

# Schumpeter & Vernon



PRESENTATION FOR TECH POLICY CLASS  
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# Overview of Topics



- Evolutionary vs Radical Views of change
- Schumpeter's vision of change
- Vernon's product cycle

# Evolutionary Change



- What is the definition of evolution?
  - What are the principal elements?
  - What creates dynamism?
  - What creates selection?
  - Who are the actors?
  - Does it fit with our knowledge and experience about economics?
  - Structure-agent problem
- \*How do we reconcile this view of gradual, cumulative change with the radical changes Schumpeter mentions?

# Key Points from Schumpeter



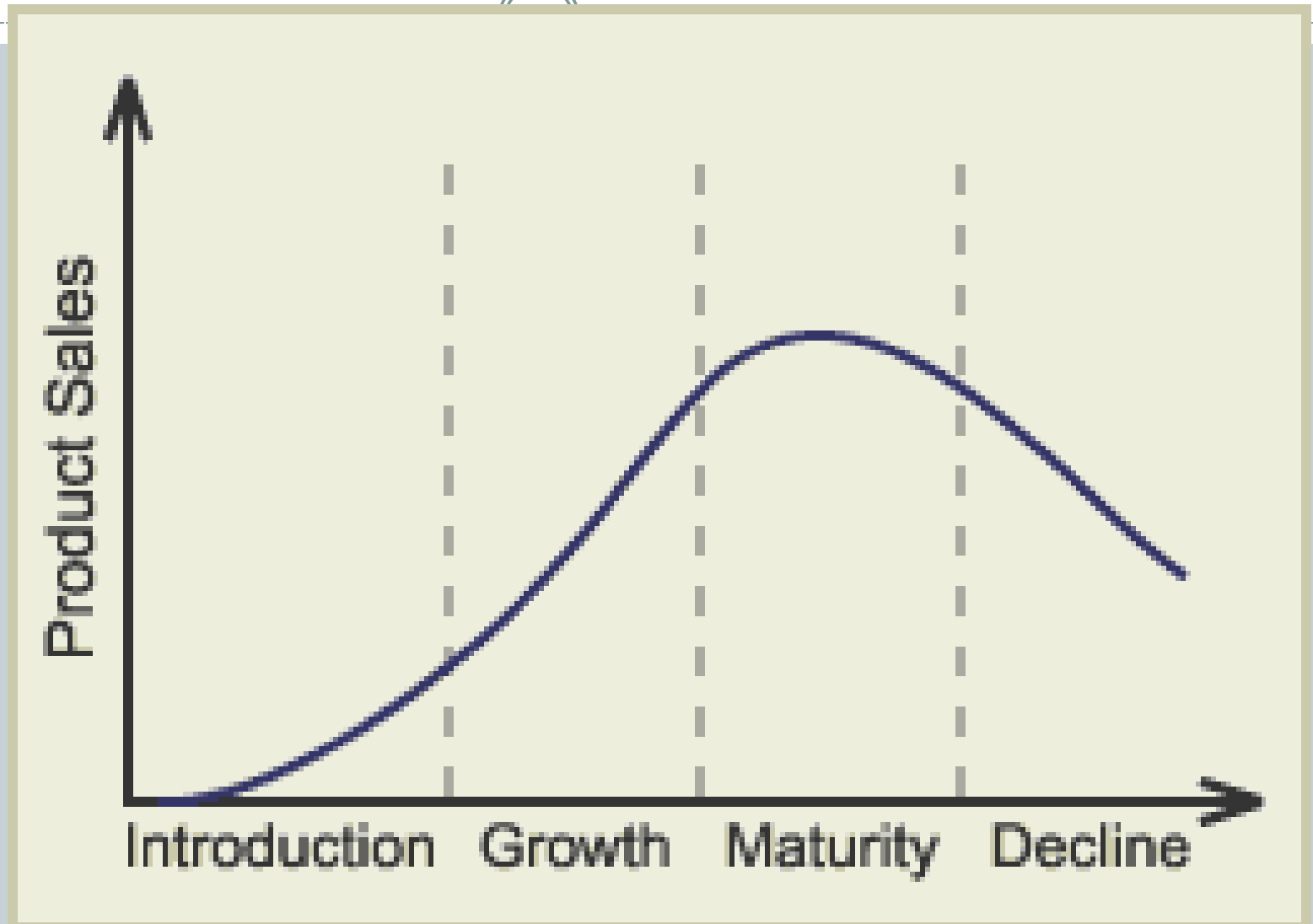
- Invention (new product) vs Innovation (changes in economic “process”)
  - “new production functions), p.67
- Firms Die and are Born- New Firms
- Large vs small firms
- “New men”, 71
- Innovation spreads to industry; to linked industries; to system
- What, then explains change, and why does S call it evolutionary?

# Schumpeter- Key terms



- Business cycle
- Creative destruction
- Modes of change:
  - Mark 1. entrepreneur
  - Mark 2. corporation- large R&D needed to develop new products (could be demise of Ksm)
- \*Which Mark do you find more convincing? What are the policy implications of each one?

# Vernon's product cycle



# Exercise



- Think of a process innovation (eg JIT)
- Think of a new product (eg mp3 player)
- How well do these inventions fit within Schumpeter's and Vernon's expectations?, eg
  - Is there a general evolution or sudden introduction?
  - Who are the actors? Large or small firms; entrepreneurs?
  - How does the innovation spread?
  - What are the fx on the industry and the economy?
  - Where is the product made?