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February 7, 2013 10:29 pm

Next step requires we be bold and imaginative



British model Veronica Moon, known as 'Grace Kelly's double' demonstrates the world's smallest record player at the Radio Show in Earls Court, London

From Prof Carlota Perez.

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Sir, Andre Geim, along with Tyler Cowen, Robert Gordon and quite a few other analysts, makes a mistake about the fall-off in innovation ("Be afraid, be very afraid, of the world's tech crisis", February 6).

The mistake is to assume that only "disruptive innovations" bring growth and employment. Disruptive innovations typically occur in the first decades of a technological revolution, such as the ICT revolution from the 1970s. We are now in the second or deployment period of the ICT revolution, and these periods always bring many less dramatic innovations. But typically the innovations of the deployment period are expansive, job-creating and capable of reweaving the fabric of the economy. Those are the less polarised prosperities, such as the Victorian boom or the Belle Époque or the postwar Golden Age.



In the late 1930s it would have been hard to anticipate the enormous impact of suburbanisation, universal electricity, plastics, food processing and the cold war for innovation, growth and employment. Home freezers and frozen foods, plastic plates and plastic packaging, portable radios and record players, food processors, "wash and wear" fabrics, acrylic and colour TV were not disruptive, although many required research and development. They were part of the stable trajectories of energy-intensive mass production that expanded the economy, contributed to the "American Way of Life" and generated employment in a sustained way.

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The current pessimism about new technologies and their impact on employment and growth is the other side of finance sitting on its billions and governments insisting on austerity and on saving the banks. And it helps those who believe that "we can no longer afford the welfare state". That depends on whether we can once again produce enough wealth or not.

In fact, the innovation opportunities are innumerable. They cluster around the path towards a "green luxury life", using ICT to redesign all products, structures and infrastructures, to increase radically the productivity of resources and to dematerialise consumption favouring services, creativity and health. But this will depend on whether we can be bold and imaginative enough to tilt the playing field in their favour.

Carlota Perez, Professor, Technological University of Tallinn, Estonia, and Visiting Scholar, LSE

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