

Innovation race: Who is winning?

The number of jobs created in the United States in August came in at 169,000 almost in line with expectations with the unemployment rate ticking down by another 10 basis points like in the recent months.

The employment to population ratio, gauge of portion of the entire working-age population is however stubbornly stuck at 58% since 2010 raising doubts about the capacity of the economy to bridge its output gap.

Given that there has been predominantly creation of lower skilled jobs, debate has again surfaced about the lack of competitive edge of the economy and the shift of power to the East. Is the talk justified?



Upcoming Events

October

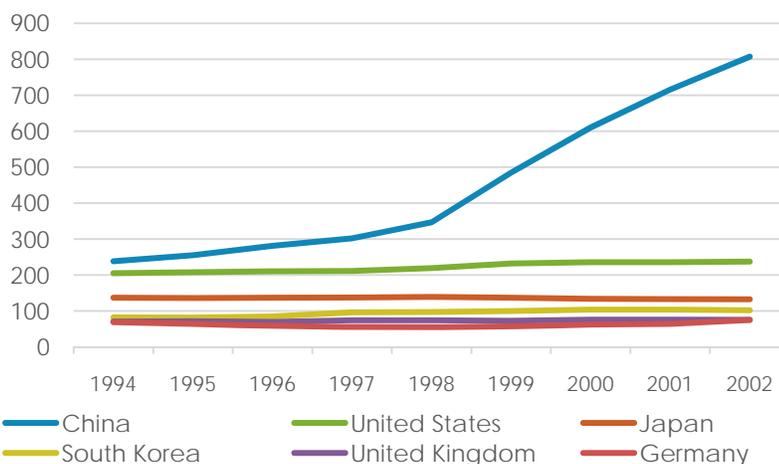
Synaptic Dividend Portfolio

October

Synaptic Balanced Portfolio

University degrees in natural science & Engineering '000

China is not producing only cheap goods & services



In any given economy there is the ever present demand to either produce existing goods and services more efficiently or to manufacture new goods and services. This can only be achieved with superior human capital, i.e. the knowledge and skills that make people innovative.

The PatVal survey shows that inventors are often engineers. It therefore follows that with the proper educational policy, the number of engineers can be increased and hence the number of inventors.

The immigration corridors

Whilst the number of science and engineers produced in the U. States has been rather constant over the past decade or so, it is important to note that China progressed significantly.

However producing scientists alone is not sufficient as one need to create the environment conducive for their expansion. The advantage of the US is that it has been the favoured destination of this flow of immigrants over the past decade.

Looking at data of patents filed by immigrant inventors, we find that over the period 2001 to 2010, 49% originated from China and India. Close to 75% from low and middle income countries reside in the US and 18% of its overall inventor population is foreign. By contrast, this figure is less than 2% for Japan and varies around 5% for Germany and the larger European economies. We could assume that language is an important determinant of immigration destination apart from financial incentive.

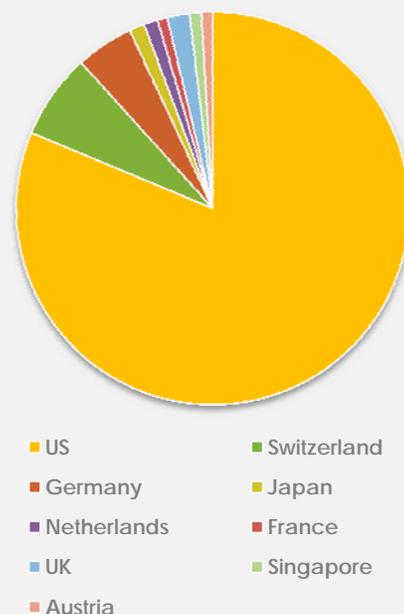
The Global Innovation Index is produced by Cornell university, Insead and WIPO (World Intellectual Property Organisation). Its unique blend of criteria used for classification of the most innovative countries provide a better grasp of where each stand. In a nutshell, the index not only analyze the position of countries in terms of the traditional research and development methodology but more widely of the innovation generation capacity of each economy. Five input pillars capture elements of the national economy that enable innovative activities: (1) Institutions, (2) Human capital and research, (3) Infrastructure, (4) Market sophistication, and (5) Business sophistication. Two output pillars capture actual evidence of innovation outputs: (6) Knowledge and technology outputs and (7) Creative outputs.

So, who is winning? Switzerland has maintained its position as the global leader again this year while the US reintegrates the top 5. Hong-Kong (China) scores well again.

It would therefore be premature to base ourselves on short term job creation numbers to proclaim that the US has lost its competitive edge. Changes are certainly happening but the US remains for the moment a major player in the global economy.

Call of the west

Destination of immigrant inventors



The scoreboard, Innovation Index 2013

