

Firm Innovation and Productivity in Latin America and the Caribbean

Matteo Grazzi • Carlo Pietrobelli
Editors

Firm Innovation and Productivity in Latin America and the Caribbean

The Engine of Economic Development

Inter-American Development Bank

palgrave
macmillan



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ISBN 978-1-349-58150-4 ISBN 978-1-349-58151-1 (eBook)
DOI 10.1057/978-1-349-58151-1

Library of Congress Control Number: 2016941889

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Printed on acid-free paper

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FOREWORD

After a decade of favorable international conditions, most Latin American and Caribbean countries are now confronting their reality. Despite the observed increases in growth rates, decline in unemployment, and spectacular figures in investment and saving, factors behind long-run growth and sustainability are still showing meager results. Total factor productivity has not changed in most countries in the region for more than a decade. This is alarming, since improvements on the inspirational side of economic growth are heavily correlated with movements in income per capita.

Most of the theoretical and empirical efforts have focused on analyzing the sources of this delay on a macro-level. By examining aggregate figures related to research and development (R&D), foreign direct investments (FDI), macro-regulations, and sometimes educational issues, it is possible to derive policy implications almost without considering several meso and micro-characteristics of the countries that may determine the success or failure of these recommendations.

We have recently learned that heterogeneity matters. In most of the countries in the region, not only do different sectors show dissimilar productivity performances but this phenomenon is also observed inside the sectors. To disentangle those macro-factors that are affecting the productive rhythm of the economies from those that are more sector or even firm-specific, we must use different lenses for different observation units. The mechanism behind those patterns may vary not only among countries but also among sectors and firms.

Thoughtfully considering the assumption that not only the level of productivity matters but also its variance, this book complies several empir-

ical works that by using different lenses aims to reveal which variables may have a systematic effect on the productivity evolution observed at a firm and sectorial level in Latin American and Caribbean countries. The book emphasizes knowledge generation, diffusion, and implementation through innovation, while exploring the roles of human capital, financial resources, and linkages that also shape firms' inspiration.

Results provided throughout the book show that there are several dimensions that matter, including the ways that policy-makers design and implement public support that aim to enhance productivity. Some results were expected but others were not. Some variables are relevant in certain countries, others in certain productive sectors. The book is an invitation to a wider group of researchers and policy-makers to have a closer look at what is happening at a sectoral or even firm level. Understanding the challenges that most of these firms, sectors, and countries face and the way they surpass them is key for the design of public policies.

This is part of the role of the Inter-American Development Bank, and especially of the Competitiveness and Innovation Division. By producing knowledge products in a collaborative and effective manner, promoting a growing research community, and supporting our policy-makers in the areas of innovation, productivity, and human capital formation, we can help to increase economic performance and, in turn, improve the overall welfare of all citizens in the region.

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ACKNOWLEDGMENTS

This book was prepared by a team led by Matteo Grazzi and Carlo Pietrobelli of the Competitiveness and Innovation Division of the Inter-American Development Bank, who coordinated the research and edited the book. It is part of the research project on “Policies and Institutions for Productivity in Latin America and the Caribbean,” financed by the Institutional Capacity Strengthening Fund (ICSF).

Eddy Szirmai acted as external scientific advisor and José Miguel Benavente provided guidance throughout the project. Leonardo Ortega and Siobhan Pangerl provided excellent research assistance. Sarah Schineller oversaw the editing and production of this volume, working closely with the editors and authors.

The construction of a book is a lengthy process during which the team was fortunate to receive valuable comments and advice from many people. We wish to thank Martin Chrisney, Jorge Rodríguez Meza, and Federica Saliola for launching the initial idea of a book on enterprise performance in Latin America and the Caribbean. In addition, we thank Rita Almeida, Leopoldo Avellan, Juan Blyde, Arturo Galindo, Juan Carlos Navarro, Jocelyn Olivari, Carmen Pages, Joan Prats, Graciana Rucci, Hong Tan, Sebastián Vergara, Christian Volpe Martincus, and Pluvia Zuñiga for their useful and insightful comments at various stages of the preparation of the book.

This volume has greatly benefited from participation and discussions at an IDB Workshop where preliminary drafts and ideas were discussed (Washington DC, USA, June 2014), and in many other seminars where preliminary drafts of the entire manuscript or individual chapters were

presented. These include: Centro Rossi-Doria Workshop “Global Value Chains for Food and Nutrition Security” (University Roma Tre, Italy, September 2014); The European Trade Study Group—ETSG International Conference (Munich, Germany, September 2014); Universidad del Rosario Economics Seminar (Bogotá, Colombia, November 2014); ORT University Innovation Seminar (Montevideo, Uruguay, November 2014); UNU–MERIT Conference on “Future Perspectives on Innovation and Governance in Development” (Maastricht, the Netherlands, November 2014); AQR-IREA Seminar (Barcelona, Spain, February 2015); the Eighth Conference on Micro Evidence on Innovation and Development MEIDE (New Delhi, India, February 2015); VI Congreso de la Asociación de Economía para el Desarrollo de la Argentina (Buenos Aires, Argentina, May 2015); IDB Second Seminario Relampago IFD (Washington DC, USA, June 2015); XX Latin American Economic Association (LACEA) Annual Meeting (Santa Cruz de la Sierra, Bolivia, October 2015). The authors thank all colleagues that discussed their work on these occasions, greatly improving its quality.

The authors and editors are solely responsible for any errors in information and/or its analysis. Likewise, the opinions and policy recommendations stated in this book are those of the authors and do not represent the official position of the IDB, its President, or the Board of Directors.

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