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Socio-economic Sciences and Humanities
Growth, Employment and Competitiveness in a Knowledge Society

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PROJECT EXAMPLES



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European Union Research in Economics

GROWTH, EMPLOYMENT AND COMPETITIVENESS IN A KNOWLEDGE SOCIETY

Seventh Research Framework Programme "Socio-economic Sciences and Humanities" (2007 – 2008)

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FOREWORD

A major element of the renewed Lisbon strategy is the globalisation issue. Economic structures are changing in accordance with the differential productivity of sectors and competition within Europe and with third countries. Economic growth is still the final objective of the Lisbon agenda and knowledge is confirmed as a main pillar for its achievement. In this context, the "Education – Knowledge – Innovation" triangle has to be strengthened.

In 2007-2008, the economic component of the European Socio-economic Sciences and Humanities (SSH) research programme attempts, among others, to answer the following questions: How to succeed in the age of globalisation? What are the impacts of research and innovation on growth and employment? How does internationalisation affect the localisation of knowledge-intensive activities of firms? What is the overall importance of service industries in European growth? How can the intangible assets be measured? What is the optimal public spending distribution? How is "entrepreneurship" evolving in Europe?

These are some of the issues tackled in this brochure that describes EU projects mostly coming from the activity entitled "Growth, employment and competitiveness in a knowledge society". The focus of this publication is on the European knowledge society (Lisbon Agenda) but it covers also issues related to policy evaluation and economic governance. This activity builds on existing socio-economic research projects from the sixth Framework Programme, of which "EU KLEMS" (a project on productivity in the EU) is a good example.

In 2007-2008, the European Commission has selected around 40 research projects concerning the knowledge economy. With an average of 7 teams per project and taking into consideration that some teams are involved in different projects, about 250 research organisations of the European and international socio-economic research community are working in this field.

Three elements characterise European economic research in the seventh Framework Programme: Firstly, the clear orientation to address major societal challenges; Secondly - and it is a major novelty - methods, tools and databases are explicitly recognised as crucial elements to make progress in socio-economic sciences; Thirdly, EU economic research offers fundamental scientific support to European policies.

Scientific excellence, policy relevance, stocktaking of past and current research, as well as dissemination of research results are guiding principles for EU economic research. The "clusters" of research projects included in this brochure should encourage knowledge cross-fertilization among European research teams and enlighten EU policy-makers on subjects like the new Lisbon agenda, the future EU financial perspectives and the next Research Framework Programme.



Jean-Michel BAER

Globalisation and knowledge economy, evaluation of EU policies

The changing nature of internationalization of innovation in Europe: impact on firms and the implications for innovation policy in the EU

GLOBINN

<p>Proposal: 217296</p> <p>Estimated EC contribution: 1111983 €</p> <p>Starting date: 2008</p> <p>Duration: 30 months</p> <p>Funding scheme: Collaborative Project (Small- and medium scale focused research project)</p> <p>Unit L.2</p> <p>Scientific officer: Marianne PAASI marianne.paasi@ec.europa.eu</p>	<p>Project coordinator:</p> <p>University of Sussex SPRU - Science and Technology Policy Research UK - Falmer, Brighton</p> <p>Contact:</p> <p>Mr Parimal PATEL parip@sussex.ac.uk</p>
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The overall purpose of the GLOBINN project is to improve our understanding of the changing nature of internationalization of Europe's innovation systems by studying the international knowledge sourcing strategies of European firms and their effect on performance. The starting premise of the project is that Europe's knowledge resources and its role in the global economy will be increasingly shaped by the ability of EU firms to source knowledge internationally.

Firms can employ three modes in internationalizing their innovative activities: (a) the global trading of technology based services and licensing as firms seek to exploit the global markets for their technologies; (b) international collaborative agreements and strategic alliances as firms seek out international partners for their knowledge generating activities; and (c) the international dispersal of their own R&D and technology creating activities as they seek out new regions and resources in different parts of the world.

The GLOBINN project aims to bring together leading EU scholars involved in studying each of these modes largely in isolation to focus on an integrated analysis.

In the first instance this analysis will map the trends in the growth of each of these modes with an emphasis on whether internationalization of innovation in European firms is an intra EU or extra EU phenomenon.

The second focal point will be the organisational and managerial issues which influence the strategies of EU firms in seeking international sources of knowledge, and have an impact on their on innovation and economic performance. Both of these are essential for analysing the implications for national and EU-level policies.

Indeed the underlying rationale for the GLOBINN project is that devising appropriate policies requires a deeper understanding of each of the three modes and the firms level processes and strategies.

The changing nature of internationalization of innovation in Europe: impact on firms and the implications for innovation policy in the EU

GLOBINN

Institutions/Partners/Country/Town

Brunel University

Brunel Business School

Suma ATHREYE

UK - Uxbridge

Universiteit Maastricht

Maastricht Economic Research Institute on Innovation and Technology (MERIT)

Geert. DUYSTERS

NL - Maastricht

Università Commerciale Luigi Bocconi

IEGI

Alfonso GAMBARDELLA

IT - Milan

Centre for Technology, Innovation and Culture

Martin SRHOLEC

NO - Oslo

Indian Institute of Management Bangalore

Corporate Strategy & Policy Area

Rishiksha KRISHNAN

IN - Bangalore

Globalisation and knowledge economy, evaluation of EU policies

Science, innovation, firms and markets in a globalized world

SCIFI-GLOW

<p>Proposal: 217436</p> <p>Estimated EC contribution: 1115634 €</p> <p>Starting date: 2008</p> <p>Duration: 36 months</p> <p>Funding scheme: Collaborative Project (Small- and medium scale focused research project)</p> <p>Unit L.2</p> <p>Scientific officer: Marianne PAASI marianne.paasi@ec.europa.eu</p>	<p>Project coordinator:</p> <p>Centre for Economic Policy Research UK - London</p> <p>Contact:</p> <p>Prof. Mathias DEWATRIPONT mathias@mit.edu ibenner@cepr.org</p>
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In 2000, EU leaders committed to the objective of making Europe "the most dynamic and competitive knowledge-based economy in the world, capable of sustainable economic growth, with more and better jobs, greater social cohesion and respect for the environment."

They drew up the "Lisbon agenda" to achieve this goal by 2010.

The central strategy was based on policies to encourage investment in knowledge. Knowledge as a public good with potential spillovers is the rationale behind intellectual property protection and subsidies for investments in innovations that will potentially lead to high spillovers.

University research that creates basic knowledge is a leading example of this. But research shows that spillovers are also generated from private firms' R&D and that firms can therefore benefit from the presence of more innovative and more productive firms.

But which universities and which firms are more innovative?

How does globalization influence the answer to these questions? Finally, how can policy influence the innovation process?

This project aims at answering these questions, without forgetting their implications in terms of income inequality and volatility, which impacts on the political sustainability of the innovation dynamics.

To do this, the first part of the project will focus more specifically on the knowledge sector itself. This second part of the project will look at the "bigger picture", looking at the overall organization of firms in the global knowledge economy, as well as its implications on markets and inequality.

The third part will contain a summary and policy recommendations: while the project brings together researchers at the frontier of academic knowledge on these topics, its outcomes will be highly policy-relevant.

We plan to end the project with a summary and set of policy conclusions on research and innovation in the global knowledge economy.

Science, innovation, firms and markets in a globalized world

SCIFI-GLOW

Institutions/Partners/Country/Town

Ludwig-Maximilians-Universität München

Department of Economics

Dalia MARIN

DE - Munich

Université Libre de Bruxelles

European Centre for Advanced Research in Economics and Statistics (ECARES)

André SAPIR

BE - Brussels

Katholieke Universiteit Leuven

Faculty of Economics and Applied Economics

René BELDERBOS

BE - Leuven

London School of Economics and Political Science

Centre for Economic Performance

Chiara CRISCUOLO

UK - London

Centre National de la Recherche Scientifique

Paris-Jourdan Sciences Economiques

Thierry VERDIER

FR - Paris

Universiteit Maastricht

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Luc SOETE

NL - Maastricht

Universidad Carlos III de Madrid

Departamento Economía

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ES - Getafe

Institute of Economics of Hungarian Academy of Sciences

Károly FAZEKAS

HU - Budapest

Fondation Jean-Jacques Laffont / Toulouse Sciences Economiques

Marc IVALDI

FR - Toulouse

Globalisation and knowledge economy, evaluation of EU policies

Politics, economics and global governance: the European dimensions

PEGGED

<p>Proposal: 217559</p> <p>Estimated EC contribution: 3576000 €</p> <p>Starting date: 2008</p> <p>Duration: 48 months</p> <p>Funding scheme: Large-scale project</p> <p>Unit L.2</p> <p>Scientific officer: Philippe KERAUDREN philippe.keraudren@ec.europa.eu</p>	<p>Project coordinator:</p> <p>University of Oxford Department of Economics UK - Oxford</p> <p>Contact:</p> <p>Prof. David VINES david.vines@economics.ox.ac.uk</p>
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The long-standing US-EU partnership and dominance of a range of international institutions (IMF, World Bank, Security Council, etc.) is rapidly breaking down under the impact of shifting interdependencies and power relationships.

In this sense, global economic governance is at a crucial crossroads. If a more complex and multi-polar world is now emerging, interwoven with bilateral agreements and a proliferation of regional efforts of uncertain outcome and dimensions, it is unclear how co-operation will be organised in the future and by whom.

Global economic governance is riddled with worrisome uncertainties, yet this offers clear opportunities for an alliance between scholars pushing the bounds in terms of analysis, and EU policy entrepreneurs in terms of action.

Europe must play a major part in the reform and reinforcement of global governance mechanisms, but in order to do so the EU requires a clear

definition of its self-interest, a correspondingly clear sense of purpose and objectives, and the internal coherence and institutional capacity to exercise leadership. Now is the time for Europe to project a vision of how the global system should evolve, and to act.

The project begins with four research domains: a) macroeconomic adjustment and governance; b) the integration of markets for finance and investment; c) the integration of markets for trade in goods and services; d) migration and the mobility of labour.

These are questions where a combined analysis by political scientists and economists is necessary if workable and real-world policy solutions are to be developed and prevail.

Ultimately, the legitimacy of global governance depends on input and representation in the decision-making process of global governance, and on the output or policy outcome in terms of growth, distribution, and compensation for the losers.

Politics, economics and global governance: the European dimensions

PEGGED

Institutions/Partners/Country/Town

Centre for Economic Policy Research

Richard PORTES
UK - London

University of Amsterdam

Amsterdam School for Social Science Research
Geoffrey UNDERHILL
NL - Amsterdam

Université Libre de Bruxelles

European Centre for Advanced Research in Economics and Statistics (ECARES)
Paola CONCONI
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Centre pour la Recherche Economique et ses Applications

Ecole Normale Supérieure
Daniel COHEN
FR - Paris

European University Institute

Robert Schuman Centre for Advanced Studies
Giancarlo CORSETTI
IT – Florence

Hei Graduate Institute of International Studies

Charles WYPLOSZ
CH - Geneva

Globalisation and knowledge economy, evaluation of EU policies

Advancing knowledge-intensive entrepreneurship and innovation for growth and social well-being in Europe

AEGIS

<p>Proposal: 225134</p> <p>Estimated EC contribution: 3300000 €</p> <p>Starting date: 2008</p> <p>Duration: 36 months</p> <p>Funding scheme: Large scale project</p> <p>Unit L.2</p> <p>Scientific officer: Marianne PAASI marianne.paasi@ec.europa.eu</p>	<p>Project coordinator:</p> <p>PLANET S.A Research & Innovation Unit EL - Athens</p> <p>Contact:</p> <p>Ms Maria LEGAL mlegal@planet.gr</p>
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The proposed research project will study the interactions between knowledge, economic growth and social well-being in Europe. It focuses on knowledge-intensive entrepreneurship as a necessary mechanism and an agent of change mediating between the creation of knowledge and its transformation into economic activity.

Knowledge-intensive entrepreneurship is perceived here in as a core interface between two interdependent systems: the knowledge generation and diffusion system, on the one hand, and the productive system, on the other. Both systems shape and are shaped by the broader social context – including customs, culture, and institutions – thus also pointing at the linkage of entrepreneurship to that context.

The project has three main objectives (research thrusts). At the micro level, it purports to study in depth the very act of knowledge-intensive entrepreneurship, its defining characteristics, boundaries, scope and incentives.

At the macro level, it will study the link between knowledge entrepreneurship, economic growth and social well-being, also extending to the socio-economic processes that help transform the “animal spirits” (John Maynard Keynes) into a self-reinforcing process for broader societal prosperity.

The way the broader socio-economic environment stokes “animal spirits” and benefits from them will be studied within the contexts of various shades of capitalism in Europe and elsewhere, expanding beyond the growth accounting and endogenous growth approaches and issues to novel concepts of knowledge-intensive entrepreneurship in growth and, further, into the underlying issues of social wellbeing such as inclusion, cohesion, equity, opportunities, and social care. Finally, at the policy level, the project will take a systemic approach aiming at an organic integration of diverse sets of policies that influence the creation and growth of innovative entrepreneurial ventures based on knowledge generation and diffusion.

Advancing knowledge-intensive entrepreneurship and innovation for growth and social well-being in Europe

AEGIS

Institutions/Partners/Country/Town

Università Commerciale Luigi Bocconi

CESPRI
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National Technical University of Athens

School of Chemical Engineering, Laboratory of Industrial and Energy Economics
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EL – Athens

Institute for Management of Innovation and Technology

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SE - Gothenburg

Max Planck Society for The Advancement of Science

Evolutionary Economics Group
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DE - Munich

Lunds Universitet

CIRCLE
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National Competitiveness Council

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Department of Economic Theory
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RU – Moscow

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School of Management
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CN – Hangzhou

Centre for Development Studies

Dr. Sunil MANI
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Centre for Social and Economic Research (CASE)

Mr. Sebastien LECLEF
PL – Warsaw

Globalisation and knowledge economy, evaluation of EU policies

Impact of networks, globalisation, and their interaction with EU strategies

ENGINEUS

<p>Proposal: 225368</p> <p>Estimated EC contribution: 2600000 €</p> <p>Starting date: 2008</p> <p>Duration: 42 months</p> <p>Funding scheme: Large scale project</p> <p>Unit L.2</p> <p>Scientific officer: Domenico ROSSETTI di VALDALBERO domenico.rossetti-di-valdalbero@ec.europa.eu</p>	<p>Project coordinator:</p> <p>Fondazione Eni Enrico Mattei IT - Milano</p> <p>Contact:</p> <p>Dr Alireza NAGHAVI alireza.naghavi@unimore.it</p>
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ENGINEUS addresses the evolution of global production networks (GPNs) into global innovation networks (GINs), and the impact this new process of global capitalism has on knowledge intensive activities in the EU.

Global sourcing and assembly arrangements have been around for some three decades. They were principally based on efficiency considerations. Thus, multinational firms (MNCs) outsourced parts of production processes to manufacturers in Asia and other low-cost locations around the globe, while retaining the most knowledge intensive assets in the home country.

This is no longer the case. MNCs increasingly scout the globe for locations where the right mix of local competences allows them to tap into sophisticated parts of value chains. This is not limited to advanced economies but more and more involves firms and regions in selected developing countries that position themselves as attractive knowledge-intensive locations in their own right.

ENGINEUS studies the determinants of this process and analyses its implications both for the EU and its emerging partner countries in the developing world.

First, it looks at the changing strategies of MNCs and the conditions under which it is favourable for them to offshore R&D and other knowledge-intensive parts of their production process.

Second, it focuses on the evolving local capabilities in selected developing countries that allow them to claim increasingly complex parts of global value chains at much higher levels of technological sophistication than hitherto.

Third, it analyses the consequences of the formation of GINs in the global economy and differentiates among their static and dynamic effects on growth, employment, and competitiveness in the EU.

Finally, based on these insights, it derives policy recommendations that would allow the EU to benefit from the positive features of this process while mitigating its adverse consequences.

Impact of networks, globalisation, and their interaction with EU strategies

ENGINEUS

Institutions/Partners/Country/Town

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Graduate University, Chinese Academy of Science

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International Institute of Information Technology

Prof. Parthasarathy BALAJI
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Centro Studi Luca d'Agliano

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IT – Torino

Stiftelsen Norsk Institutt for studier av forskning og utdanning Senter for innovasjonsforskning

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OECD Development Centre

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FR – Paris

Globalisation and knowledge economy, evaluation of EU policies

European firms in a global economy: internal policies for external competitiveness

EFIGE

<p>Proposal: 225551</p> <p>Estimated EC contribution: 3150000 €</p> <p>Starting date: 2008</p> <p>Duration: 48 months</p> <p>Funding scheme: Large scale project</p> <p>Unit L.2</p> <p>Scientific officer: Domenico ROSSETTI di VALDALBERO domenico.rossetti-di-valdalbero@ec.europa.eu</p>	<p>Project coordinator:</p> <p>BRUEGEL BE - Brussels</p> <p>Contact: Prof. Gianmarco OTTAVIANO gianmarco.ottaviano@bruegel.org</p>
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The chances of European countries to grow, prosper and provide well being to their citizens rest on the ability of their firms to become successful traders and producers in foreign markets within and outside the EU.

This project examines the pattern of internationalisation of European firms. With a clear focus on defining adequate and effective policy measures, it looks at the broad factors constraining or enhancing companies' foreign operations, like growth in size and productivity; type of ownership and corporate governance; access to financial markets; innovation; the macroeconomic environment.

It will do so by combining theoretical and empirical research at the frontier of the academic and policy debate with the gathering of new data through a cross country survey.

The main questions addressed by the project are:

- What are the features of European firms that successfully compete in international markets?
- To what extent do they contribute to productivity and employment?
- Does access to foreign market enhance firm performance through a learning process?
- Why are some countries more successful in international trade and FDI?
- What are the policies that can improve a nation's foreign trade performance?
- Does integration within the Single Market foster productivity improvements?
- Has the euro led to a wider participation of firms in cross-border business?
- What policies can promote the participation of other European firms that are currently excluded from international markets?
- What are the gains and the adjustments involved in reducing barriers to trade and foreign direct investment (FDI)?
- What policies can best maximise gains and smooth adjustments?

European firms in a global economy: internal policies for external competitiveness

EFIGE

Institutions/Partners/Country/Town

Universidad Carlos III de Madrid

Departamento de Economía
Prof. Klaus DESMET
ES - Getafe

Centre d'Information et de Recherche sur l'Economie Mondiale

Prof. Lionel FONTAGNE
FR – Paris

Centre for Economic Policy Research

Prof. Mayer THIERRY
UK - London

INSTITUTE OF ECONOMICS, Hungarian Academy of Sciences

Dr. Laszlo HALPERN
HU - Budapest

Institut für Angewandte Wirtschaftsforschung e.V.

Prof. M.Claudia BUCH
DE – Tübingen

Centro Studi Luca d'Agliano

Prof. Giorgio BARBA NAVARETTI
IT – Torino

UniCredit S.p.A.

Ms. Enrica Elena BELLI
IT – Roma

Globalisation and knowledge economy, evaluation of EU policies

World input-output database: construction and applications

WIOD

<p>Proposal: 225281</p> <p>Estimated EC contribution: 4000000 €</p> <p>Starting date: 2008</p> <p>Duration: 36 months</p> <p>Funding scheme: Large scale project</p> <p>Unit L.2</p> <p>Scientific officer: Ian PERRY ian.perry@ec.europa.eu</p>	<p>Project coordinator:</p> <p>Rijksuniversiteit Groningen NL - Groningen</p> <p>Contact:</p> <p>Prof. Erik DIETZENBACHER h.w.a.dietzenbacher@rug.nl</p>
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How has the increase in Chinese exports of textile products affected the employment of low skilled workers in German retail trade? What would be the effects of a change in the European Union's agricultural policy on global CO2 emissions?

Economic and environmental policies are designed at a detailed level of industries and products, while production is characterized by an interdependent structure. Due to globalization, these interdependencies cross borders and the inclusion of trade is more than ever essential. Analyzing policy issues therefore requires an all encompassing database. Its construction is at the heart of this project and the following three aspects are crucial.

a) Input-output (IO) tables provide a description of the interdependent production structure. Taking the reach of internationalization into full - consideration requires a worldwide set of national IO tables (covering at least 80% of world GDP) that are fully linked through bilateral trade data.

b) Taking the dynamics of internationalization into account requires a time series (1995-2006) of such linked IO tables, in current and constant international prices.

c) Taking the effects of internationalization into consideration requires that other relevant information is appended. These so-called satellite accounts include labor data for different skill types, investment flows, and environmental and resources data.

The first part of the project constructs such a unique database. The second part of the project applies the database to analyze the international interaction of socio-economic and environmental objectives from a policy perspective. These are applications that use the database by directly employing IO and econometric techniques, and applications that use large-scale models that employ the database.

The project builds on several previous, EU-sponsored projects and is carried out by Europe's leading experts in IO theory, data construction, interindustry models, and policy applications.

World input-output database: construction and applications

WIOD

Institutions/Partners/Country/Town

Institute for Prospective Technological Studies (IPTS)

European Commission - Joint Research Center
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ES - Sevilla

The Vienna Institute for International Economic Studies

Dr. Robert STEHRER
AT – Vienna

Zentrum für Europäische Wirtschaftsforschung GmbH (ZEW)

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Austrian Institute of Economic Research

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Hochschule Konstanz, Hochschule für Technik, Wirtschaft und Gestaltung

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DE – Konstanz

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Mr. Andrew TANK
BE – Brussels

Organisation for Economic Co-operation and Development

Mr. Norihiko YAMANO
FR– Paris

Netherlands Bureau for Economic Policy Analysis (CPS)

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NL – The Hague

Institute of Communication and Computer Systems

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EL – Athens

Centrale Recherche SA

Prof. Paul ZAGAME
FR – Paris

Globalisation and knowledge economy, evaluation of EU policies

Innovative S&T indicators combining patent data and surveys: empirical models and policy analyses

INNOS&T

<p>Proposal: 217299</p> <p>Estimated EC contribution: 1391000 €</p> <p>Starting date: 2008</p> <p>Duration: 36 months</p> <p>Funding scheme: Collaborative Project (Small- and medium scale focused research project)</p> <p>Unit L.2</p> <p>Scientific officer: Ian PERRY ian.perry@ec.europa.eu</p>	<p>Project coordinator:</p> <p>Università Commerciale Luigi Bocconi IEGI IT - Milan</p> <p>Contact:</p> <p>Prof. Alfonso GAMBARDELLA agambardella@unibocconi.it</p>
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This project aims to develop and collect novel science and technology indicators covering Europe, Japan and the United States.

These indicators will be used in empirical models that can contribute to improve European, national and regional policies on the following four topics:

- Economic use of patents, i.e. unused patents and strategic patents, licensing, entrepreneurship;
- Science-industry linkages and innovation performance;
- Gender, education and mobility of inventors;
- Economic value of patents.

The project will carry out the following four sets of activities aimed at the creation of new indicators.

First, we will carry out a new survey data collection, PatVal-EU II, which will build on the previous PatVal-EU I survey of inventors. The new survey will interview inventors of about 30,000 EPO patents in 20 European countries and will ask questions about the inventors, the invention process, the motivations to patent, the use and the value of the patent, the links between science and patented inventions.

Second, we will carry out two complementary survey data collections in US and Japan, PatVal-US and PatVal-JP, by using the questionnaire developed for European inventors.

Third, the project will develop indicators for industry-science links based on patent citations to science for all OECD countries, over time, across industries, by firms and by firms to universities and public research institutions. These indicators will be validated through the results of the PatVal-EU II survey.

Fourth, we will build complementary indicators at the level of patents (citations, oppositions, etc.), inventors, companies, regions, sectors, that will be integrated with the survey data.

The resulting integrated datasets will be used in empirical models and policy assessments on the four topics of this project. In particular, the project will develop adequate empirical methods that take simultaneously into account a variety of factors affecting the impact of policies.

**Innovative S&T indicators combining patent data and surveys:
empirical models and policy analyses**

INNOS&T

Institutions/Partners/Country/Town

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Globalisation and knowledge economy, evaluation of EU policies

Development of methods and tools for evaluation of research

DEMETER

<p>Proposal: 217397</p> <p>Estimated EC contribution: 1484669 €</p> <p>Starting date: 2008</p> <p>Duration: 36 months</p> <p>Funding scheme: Collaborative Project (Small- and medium scale focused research project)</p> <p>Unit L.2</p> <p>Scientific officer: Domenico ROSSETTI di VALDALBERO domenico.rossetti-di-valdalbero@ec.europa.eu</p>	<p>Project coordinator:</p> <p>Centrale Recherche SA Laboratoire Erasme FR - Paris</p> <p>Contact: Prof. Paul ZAGAME danielle.schirmann-duclos@ecp.fr</p>
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The Lisbon Agenda of increasing competitiveness of European countries by the «knowledge» has focussed attention on RTD and education policies.

The evaluation of such policies is in the state of the art very difficult; if there exist quantifications of RTD increase on economic performance at a firm or sectoral level, the assessment of such performance on a whole community or a group of countries is less frequent; the link between RTD and economic performance has, during the last decades, changed a lot, rising a doubt on the former estimations: for instance the knowledge spillovers between countries linked to RTD has increased, the services activities linked to RTD as increased also much and then the measurement of RTD did change in significance.

The importance of other forms of intangible capital (Human, ICT, Organisational capital...) has modified the link between RTD and innovation.

The overall objective of this proposal is to build a system of tools based on applied modelling that

can be used for the *ex ante* evaluation of research and innovation policies at sectoral and European level.

The method of the project will be a wide scope one. It will be based on micro, meso and macro economics, in order to give deep insight on the RTD incentives and the RTD performance. It will be grounded on Scientific and Technique and Innovation (STI) indicators and new databases that take into account all the activities related to RTD (and not only RTD expenses), the knowledge spillovers between activities and countries and also other forms of intangible capital.

These insights will be used to modify the production block and demand of the two large scale detailed economic coverage models that have a good track record: the econometric model NEMESIS and the general equilibrium one GEM-E3 that will produce macro and detailed indicators in order to assess RTD and innovation policies in terms of STI indicators, competitiveness, growth, employment, budget deficits, welfare, environment, sustainable development.

Development of methods and tools for evaluation of research

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Intangible investments, service-oriented economy and macro-economic policies

Intangible capital and innovations: drivers of growth and location in the EU

INNODRIVE

<p>Proposal: 214576</p> <p>Estimated EC contribution: 1496523 €</p> <p>Starting date: 2008</p> <p>Duration: 36 months</p> <p>Funding scheme: Collaborative Project (Small- and medium scale focused research project)</p> <p>Unit L2</p> <p>Scientific officer: Marianne PAASI marianne.paasi@ec.europa.eu</p>	<p>Project coordinator:</p> <p>University of Vaasa Department of Economics FI - Vaasa</p> <p>Contact:</p> <p>Prof. Hannu PIEKKOLA hannu.piekkola@uwassa.fi</p>
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It is widely recognised that intellectual assets are major determinants of the generation of innovation and thus in the enhancement of growth, employment and competitiveness of the EU.

The importance of R&D and innovation is also explicitly acknowledged in the “Lisbon process”. However, our knowledge of the contribution of intangibles to economic performance is still incomplete.

While firms undoubtedly are at the centre of innovation and productivity growth, their activities are hard to analyse empirically.

Furthermore, at the macro-level the national accounts data on capital formation focus primarily on fixed investment and have only recently attempted to measure investment in intangibles such as software, mineral exploration and artistic creations.

The aim of this research project is to reduce our ignorance by providing new data on intangibles and new estimates of the capacity of intangible capital to generate growth.

We envisage doing this both at firm-level and at national level. At the micro-level the present project will improve our insight into the contributions of intangibles to the growth of firms by exploiting the potential of recently established linked employer-employee datasets and implementing a performance based methodology to analyse how firms use knowledge and human capital to increase their productivity and how mobile workers react to these processes.

At the national-economy level we will expand the traditional growth accounting framework by including, in capital formation, estimates of the investment in intangibles which, hitherto, have been counted as current expenditure in the conventional national accounts.

This research will thus explore hitherto uncharted territories in EU socio-economic research.

This research project will deliver new foundations for the formulation of policies to strengthen growth and employment in the EU by providing new “beyond-the-state-of-the-art” estimates of intangibles’ contribution to economic performance.

Intangible capital and innovations: drivers of growth and location in the EU

INNODRIVE

Institutions/Partners/Country/Town

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Deutsches Institut für Wirtschaftsforschung

Innovation, Manufacturing, Service
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Statistisk Sentralbyrå (Statistics Norway)

Research Department
Torbjorn HAEGELAND
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National Institute of Economic and Social Research

Gill CLISHAM
UK - London

Inštitut Za Ekonomska Raziskovanja

Boris MAJCEN
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Elinkeinoelämän Tutkimuslaitoksen Kannatusyhdistys Ry.

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Intangible investments, service-oriented economy and macro-economic policies

Intangible assets and regional economic growth

IAREG

<p>Proposal: 216813</p> <p>Estimated EC contribution: 1456119 €</p> <p>Starting date: 2008</p> <p>Duration: 24 months</p> <p>Funding scheme: Collaborative Project (Small- and medium scale focused research project)</p> <p>Unit L.2</p> <p>Scientific officer: Marianne PAASI marianne.paasi@ec.europa.eu</p>	<p>Project coordinator:</p> <p>Universitat de Barcelona Regional Quantitative Analysis Group (AQR) Department of Economics, Statistics and Spanish Economy ES - Barcelona</p> <p>Contact: Dr Jordi SURINACH I CARALT jsurinach@ub.edu</p>
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The objective of IAREG is to analyse the role played by intangible assets (IA) in the generation of innovation, competitiveness and consequently economic growth and increases in productivity at regional level with a special emphasis on the geographical space in which such processes occur.

The specific objectives of the project will be:

- a) To develop new indicators for improving the measuring of some of the IA that we consider to have the most influence in the generation of economic development.
- b) To analyse how IA and their interaction define the environment affecting firms' location. To measure the role of regional externalities in the generation of IA and in determining local economic performances in Europe and in the diffusion of knowledge.
- c) To provide decision makers with policy recommendations in order to support them in the future design and implementation of regional innovation strategies.

The main result expected in the project is the guide of policy recommendations and the dissemination of this guide among regional, national and European policy makers.

To ensure the achievement of the proposed objectives, the project is structured in 8 workpackages.

The first block of workpackages, comprised by WP1, WP2 and WP3 will research on the impact of different intangible assets on innovation, regional economic growth and productivity, both at a theoretical but especially at the empirical level.

WP4 and WP5 will analyse the role of spatial knowledge flows (knowledge diffusion) as a transmission mechanism from IA to innovation and growth.

WP6 will be devoted to the development of a guide of policy recommendations for stimulating intangible investment and economic growth.

WP7 will focus on the broad dissemination of the results achieved in the project, specially of the policy recommendations guide.

Intangible assets and regional economic growth

IAREG

Institutions/Partners/Country/Town

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Intangible investments, service-oriented economy and macro-economic policies

Competitiveness, innovation and intangible investment in Europe

COINVEST

<p>Proposal: 217512</p> <p>Estimated EC contribution: 1464767 €</p> <p>Starting date: 2008</p> <p>Duration: 24 months</p> <p>Funding scheme: Collaborative Project (Small- and medium scale focused research project)</p> <p>Unit L.2</p> <p>Scientific officer: Ian PERRY ian.perry@ec.europa.eu</p>	<p>Project coordinator:</p> <p>Queen Mary and Westfield College Department of Economics UK - London</p> <p>Contact:</p> <p>Prof. Jonathan HASKEL j.e.haskel@qmul.ac.uk</p>
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We aim to understand the contributions of intangible investments to innovation, competitiveness, growth and productivity in Europe.

Such a project is, we feel, vital to help EU policy formation and deepen our understanding of some of the most crucial questions facing EU economic policy.

The reason is simple. Currently, (almost all) intangible investments are either not measured, or treated as an intermediate input into production so they are assumed to produce no durable assets for firms or economies.

Does this matter? In practice, most knowledge investments involve intangible spending. And, the Lisbon agenda aims to make the EU “the most competitive and dynamic knowledge-driven economy by 2010 (our italics)”. Thus we are in the difficult position of having perhaps the major EU policy aspiration backed by almost no data or measures.

This project will set out a method and collect the data required.

Given the issue’s importance, we believe our work will make a considerable contribution.

Some knowledge investment is counted as such in the key economic measures such as GDP (e.g. software). However, R&D and other knowledge investment (like investment in human capital via training, investment in reputation capital, investment in organisational capital etc) are all treated as day-to-day expenses, not investment.

Thus, under current conventions, investment and GDP in an economy whose businesses spend €1 more on almost all knowledge investment is the same as an economy whose businesses turn up their air-conditioning.

Therefore, we have put together a small-scale but focused team comprising some of Europe’s (and the world’s) leading experts on these questions, spanning business, policy and measurement interests.

The project will collect data on a wide range of knowledge investment, at macro and micro levels, incorporate these into macro and micro performance measures and thus greatly improve our understanding of knowledge-driven economies and firms and policy.

Competitiveness, innovation and intangible investment in Europe

COINVEST

Institutions/Partners/Country/Town

The Conference Board Europe

Brussels Office
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Instituto Superior Técnico

Department of Engineering and Management
Francisco LIMA
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Confederation of Swedish Enterprise

Economics Department
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Intangible investments, service-oriented economy and macro-economic policies

The contribution of public and private services to European growth and welfare, and the role of public-private innovation networks

SERVPPIN

<p>Proposal: 217247</p> <p>Estimated EC contribution: 1480141 €</p> <p>Starting date: 2008</p> <p>Duration: 36 months</p> <p>Funding scheme: Collaborative Project (Small- and medium scale focused research project)</p> <p>Unit L.2</p> <p>Scientific officer: Domenico ROSSETTI di VALDALBERO domenico.rossetti-di-valdalbero@ec.europa.eu</p>	<p>Project coordinator:</p> <p>Universidad de Alcalá Departamento de Economía Aplicada Facultad de Económicas y Empresariales ES - Alcalá de Henares</p> <p>Contact: Dr Luis RUBALCABA luis.rubalcaba@uah.es</p>
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Services are the dominant economic sector in modern economies and are a crucial component of competitiveness strategy and welfare in Europe.

In the past public and private services have been studied in isolation of one another. At best this is misleading.

At worst it produces a false understanding of the drivers, dynamics, and impact of services.

The ServPPIN project addresses this problem by analyzing public and private services, and their impact on growth and welfare.

In particular, it focuses on service innovation and on public-private innovation networks because these are an important organizational mode for developing, producing, and delivering new and improved services.

They work by establishing and enhancing complementarities and synergies between public and private organizations.

The research objectives of the project are:

a) Identifying and understanding the links between public and private services and economic growth and welfare.

b) Understanding service innovation and how public-private sector interactions function, and how they can be better managed to increase performance.

c) Understanding the characteristics of successful public-private service networks which have a high impact on growth and welfare.

The achievement of these objectives will be undertaken by theoretical and empirical research that is cross-country and cross-sector.

This will be supported by in-depth case studies covering major service types: health, transport, and knowledge intensive services.

The expected outputs of the project are the development of new knowledge/ improved scientific understanding of services, improved policy prescriptions, and the dissemination of this new knowledge to business leaders and policy makers. In order to diffuse knowledge effectively, the project has set up a stakeholder

International Expert Reference Group that comprises enterprises, professional associations and public institutions.

The aim is to affect policy in services, including EU policies.

**The contribution of public and private services to European growth and welfare,
and the role of public-private innovation networks**

SERVPPIN

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Intangible investments, service-oriented economy and macro-economic policies

Social entrepreneurs as "lead users" for service innovation

SELUSI

<p>Proposal: 217622</p> <p>Estimated EC contribution: 1446878 €</p> <p>Starting date: 2008</p> <p>Duration: 40 months</p> <p>Funding scheme: Collaborative Project (Small- and medium scale focused research project)</p> <p>Unit L2</p> <p>Scientific officer: Domenico ROSSETTI di VALDALBERO domenico.rossetti-di-valdalbero@ec.europa.eu</p>	<p>Project coordinator:</p> <p>The London School of Economics and Political Science MPA Programme Public and Economic Policy UK - London</p> <p>Contact:</p> <p>Ms Marieke HUYSENTRUYT m.e.huysentruyt@lse.ac.uk</p>
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Companies that don't innovate lose their competitive edge.

This is one certainty companies in an increasingly competitive, complex environment face, and which is further driven home by the 2005 re-launch of the Lisbon Strategy.

But how should a Philips, IMEC or say a leading company in high-tech or knowledge-based services innovate their service function?

This project will bring forward emerging social entrepreneurs as a powerful, yet so far untapped source of 'external' intelligence, ideas and technologies, and will advance a concrete strategy for how companies can access and leverage this intelligence in their service innovation processes.

To do so, we will first rigorously analyse the founding decisions of 800 emerging social entrepreneurs based in Western as well as Central and Eastern European countries.

This will allow us to systematically dissect the rising phenomenon of social entrepreneurship along a number of dimensions, including financial

contracting, competitive strategy and organizational design.

As we better understand who social entrepreneurs in Europe are and how they evolve over time, we can start to address more effectively how their intelligence can be optimally mobilized to accelerate service innovation.

We will pilot-test at least one concrete, new innovation strategy (match-making model) through a series of action-orientated workshops that will involve academics, social entrepreneurs and leading companies.

Finally, through our unique blend of fundamental and applied research, we will be able to formulate public policy initiatives in the following four domains: a) the area of emerging social entrepreneurship both at the EU and member state levels, b) that of service innovation and competitiveness particularly at the EU level, c) areas of both emerging social entrepreneurship and services innovation in European welfare states versus emerging market economies, and d) our "SELUSI"-Innovation Strategy at the global level.

Social entrepreneurs as "lead users" for service innovation

SELUSI

Institutions/Partners/Country/Town

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Stiftelsen Östekonomiska Institutet

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Intangible investments, service-oriented economy and macro-economic policies

Monetary, fiscal and structural policies with heterogeneous agents

POLHIA

<p>Proposal: 225408</p> <p>Estimated EC contribution: 1330000€</p> <p>Starting date: 2008</p> <p>Duration: 36 months</p> <p>Funding scheme: Collaborative Project (Small- and medium scale focused research project)</p> <p>Unit L2</p> <p>Scientific officer: Dominik SOBCZAK dominik.sobczak@ec.europa.eu</p>	<p>Project coordinator:</p> <p>Università Cattolica del Sacro Cuore Department of Economics IT – Milano</p> <p>Contact:</p> <p>Prof. Domenico DELLI GATTI domenico.delligatti@unicatt.it</p>
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It is almost a commonplace that macro-economic policies, if well conducted, are a stability-enhancing device. By providing a non-inflationary environment, they “keep in order” the backstage of a movie in which the actors - firms and households - determine long run growth by means of saving/investment decisions. In this view aggregate outcomes can be improved upon by means of micro-economic or structural policies such as labour and product market deregulation, investment in human capital, etc.

The scope of macro-economic policies, however, is much wider. For instance, monetary policy affects business fluctuations and growth through *financial factors* which are certainly no less important than inflation, as the sub-prime crisis has emphasized.

POLHIA aims at exploring the role of macro-economic policies in this wider sense and the nexus of macro-economic and micro-economic/structural policies in an *heterogeneous agents setting*. Modern macro-economic thinking goes beyond the Representative Agent assumption because agents are indeed different - in terms for e.g. of real and financial conditions, labour market status, technical capabilities, expectations, market power - and this heterogeneity is crucial for macro-economic outcomes.

Monetary and fiscal policies affect in different ways different people just as structural policies do. Structural policies, in turn, can have macro-economic consequences through externalities. Hence macro and micro policies are strictly intertwined: they can reinforce (or interfere with) each other.

The research group will exploit a wide range of tools. At the level of model building the development of macro-economic frameworks in the New Keynesian tradition will be paralleled and complemented by the use of Agent based models, which are appropriate for the exploration of heterogeneous agents environments. Empirical research will be carried out by means of econometric models and experiments to study, for instance, the formation of expectations.

POLHIA aims at providing new insights for the implementation of both macro-economic policies and structural policies and for rethinking policy coordination or coherence, which emerges first between monetary and fiscal policies and second between micro and macro policies.

The dissemination of results to policy-makers will be mostly oriented towards central bankers and European and national officials in charge of fiscal and structural policies.

Monetary, fiscal and structural policies with heterogeneous agents

POLHIA

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Intangible investments, service-oriented economy and macro-economic policies

Modelling and implementation of optimal fiscal and monetary policy algorithms in multi-country econometric models

MONFISPOL

<p>Proposal: 225149</p> <p>Estimated EC contribution: 1350000€</p> <p>Starting date: 2008</p> <p>Duration: 36 months</p> <p>Funding scheme: Collaborative Project (Small- and medium scale focused research project)</p> <p>Unit L2</p> <p>Scientific officer: Dominik SOBCZAK dominik.sobczak@ec.europa.eu</p>	<p>Project coordinator:</p> <p>Centre pour la recherche économique et ses applications (CEPREMAP) Dynare Team FR - Paris</p> <p>Contact:</p> <p>Prof. Michel JUILLARD michel.juillard@ens.fr</p>
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This project contributes to the evaluation of macroeconomic policy by advancing the analysis of optimal fiscal and monetary policy in monetary union such as the European one.

This work will result in the addition of new numerical tools, specially designed for the computation of optimal policy in large macro-econometric models. Such multi-country models are necessary to take into account the diversity of the countries making now the European Union.

These new tools for the computation of optimal policy will be added to DYNARE, a public domain platform for the simulation and estimation of dynamic stochastic general equilibrium models (DSGE) that is increasingly used in policy making institution and in academic research alike.

New models are proposed to analyze the contribution of optimal policy to smooth shocks in a union of heterogeneous countries with rigidities in labour and financial markets. In that framework, special attention is given to the dynamics of public debt.

Systematic models comparison is made possible thanks to a database of macroeconomic models currently in use in policy making institutions around the world. New numerical tools are added to DYNARE that provide the computation of optimal policy, either under commitment, in a timeless perspective or under discretion, for a general class of nonlinear models.

Particular attention is given to correct linear quadratic approximation of these models. Extensions are proposed to deal with partial information.

These tools shall also permit to perform Bayesian estimation of models under the assumption that the policies followed were optimal. Special emphasis is placed on the definition of priors. Given the complexity of the numerical computations, we stress speed of computation and the development of parallel algorithms. Altogether, this project should represent a very significant step forward towards better models and better tools for the formulation of macroeconomic policies.

**Modelling and implementation of optimal fiscal and monetary policy algorithms in
multi-country econometric models**

MONFISPOL

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Intangible investments, service-oriented economy and macro-economic policies

Financial systems, efficiency and stimulation of sustainable growth

FINESS

<p>Proposal: 217266</p> <p>Estimated EC contribution: 998171 €</p> <p>Starting date: 2008</p> <p>Duration: 24 months</p> <p>Funding scheme: Collaborative Project (Small- and medium scale focused research project)</p> <p>Unit L.2</p> <p>Scientific officer: Dominik SOBCZAK dominik.sobczak@ec.europa.eu</p>	<p>Project coordinator:</p> <p>Deutsches Institut für Wirtschaftsforschung Macro Analysis and Forecasting DE - Berlin</p> <p>Contact:</p> <p>Dr Christian DREGER cdreger@diw.de</p>
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The main purpose of FINESS is to get a clear understanding of the implications of ongoing financial market integration in Europe on economic growth, employment and competitiveness, to identify likely future paths of the development and to draw policy relevant conclusions.

Several main breakthroughs will be achieved throughout the project.

On the macroeconomic level, the role of financial systems and their transmission channels on growth will be explored by innovative and tailor made econometric techniques, taken dynamic interactions between financial, product and labour markets into account.

A range of indicators to measure the degree of financial integration will be constructed, and their development in time will be addressed.

Moreover, insights into the working of financial institutions will be provided for the microeconomic level.

The comparative approach undertaken by FINESS is especially useful to uncover catalysts and bottlenecks in the architecture of financial systems.

By investigating unique datasets, the role of the financial structure, i.e., the banking sector, markets for private equity and venture capital, for improving efficiency and sustainable expansion of start ups and established firms is studied.

The impacts of different degrees of financial integration on the portfolio decisions of households are explored with simulation models.

Topics specifically related to the transition period of the New Member States as well as the gender dimension in turning impulses from the financial system into efficiency and growth are covered by the project.

By fulfilling its goals, FINESS will provide in-depth knowledge on the relationship between financial systems and sustainable economic growth in a changing environment.

Financial systems, efficiency and stimulation of sustainable growth

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Intangible investments, service-oriented economy and macro-economic policies

Financing entrepreneurial ventures in Europe: impact on innovation, employment growth and competitiveness

VICO

<p>Proposal: 217485</p> <p>Estimated EC contribution: 1491463 €</p> <p>Starting date: 2008</p> <p>Duration: 36 months</p> <p>Funding scheme: Collaborative Project (Small- and medium scale focused research project)</p> <p>Unit L.2</p> <p>Scientific officer: Dominik SOBCZAK dominik.sobczak@ec.europa.eu</p>	<p>Project coordinator:</p> <p>Ecole Nationale Supérieure des Mines de Paris Centre de Sociologie de l'Innovation Association pour la Recherche et le Développement des Méthodes et Processus Industriels FR - Paris</p> <p>Contact:</p> <p>Prof. Philippe MUSTAR philippe.mustar@ensmp.fr</p>
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The aim of the VICO project is to assess the impact of Venture Capital and Private Equity (VC/PE) financing on the economic performance of European innovative entrepreneurial ventures as they are reflected by their innovation output, employment, growth, and competitiveness, and the role VC/PE investors play in helping these firms bridge their resource and competence gap beyond the provision of financing.

Particular attention will be devoted to the institutional variety of VC/PE investors in Europe.

We will consider factors affecting both the demand for and the supply of VC/PE financing, at micro and macro level. In particular, we will analyze how the effects of VC/PE financing on the economic performance of portfolio companies are moderated by i) the characteristics of the investor, ii) the characteristics of invested firms, and iii) the characteristics of the business and institutional environment in which firms operate.

In addition, we will examine specific open issues that play a crucial role for the development of the

VC/PE sector in Europe, namely: a) the design of a mix of multi-level policy schemes targeting seed and pre-seed capital; b) exit mechanisms for VC/PE investors; and c) the European integration of the VC/PE sector and the internationalization of VC/PE investors.

The project will benefit from a unique combination of qualitative (survey analyses and case studies) and quantitative empirical methodologies.

As to these latter, the project will build and use a micro and macro cross-country panel type dataset with a rather long longitudinal dimension and wide coverage of EU countries so as to overcome some of the key weaknesses of the extant empirical literature.

The consortium is a blend of well known scientists from different disciplines (i.e. finance, innovation economics, entrepreneurship, management, policy science).

Several of them have already collaborated in EU promoted research projects (such as the VCFUN project promoted by the PRIME Network of Excellence).

**Financing entrepreneurial ventures in Europe : impact on innovation,
employment growth and competitiveness**

VICO

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This brochure describes EU projects mostly coming from the activity entitled "Growth, employment and competitiveness in a knowledge society" of the Socio-economic Sciences and Humanities Programme. The focus of this publication is on the European knowledge society (Lisbon Agenda) but it covers also issues related to policy evaluation and economic governance. The projects included in this brochure aim at answering the following questions: How to succeed in the age of globalisation? What are the impacts of research and innovation on growth and employment? How does internationalisation affect the localisation of knowledge-intensive activities of firms? What is the overall importance of service industries in European growth? How can the intangible assets be measured? What is the optimal public spending distribution? How is "entrepreneurship" evolving in Europe?