

The impact of innovation policy on the regional economies of Europe

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Abstract-

We evaluate the economic impact of the Horizon 2020 innovation policy using a spatial dynamic general equilibrium model incorporating R&D-based semi-endogenous growth and calibrated for 235 NUTS2 regions of the European Union. The results suggest that the policy can have a positive impact on GDP and job creation, with considerable regional heterogeneity. The GDP gains are expected to be significant in the long run, due to the positive productivity effects of innovation policy funding. Our model provides insights into policy spillovers through production factor dynamics, trade linkages and innovation diffusion, and constitutes an example of how to assess the impact of innovation policy beyond individual projects and towards mission-oriented monitoring.

Index Terms- computable general equilibrium modelling, regional economics, semi-endogenous R&D growth, entrepreneurial state, mission-driven policies, European innovation policy

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