Innovation: orthodoxies and evolution

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There were a number of options in the naming of this institute whose anniversary we have gathered here today to celebrate. This was due to the nature of our object of analysis, innovation, where a number of disciplines intersect and where, therefore, a strong degree of multi-disciplinarity is called for. Other, more generic names, like the Institute for Innovation Studies or the Institute for Research on Innovation, were considered but we finally decided to opt for the inclusion of the term economic in the name. We therefore made a conscious decision to shift from a multidisciplinary to an interdisciplinary approach in our research and capacity building programmes on innovation. While we bring a convergence of disciplines into our engagement with the multi-faceted phenomenon of innovation, we look through the lens of economics, or rather political economy. We did this in the conviction that there is a dire need to dislodge the hegemony of the current economic orthodoxy, a hegemony which extends over the transmission of the discipline and across policy making environments.

I do not think that we need to belabour the fact that the discipline of economics is in a state of crisis. This realisation has now spilled over from academia to global public consciousness. The recent financial crisis and the increasingly immediate issue of environmental sustainability have brought about a global loss of faith in the avowed welfare effects of capitalism as we know it, regardless of its varieties, of the various forms that it can take. The theoretical underpinning of the conventional wisdom which has exerted such dominance over the global economy is that strange marriage of the neoclassical and the neoliberal schools of economics. It was this construct which formed the basis of the Washington Consensus which advocated unfettered global capitalism and imposed generally disastrous structural adjustment programmes on nascent developing economies, most of them on our continent. This is an approach to economic analysis which is fundamentally static and which is ill suited to address change. Worse than that, it assumes a uniformity of the economic determinants of the wealth of nations and hence a uniformity of economic strategies to promote economic well being across diverse nations. Within this approach, innovation, while belatedly recognised as crucial to economic performance, is necessarily relegated to a sub-sector of the economic model, usually entering as an exogenous factor or at best endogenised in highly stylised but analytically empty forms.

Our approach to the analysis of systems of innovation, defined in their broadest sense, places innovation and its determinants at the centre of our understanding of political economy. In this endeavour those of us who work in this area have moved beyond the investigation of innovation as one of the more important determinants of economic performance and are rather in the process of developing an alternative general theory of economics. In the process, we bring history back into the core of economic analysis in the conviction that economic systems are specific and that the development of economic structure is path dependent, cumulative and ultimately idiosyncratic. We should by now be aware that ignoring history can be most damaging to development strategy. It is the study of history, political, economic, and cultural, which enables the economist to understand those structures, mostly informal and implicit, which shape the evolution of economic systems. Those economies which, against the predictions of the conventional economic wisdom, have successfully broken out of their underdevelopment trap have done so by understanding the peculiarities of their structures and by engaging with these structures to shunt the development path of their economies on to a different track. In the process, we are seeing an emerging reordering of the global economy, or as we would put it, of the global system of innovation.

If we ignore history and historiography, and if we define this discipline of economics rigidly so as to exclude the links with sociology, anthropology and political science, as well as public management, we run a grave risk of misplacing the emphasis of our focus. As a consequence, we tend to pick out the less important economic sectors on which to concentrate. The identification of the "economic fundamentals" should shift away from fiscal and monetary indicators to other, more fundamental determinants of the wealth of a nation. These would include those various aspects which form the pool of human capital and human capabilities which are at the core of the economic engine and which determine its fate. Unlike the economic orthodoxy, with its firm belief in the free market as the best possible system for the allocation of resources, the evolutionary approach to development is much less determinate. Thus, while we see the strong restructuring and regulatory role of the state as essential for development, we are also aware that the state can, and often does, get it wrong. It is this awareness of the numerous shortcomings of governments, of their inefficiencies and endemic rent seeking behaviour, which forces us to include governance as one of the "economic fundamentals".

It is sad that in the case of South Africa those vigorous debates on contending accounts of the economic history of apartheid and segregation, and colonialism before that, seem to have ceased with the advent of democracy. It is sad, even tragic, because it was precisely at the time of the drafting of the blueprint for the country's first democratic economy that the investigation of the apartheid heritage should have intensified in order restructure the economy onto a radically different development trajectory. As it was, the neglect of this investigation implicitly accepted the liberal (race) account of the pre-democratic economic history of South Africa. In the drafting of GEAR, within the context of a global embrace of neoliberalism, the race side of the race-class debate won the day. One of the more worrying exhortations by orthodox economists at the time was "let us now forget the past and get on with the business of building a sound economy", certainly an oxymoron with devastating implications for the country's future. There is now an increasing acceptance of the failure of the neoliberal programme across several sectors in South Africa and there are a number of strategy initiatives on several fronts to address the development challenges of the country from a more interventionist approach. However, we are still bound up in the neoliberal language entrenched by GEAR in our policy making environment and this renders corrective strategies necessarily fragmentary. We still need to shift to an alternative language of economics which would set up a new framework for policy design. This is where we believe that our contribution as IERI lies.

In this pursuit we would place less of a reliance on growth rates and more on the various facets of redistribution restructuring as the instruments of economic development. If we ignore this and focus on growth, rather than development, we make development subservient to growth and in the process we fail to achieve either.