

The fourth newsletter of the SIMPATIC project



SIMPATIC Update

Welcome to the fourth and last issue of SIMPATIC News to keep you updated on the research development and events of the European project “Social Impact Policy Analysis of Technological Innovation Challenges”.

More information can be found on the website (www.simpatic.eu) which offers in-depth project results, all project publications, as well as information on the research partners.

Events

Past events

27 January 2015 - SIMPATIC Research Workshop on Assessing the Impact of Science Funding in Europe in Brussels, Belgium (public event)

The purpose of this workshop was to help kick start a European platform on the assessment of science funding. The workshop brought together the three types of stakeholders (academics, granting agencies and host institutes) which have already been formed in 3 pilot local clusters (Leuven, Lausanne and Strasbourg). In addition, other local clusters that could be early followers were invited as well as other interested institutes and researchers not yet matched in local clusters.

The programme consisted of the pilots presenting their set up, first results and roadmap for the next steps, presentations illustrating the latest developments in research on the assessment of science funding and presentations of current practices in science funding evaluation in agencies. There was also a panel discussion with lead academics, representatives from granting agencies and host institutes as well as science policy makers at national and EU level, which aimed to map needs and constraints for a European network on the assessment of science funding.

Discussions evolved around the stakeholders’ response to the current wave of fiscal consolidation in many European countries and the increasing demand on monitoring and evaluation of public research budgets and accountability for their use of public funding and increased emphasis is being placed on assessing the impact of public science funding on society.

The response of the scientific community engaged in evaluating public funding of scientific research to this increased demand for evaluations is threefold: An increase in the availability of big data on the topic is giving a big push to a ‘science of science funding’. At the same

time, the methodologies for science funding evaluation have improved through a better diffusion of state-of-the-art methodologies dealing better with the causal attribution of funding. Finally, academics are also addressing how to optimally design the mechanisms dealing with selection of scientific ideas to be funded.

Still, huge challenges remain. Particularly challenging is the need to link publicly available data, such as publications, to data on the characteristics of the researchers involved and projects/ideas they are engaged in.

In response to these challenges, the US has seen the setting up of the STAR METRICS initiative, a voluntary collaboration between Federal science agencies (NSF) and research institutions to document the impact of Federal science investments. However, in Europe, no such set up exists yet. What is needed is a European platform of granting agencies, hosting institutes and impact assessment researchers, allowing to link private databases on project and investigator information, with public databases. To build this European network for science funding evaluation, it can be drawn on the experience built up in the SIMPATIC network.

26-27 February 2015 - “Evaluation of research and innovation policies”- Final SIMPATIC Conference in Brussels, Belgium (public event)

This conference is the annual flagship of the three-year project and is the third and last one organised (the first one was held in Brussels and the second one in The Hague - More information is available on SIMPATIC website).

This two-day event focused on sharing final results of the project and hosting discussions with the different stakeholders. The first day focused on the Economics of Public R&D Support while the second day concentrated on micro and macro evaluation as well as the impact of research on growth and job creation.

The full programme of the conference and the minutes are available on the SIMPATIC website (www.simpatic.eu).

Research progress

The research outcomes of the last months have focused on two main topics: Social Innovations and Subsidies & Tax Credits.

Research on Social Innovation conducted by IER- Institute for Economic Research “Social Innovation: an Overview” and “The Importance of Social Capital/Social Innovation in Macro Economics”

The context for this research is the increasing recognition that a stronger focus on the social dimension of Europe is of topical interest in the light of the global economic crisis and its consequences on society.

This research first motivates the importance of social innovation in nowadays Europe, expressing how social innovation can help overcome the structural hurdles making it impossible to address some recurrent social issues. Secondly, it reviews and analyzes various definitions of social innovations, notably questioning the traditional understanding that

what models the decision to innovate are rational decisions of individual economic agents aimed at maximizing utility or profits. Further challenging traditional thinking, it calls for the search for alternative measures of well-being which go beyond the traditional concept of GDP, inadequate in measuring all the outputs of social innovation.

From these observations, it sought to offer a new definition of social innovation, including new processes of social innovation and the notion of social capital. "If one defines social capital as an asset embedded in inter-individual relations which enhances the achievement of individual and social goals, social innovation simultaneously identifies the process and outcome of changes in social capital. By increasing and reshaping the individual and society-wide endowment of social capital, social innovation permits to expand the agent's possibility frontier, thus achieving further economic and social goals".

The research also looked more in detailed into social capital; they found that the reference to social capital improves the understanding of the economic mechanisms underlying social innovation.

Evidence from the economic literature on the link between social capital and economic growth is also highlighted, illustrating the impact of social capital in the macro-economic context. A particular focus on the matter of social capital measurement was realized to attempt the creation of a ranking in social capital for European countries based on the European Value Survey (2008). A ranking of European countries in terms of social capital was created based on the 2008 round of the European Value Survey.

It found that social innovation is mostly an open and collaborative process which mixes top-down and bottom-up approaches, and yields an outcome which cannot be exclusively appropriated. As a consequence, it highlighted that the analytical framework applied to technological innovation cannot be easily transferred onto social innovation while stating that the authors' definition of social innovation in terms of changes in social capital was an attempt to overcome this limitation.

Finally, it expressed that social capital has been found to be positively correlated with property right security, contract enforceability, confidence in the institutions and creativity. Social innovation expands the country's economic growth perspectives and becomes an important focus of analysis for the economic discipline. The research also listed some examples of recent social innovation such as crowdfunding.

Research on Taxes, Subsidies and Policies conducted by K.U Leuven, UNU-MERIT and UCM

International comparison of the R&D subsidy allocation process: Evidence from 5 EU countries

In this paper, the authors update and summarize the results of the SIMPATIC e-book on the results from micro econometric analysis of how firms apply for R&D subsidies, and how governments grant them, using data from 5 EU countries. They find that older firms are less and larger firms mostly more likely to apply for subsidies; that labor productivity has a heterogeneous effect, and that SMEs are more likely to apply in Finland and Germany and less likely to apply in the Netherlands and firms in disadvantaged regions in Finland and Germany. Firm characteristics are mostly uncorrelated with the subsidy rate. The authors also find a great deal of heterogeneity across countries. Firms in all other countries are more likely

to apply given their characteristics than German firms despite the fact that they get smaller subsidy rates than German firms with same characteristics.

Allocation of R&D Subsidies: Policy Insights from SIMPATIC

This paper summarizes the policy implications from a microeconomic analysis of how firms apply for R&D subsidies, and how governments grant them, using data from 5 EU countries. The authors find that public institutions supporting private R&D differ across countries and change over time. They also find that firm characteristics have little influence on government agencies' R&D subsidy rate decisions.

Effects of targeted R&D support: European evidence

This paper provides a project and firm-level analysis of the effects R&D subsidies have on private R&D investment. The data used is from Finland, Flanders and Germany. The authors find that the effects of subsidies at the project level are not strong: They find complete crowding out or worse for all data sets. However, at the firm level, the results are very different: strong crowding in / additionality in Belgium and Finland and Flanders, and crowding out for Germany were found. At least for Finland and Flanders, the results should be interpreted with caution.

Targeted R&D Subsidies: Policy Insights from SIMPATIC structural modeling

In this paper, the main policy lessons from the SIMPATIC structural model are summarized. The model builds on the authors estimating firms' decisions to 1) apply for subsidies; 2) to invest or not in R&D; and 3) how much to invest in R&D if they invest. These firm decisions are complemented by the analysis of the government's decision as to how much to subsidize a given R&D project.

Targeted R&D Subsidies: Policy Insights from SIMPATIC Counterfactual Analysis

When deciding on how to support private sector R&D policy makers need to compare different policies against each other. For the purposes of fostering such an analysis, SIMPATIC has performed a counterfactual analysis, providing insights into how different policies perform. The authors find that while there is little difference in terms of R&D participation, R&D investment, spillovers and welfare between the prevailing policy regimes and one of optimal R&D tax credits on the one hand, and between these activist policies and no government support on the other hand. They also find that the gap between these three policies and socially optimal (but unrealistic) policies is quite small at least as long as one only considers national policies.

Publications

SIMPATIC publishes on an ongoing basis the working papers, policy papers and final reports produced by the research teams.

Here below is a list of the publications released during this period. All the outcomes and publications of the project are available on the SIMPATIC website at www.simpatic.eu

Working papers

December 2014

- [International comparison of the R&D subsidy allocation process: evidence from five European Union countries](#)- Dirk Czarnitzki Elena Huergo Mila Köhler Pierre Mohnen Sebastian Pacher Tuomas Takalo Otto Toivanen
- [Effects of targeted R&D support: European evidence](#)- Dirk Czarnitzki, Elena Huergo, Mila Köhler, Pierre Mohnen, Sebastian Pacher, Tuomas Takalo and Otto Toivanen

February 2015

- [Welfare effects of European R&D support policies](#)- Dirk Czarnitzki, Elena Huergo, Mila Köhler, Pierre Mohnen, Sebastian Pacher, Tuomas Takalo and Otto Toivanen
- [Impact of innovation and globalization on polarization of the labor markets in Europe](#)- IER: Jože P. Damijan, Črt Kostevc and Mojca Lindič

Policy papers

December 2014

- [Allocation of R&D subsidies: policy insights from SIMPATIC](#)- Dirk Czarnitzki, Elena Huergo, Mila Köhler, Pierre Mohnen, Sebastian Pacher, Tuomas Takalo and Otto Toivanen
- [Targeted R&D subsidies: policy insights from SIMPATIC structural modelling](#)- Dirk Czarnitzki, Elena Huergo, Mila Köhler, Pierre Mohnen, Sebastian Pacher, Tuomas Takalo and Otto Toivanen
- [Targeted R&D subsidies: policy insights from SIMPATIC counterfactual analysis](#)- Dirk Czarnitzki, Elena Huergo, Mila Köhler, Pierre Mohnen, Sebastian Pacher, Tuomas Takalo and Otto Toivanen

Final Reports

February 2015

- [Report on Spillovers from Clean versus Dirty Technologies for calibration of micro-economic effects](#)- Imperial College London: Ralf Martin
- [How to do public R&D spending in times of budgetary austerity](#)- Bruegel: Reinhilde Veugelers
- [The input to the integration exercise of calibration of micro-economic effects](#)- UNU-MERIT: Pierre Mohnen

SIMPATIC partners

There are nine partners in the SIMPATIC consortium, coming from eight different European countries:



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