

Contents

A. Introduction	1
I. Aim and Scope of the Study	1
II. Preliminaries on Methodology and Terminology	4
B. The Theory of Endogenous Growth, Technological Change and Hysteresis in Open Economies	9
I. What Makes Growth an Endogenous Process?.....	9
II. Models of Endogenous Technological Change.....	16
1. Industry-Specific Dynamic Returns to Scale Based on Learning by Doing.....	16
2. Endogenous Technical Progress Based on a Process of Self-Sustaining Industrial Innovation	24
III. Specialization and Growth in Open Economies	32
1. General Considerations and the Small-Country Model.....	32
2. Two-Country Models of Endogenous Growth.....	37
IV. The Role of Targeted Industrial and Technology Policies in the Models	41
V. Empirical Studies of the Returns to Innovation, Patterns of Specialization, and Economic Growth	47
1. Convergence	47
2. R&D Spill-Overs	51
3. The International Diffusion of New Technical Knowledge and the Role of Multinational Companies	55
C. Modelling the Complex Stochastic Dynamics of Innovation and Specialization in Open Economies.....	57
I. The Stochastic Nature of Innovation, External Effects and Hysteresis.....	57
1. Objective Randomness and Emergence in the Sciences	57
2. Emergence in Economics.....	62

II.	The Master Equation Approach to Specialization in Small Open Economies	67
III.	The Approach of Generalized Urn Schemes to Specialization in a Two-Country Model	78
1.	Bounded Learning by Doing	78
2.	Unbounded Positive Feedbacks	84
D.	Comparative Advantage for Research and Development across Industries in OECD Countries	89
I.	The Hypothesis of Comparative Advantage for Research and Development	89
II.	The Distribution of R&D Activities across Industries in OECD Countries	93
III.	Testing for the Determinants of Human Capital Intensity in the R&D of Individual Industries.....	104
IV.	Testing for the Impact of Human Capital Endowments on Countries' Specialization in the R&D of Individual Industries	108
E.	Technology and Empirical Dynamics of Specialization in Open Economies	116
I.	Statistical Inference for Stochastic Processes and the Hypothesis of Hysteresis	116
1.	The Inappropriateness of Stationarity Assumptions.....	117
2.	Non-Ergodicity in Markov Processes	120
II.	Estimating Markov Transition Probabilities for the Specialization Dynamics in OECD Countries	124
1.	Autoregressions and Stochastic Kernels	124
2.	Finite Markov Chains	136
III.	The Impact of Changes in Factor Endowments.....	146
F.	Implications for Industrial and Technology Policies	155
I.	Human Capital, Path-Dependence and the Historical Nature of Economic Development in Geographical and Technological Space	155
1.	Positive Feedbacks in Human Capital Accumulation.....	155

2. Positive Feedbacks in Spatial Agglomeration	161
II. The Merits and Demerits of Targeted Industrial and Technology Policy in the Light of New Growth Theory	170
III. The Informational Requirements for Implementing a Consistent Set of Targeted Industrial and Technology Policies	175
1. The Information Problem in the Closed Economy	175
2. The Information Problem in Open Economies.....	180
3. Information Problems Immanent to the Models.....	182
IV. Some Questions for Future Research	190
G. Concluding Remarks: Has the Design of Targeted Policies Got Any Easier?.....	193
Appendix.....	201
I. Sources and Methods for Chapter D	201
II. Sources and Methods for Chapter E.....	207
III. Figures and Tables	210
References	242
Index	260