

1. Record Nr.	UNINA9910791048903321
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Titolo	The Free-Market Innovation Machine : Analyzing the Growth Miracle of Capitalism / / William J. Baumol
Pubbl/distr/stampa	Princeton, NJ : , : Princeton University Press, , [2014] ©2002
ISBN	1-4008-5163-7
Edizione	[Course Book]
Descrizione fisica	1 online resource (596 p.)
Classificazione	QC 340
Disciplina	330.12 330.12/2 330.122
Soggetti	Capitalism Economic development Technological innovations -- Economic aspects
Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Note generali	Description based upon print version of record.
Nota di contenuto	Frontmatter -- CONTENTS -- PREFACE -- CHAPTER 1. Introduction: The Engine of Free-Market Growth -- PART I. THE CAPITALIST GROWTH MECHANISM -- CHAPTER 2. The "Somewhat Optimal" Attributes of Capitalist Growth: Oligopolistic Competition and Routinization of Innovation -- CHAPTER 3. Oligopolistic Rivalry and Routinization to Reduce Uncertainty -- CHAPTER 4. Oligopolistic Rivalry and Routine Innovation Spending: Theory of the Engine of Unprecedented Capitalist Growth -- CHAPTER 5. Independent Innovation in History: Productive Entrepreneurship and the Rule of Law -- CHAPTER 6. Voluntary Dissemination of Proprietary Technology: Private Profit, Social Gain -- CHAPTER 7. Oligopolistic Rivalry and Markets for Technology Trading -- CHAPTER 8 Tradeoff: Innovation Incentives versus Benefits to Others (Distributive Externalities) -- PART II. INTEGRATION OF INNOVATION INTO THE MAINSTREAM OF MICROTHEORY -- CHAPTER 9. Oligopolistic Competition, Pricing, and Recoupment of Innovation Outlays -- CHAPTER 10. Microeconomic Theory of Industrial Organization in the "Innovation-Machine" Economy -- CHAPTER 11. Recouping Innovation Outlays and Pricing Its Products: Continued -- CHAPTER 12. Models of

Optimal Timing of Innovation -- CHAPTER 13. Licensing for Profit: Efficiency Implications -- PART III. ON THE MACRODYNAMICS OF CAPITALISM -- CHAPTER 14. Capitalism's Unique Innovation Machine: Historical Evidence -- CHAPTER 15. Macroeconomic Models and Relationships That May Limit Growth -- BIBLIOGRAPHY -- INDEX

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Sommario/riassunto

Why has capitalism produced economic growth that so vastly dwarfs the growth record of other economic systems, past and present? Why have living standards in countries from America to Germany to Japan risen exponentially over the past century? William Baumol rejects the conventional view that capitalism benefits society through price competition--that is, products and services become less costly as firms vie for consumers. Where most others have seen this as the driving force behind growth, he sees something different--a compound of systematic innovation activity within the firm, an arms race in which no firm in an innovating industry dares to fall behind the others in new products and processes, and inter-firm collaboration in the creation and use of innovations. While giving price competition due credit, Baumol stresses that large firms use innovation as a prime competitive weapon. However, as he explains it, firms do not wish to risk too much innovation, because it is costly, and can be made obsolete by rival innovation. So firms have split the difference through the sale of technology licenses and participation in technology-sharing compacts that pay huge dividends to the economy as a whole--and thereby made innovation a routine feature of economic life. This process, in Baumol's view, accounts for the unparalleled growth of modern capitalist economies. Drawing on extensive research and years of consulting work for many large global firms, Baumol shows in this original work that the capitalist growth process, at least in societies where the rule of law prevails, comes far closer to the requirements of economic efficiency than is typically understood. Resounding with rare intellectual force, this book marks a milestone in the comprehension of the accomplishments of our free-market economic system--a new understanding that, suggests the author, promises to benefit many countries that lack the advantages of this immense innovation machine.

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