

Journal ISSN 2069 – 5934
ScientificPapers.org
of Knowledge Management, Economics
and Information Technology

<http://www.scientificpapers.org>

The Initiative “The Innovation Union”

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“Free flow of ideas” is another component of the liberty confirmed by the EU Constitution who seeks to open without restrictions, for the benefit of all countries, of participation to the expansion of the European innovative heritage.

The European Commission released on February 1 this year the first "scoreboard"¹ on innovation performance for 2010. Corresponding to this report, the EU has failed to catch up with the gap that sets it apart from USA and Japan in the field of research and innovation (especially in the private sector).

The analysis of macroeconomic indicators shows developments, insufficiently fast, within the EU. However, given the economic crisis and its impact on all activities including on research, the efforts deserve to be highlighted. Currently, the EU is, however, before India and China (the most emerging countries of the world)² trying to revitalize an area of innovation and research through considerable financial efforts.

Keywords: *innovation, competition, externality, welfare, European social model (ESM).*

Time of knowledge and innovation

The new wave of knowledge according to Toffler³, starts from the dramatic changes in our relations with space, time and knowledge.

Meeting the needs for hedonism has other connotations and a different interpretation. Let us explain. Meeting the needs converts in an important landmark, constant and obsessive, for the existence of the individual. But not for the actual pleasure but in order to ensure proper continuity of its capabilities to work in order to ensure tomorrow.

According to Toffler⁴ at present the most revolutionary wave of change began a half a century ago, it is the wave of change in terms of wealth creation. The accumulation of wealth however has other connotations and dimensions, which aim primarily individual accumulation in order to demonstrate the ability of individuals to get rich.

In light of the above, **Thorstein Veblen's** critique (1857-1929), American sociologist and economist criticizing upon upstartism based on enrichment obtained through less accurate economic ways, warns on changes in the society's structure as a result of desire for prestige. Innovation and its role in global transformation represent also the approach of Thomas Friedman in his book called "The Earth it is flat. Brief history of the 21st century"⁵.

According to the author, the process of globalization experienced three eras. **First**, the era in which the world decreased in size, from large to medium, thanks to trade opening between the

¹ EurActiv 4 February 2011

² China makes great efforts to recover the gaps.

³ Alvin Toffler and Heidi Toeffler-, **Revolutionary wealth**", Antet Publishing House 2006, Chapter. 22

⁴ Ibidem, page 134

⁵ Thomas Friedman-**“The Earth is flat. Brief history of the 21st century”**, Polirom Publishing House, Iasi, 2007, Chapter 1.

Old World and the New World (1492 since the expedition of Columbus until 1800). *The second*, starting with 1800 and ending with 2000 (with interruptions due to the crisis from '29-'33 and of the two World Wars) where the dynamic force is represented by the multinationals. Consequently the Earth decreases from medium to small. *The third*, in which the force and power belongs to the individuals through collaboration on competition on a global scale. In this stage of globalization the Earth becomes very small, because the distances become negligible due to “ the convergence between the personal computer... with an optical fiber cable... and the development of software of automated business procedures...”(op.cit. p. 26-27).

If in the past decades the science was asked to provide solutions on finding resources in order to increase the quantitative economic indicators, being put in service of quantitative development goals, currently research and innovation are called upon solving the negative effects created by the quantitative “rush” for resources and their use.

Previous *quantitative measures* which have marked the orientation of research, with a predilection for quantitative (economic supremacy based on possession of resources of all kinds, even those which proved to be harmful through the effects of their use) have now turned into a new challenge.

At present, *qualitative research objectives* are designed to monitor to respect and protect the climate, ecology and the individual.

Although it would be appropriate or should demonstrate a neutral stance toward the economic and politic interests, the same science, currently, has the aim to correct what people did wrong by exaggerating their decisions and by irrational actions, from the past.

The economic rationality paradigm has now a new content, new dimensions and changed data. The history demonstrates, once again, that what was efficient, good and favorable for a phase, as a result of time passing, may become an obstacle and a restriction in the way of progress.

Of course, progress has its price that each society must pay. The important thing is how big this price is and especially who pays it.

The very concept of *welfare* currently supports changes. Quantitative assessments have prevailed as long as there was no question of rationalizing the consumption of resources.

If welfare was assessed (once) quantitatively, measured by the number of goods and services acquired, currently, the economic and public opinion is concerned on appreciating the welfare's qualitative side.

Consumer theory itself acquires new meanings and interpretations. Currently, the concept of welfare has other qualitative connotations. We appreciate consumption, not by quantity but by quality. How free from harm, how clean or how safe they are for the integrity of our body and life, are the products and services we consume.

The whole thinking of the past millennium was targeted towards the quantitative aspects of the existence; the entry into the 21st millennium marks a change of mentality which of course, will determine a new attitude and behavior appropriate for the new objectives.

Innovation – positive externality of the competition policy

Competition encourages innovation and lowers the prices. In order to be effective, competition needs suppliers that are independent one from another, but each being subject to the competitive pressure exerted by the others.

Community competition policies regulate the single market activity. However, one cannot ignore the possibility of negative effects due to conflicting trends manifested. These are on the one hand the development of market structures, and on the other hand the extent of the concentration processes and centralization of capital.

The Community competition policy strives, further on, to maintain a balance between internal dynamic market and the single European market. If internally, the competition policy aims to the elimination of barriers on free movement of goods and services as well as the elimination of monopolistic behavior at the Community level, restrictions occur, practiced by some countries, regarding the entrance of products and services from other countries.

In designing the policy from the competition area, two guidelines can be distinguished. One refers to competition as a goal, and a binding mechanism for the proper functioning of the market. And the second represents the competition as a means to achieve the objectives of profitability. Being a fundamental tool, but not the only one, competition contributes to the economic efficiency and to the increase of quality in human life. However there is another orientation after which the unrestricted freedom of action for entrepreneurs exceeds the competition policies' imposed respect limits.

The measures for purchase and use of innovations go along with competition policies because they represent the efforts of entrepreneurs to invest in innovation and to design a technical innovative standard, which can be imposed on the market.

This standard, having social effects internally / externally, targeting the labor market or the environment, leaves the competition area because innovation will belong and will receive a public good regime.

A conspicuous contradiction occurs which triggers conflicts, when formulating a variety of objectives, felt by the market and by the population. Of course, these conflicting effects will be reflected also at the economic and social policy level, designed at a community level.

Addressing the issue can be made from at least two points of view, as follows:

- a) The relation between sustainable development (with its priorities) and the Lisbon strategy that aims competitiveness through economic growth and through creating new jobs (which represents economic development);
- b) The relation between sustainable development and economic competitiveness of EU faced with globalization (competitiveness arising from economic growth with negative externality effects).

The objectives included on two different agendas, one economic, one political, demonstrates the concerns over the increase of *economic performance within the EU*. They aim to connect the performances to the SG principles, and at the same time, reporting the EU economic *performance to the rest of the globe, subject to the need for SG*.

Two conclusions can be drawn from these approaches:

The first conclusion refers to the fact that SG is overshadowed most of the times, even in the eco-social policy objectives, by the Lisbon strategy objectives.

The second conclusion, expressed in a profoundly declarative manner (from our point of view), through which it is acknowledged the need for linking the national efforts with those of the EU integrated space. The results, however, are less noticeable and perceived.

From a theoretical point of view, the private costs related to the production activities are reflected at the market level and don't reveal, in a fair economic manner, the social costs perceived by the society. In order to correct this economic and monetary injustice, the state intervenes through the fiscal policy that charges the economic activities and the services that have negative effects on individuals and on society⁶.

It is clear that environmental protection will be made, from now on, with great and sustained financial efforts, from both the hired companies and also from the consuming-population which eventually bear through the environmental taxes a good part from the costs for pollution. The companies will increase the distribution cost as a consequence to the taxes imposed by the international organization subject to the protocol constraints, and the increased prices will be borne by the beneficiaries. ***Paradoxically, the welfare of the 21st century will diminish while measures for increasing welfare will be adopted.***

The European commission has launched a proposal for creating a project "Green Book"⁷ which has as a goal full exploitation of the financial contribution of research and innovation within EU regarding 2020. The aims of this "common strategic framework" contained within the Green Book are: facilitating participation in programs, increasing scientific and economic impact, improving the quality-price ratio.

Stimulation of the EU funds for research, creating new jobs, improving the quality of life in a Europe faced with climate change problems, energy efficiency and food security, connect with the crisis wherewith the European social model is facing.

Encouraging SMEs (as laboratories for the large businesses on innovative capacities testing on a large scale) constitute a time of economic revival, welcomed for these businesses.

The Green Book combines several key issues. They relate to improving the institutional framework with a stimulating role on competitiveness and increasing flexibility of the funding mechanism of the innovating activities.

EU endowment with a world class science base, boosting competitiveness in all areas, resolving issues caused by climate change, efficient use of resources, energy and food security, aging and health of population represent daring and risky objectives due to the extensive differences in development within EU.

To this end, achieving a higher attractiveness level of the European funds, involves using common⁸ IT tools. Funding instruments should be extended to all the links of the innovation activity: fundamental and applied research laboratories, compartments within businesses, collaborative relations between the academic area and the practice area.

Stimulating the economic environment will go simultaneously with close academic research to ensure the relevance of the applicability of the results.

Such a trend marked by the increasingly pervasive role of innovation in all aspects of life, must be maintained further on, leaving all the global opportunity doors open.

Connection, communication, collaboration and competition forms a quadrangle in which the perspective of our existence falls.

⁶ The problem of externalities, as evidence for market failure has been introduced in the economic theory by A. Marshall, then This subject was revived by A.C. Pigou with theoretical support (pigovian tax), R. Coase (with the well-known theorem), Andrew Schotter (the paradox of "lemons") and probably the preoccupations will continue because of the interest of economists for internalizing the effects of the interdependence of economic agents activity

⁷ "Common strategic framework" presented in a "Green Book" will cover the current Research Framework Programme (FP7) Framework Programme for Competitiveness and Innovation (CIP) and the European Institute of Innovation and Technology (EIT).

⁸ EurActiv 10 February 2011

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