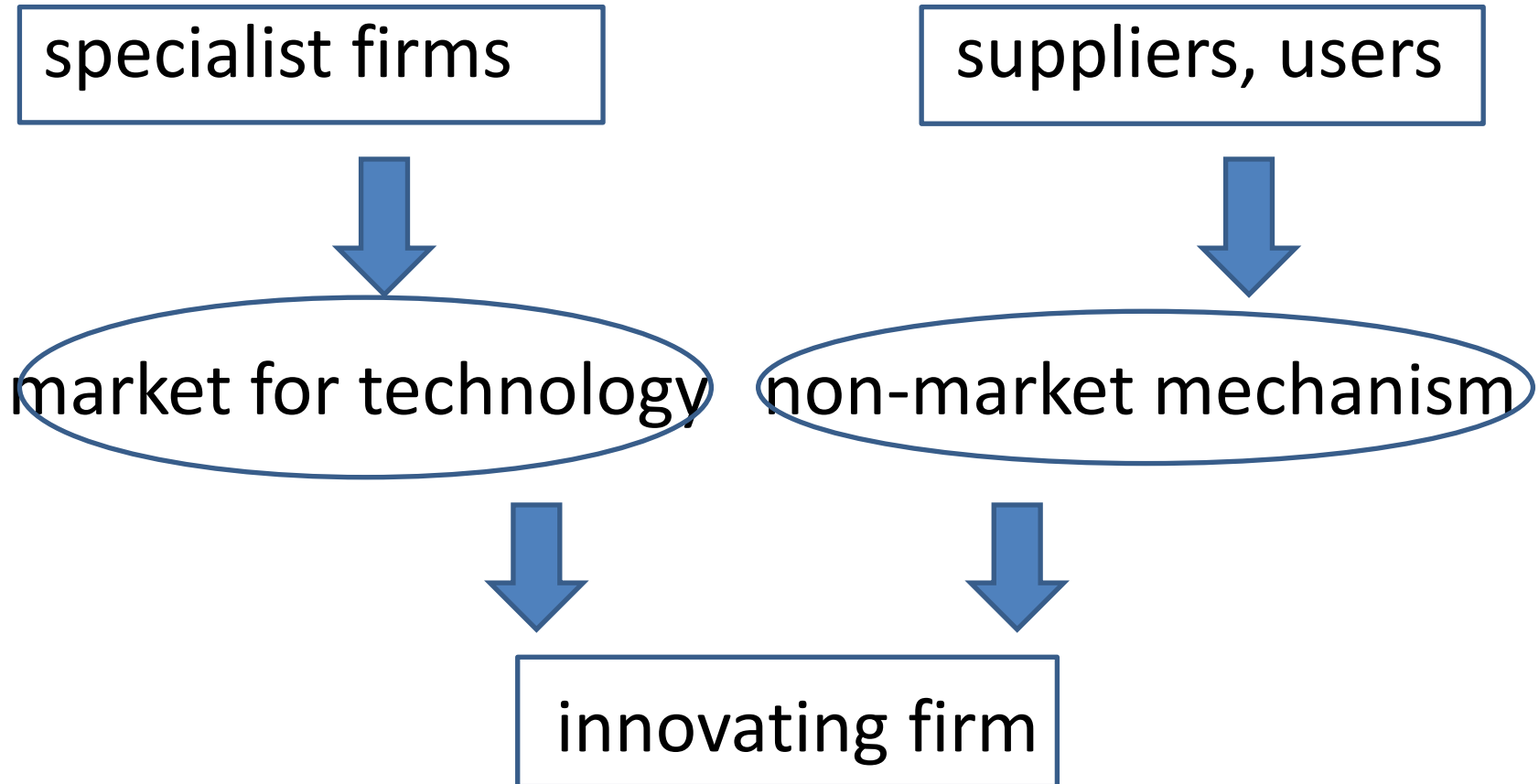
➤ New model of innovation in “the third industrial revolution”

Old model—vertical integration of invention and innovation

New model—vertical separation of invention and innovation

➤ New model creates innovation better because division of labor allows specialization

# New model



# Comment 1. Is new model new?

## ➤ D. Mowery

-out sourcing of research was common in the US around 1900s

-recent trends toward vertical separation is return to the old model, with the age of big companies (visible hand) in-between?

# Comment 1. Is new model new? (continued)

➤ Invention from suppliers and users different from information that lead to innovation?

-Innovation survey emphasized the importance of information from suppliers

-Hippel and other on the role of users in innovation process

# Comment 2. what lies behind

- Is new model demanded by technological imperative of ICT and Bio technology, GPTs of “third industrial revolution”?

Or

- Is new model a product of institutional change in the US, such as stronger patent protection, weaker Antitrust, changing higher education system ?
- If the former is the case, would it be necessary to promote new model in order to promote ICT and Bio tech industries?

# Comment 3. Is new model better?

- Can market for technology work?
  - transaction cost of technology (information) can be substantial despite stronger patent system
  - market price in this market seems to be not a good guide of resource allocation for invention
- Empirically, old model did fairly well
  - big pharma introduced quiet a few blockbusters
  - IT ?