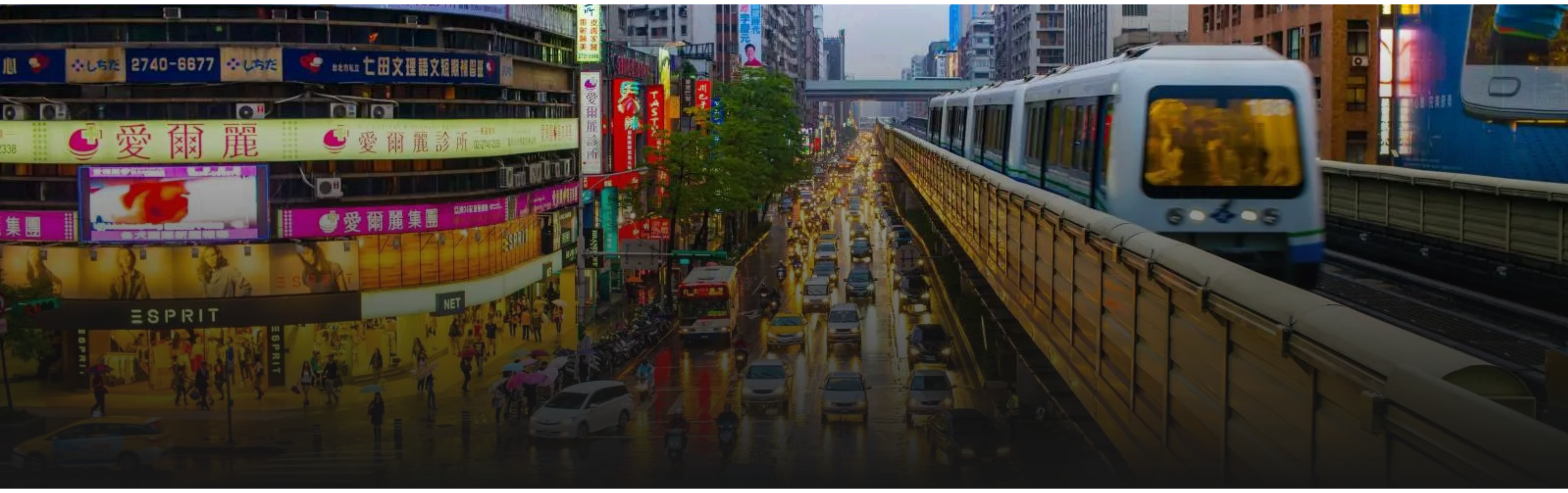

Neil Lee

June 12th, 2024

How to share the benefits of innovation

*Many of the world's most innovative places – from Silicon Valley to Shenzhen – are also highly unequal, writes **Neil Lee**. For anyone interested in ways to share the benefits of innovation more broadly across society, what lessons can be learned from places like Sweden and Switzerland which manage to do this successfully?*

Innovation is critical for economic development, fuelling productivity, wages and job creation. Policymakers know this and invest major sums in innovation policy, developing strategies to try and develop new 'Silicon-Valleys', subsidise research and development (R&D) spending, and help scientists start new firms. An entire innovation industry has developed, with hundreds of business books, podcasts and magazines focused on innovation and disruption.

But, too often, policymakers think about innovation as an end in itself, rather than a means to an end. They focus on the need for innovation, and forget that the ultimate reason for innovation is to increase living standards. What's more, they assume that the benefits will simply trickle down, rather than being broadly shared. But if we think about some of the most famous examples of successful innovation, such as Silicon Valley in the United States, Shenzhen in China or Oxbridge in the UK, while these can provide useful models of innovation, they are also highly unequal. They are places which innovate, but they are not places which share the benefits.

To address this concern, in a new book, Innovation for the Masses, I focus on places with highly innovative economies but where the benefits are more broadly shared, drawing out lessons for policymakers elsewhere seeking to share the benefits of innovation. I'm not trying to present the places I look at – Sweden, Switzerland, Austria and Taiwan – as perfect. Nor am I arguing that we can cut and paste from these models to other places. But they do help us think through what policy can do to help share the benefits of innovation.

First of all, from an innovation standpoint, new technologies should be guided rather than feared. There is much debate about the risks posed by emerging technologies. The latest set of fears are about artificial intelligence which may, some say, wipe out jobs, destabilise democracies and even pose an existential risk to humanity. We should be sceptical about some of these claims, but aware of others (the impact of new technologies, via social media, on political systems is deeply concerning). In general, however, workers need more access to technology, not less. Technology is a set of tools, and the best way for governments to ensure workers can benefit is to focus on the tools which will complement what they are doing. In Austria, for instance, innovation policy chanelled R&D into existing sectors which were not traditionally seen as high-tech such as steel manufacturing, increasing productivity, and helping to prevent the industrial decline seen in other similar economies.

But this doesn't mean that innovation is simply about the technological frontier. Almost by definition, that frontier can only be inhabited by a small number of firms – often those with the deepest pockets or luckiest business models. To ensure new technologies benefit non-frontier workers, policy needs to be more focused on their diffusion, adaption, and adoption. Research institutes tailored towards bringing benefits at a local level can help do this. A great example is the Swiss Universities of Applied Science, which help diffuse innovation throughout the local economies in which they are based.

Another way to help workers is to give them the skills they need to use and adapt technologies effectively. The Swiss apprenticeship system, for instance, gives non-graduates the skills to master new technologies and, crucially, the skills they need to continue learning, adapting, and adopting new innovations long after they graduate from the apprenticeship programme. It is one reason why Switzerland has relatively low-income inequality *before* taxes and spending, as it aids "pre-distribution" (lessening the need, then, for redistribution policies). Or to give another example, Taiwan saw large increases in the uptake of STEM subjects (science, technology, engineering and maths) in the early phases of its high-tech development. This led to a virtuous circle: firms had the skills they needed to grow, and workers gained from the skills they had developed.

A final lesson is about the role of the state. For some commentators, a strong state is incompatible with entrepreneurship and innovation, as it reduces the incentives to create new products. But Sweden manages to combine a large state, low (albeit rising) inequality, and one of the world's most successful high-tech economies. It is probably the only place in Europe which has produced a large number of household name tech firms, such as Klarna and Spotify. And the state is part of this success: partly through investing in the relevant public services and skills needed for innovation, but also through establishing the country as a lead market – an early adopter – for new tech products.

Innovation should be a means to an end, with the ultimate goal being to increase living standards. It is tempting for policymakers to think that innovation is enough in itself, but the most successful examples of highly innovative economies are those which are able to translate innovation into shared prosperity. By casting a net a little wider than the usual examples, it's possible to find examples of innovation where the benefits are widely shared.

Innovation for the Masses, published by University of California Press, is out now.

All articles posted on this blog give the views of the author(s). They do not represent the position of LSE Inequalities, nor of the London School of Economics and Political Science.

Image credits: Photo of Taipei by Richie Chan via Shutterstock.

About the author

Neil Lee

Neil Lee is a Professor in the LSE's Department of Geography and Environment and convenes the Cities, Jobs and Economic Change theme in the International Inequalities Institute. He is Chair of the Regional Studies Association and has worked with public and private sector organisations including the World Bank, the OECD, the European Commission, NESTA, the Kuwaiti Government and the UK government.

Posted In: Global Inequalities | Jobs and Work | Technology

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

© LSE 2025