
The Birgit Grodal Award 2014

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The Birgit Grodal Award

- The Birgit Grodal Award is given every other year to a European-based female economist who has made a significant contribution to the Economics profession.
- It is sponsored by Danmarks Nationalbank.
- Helene Rey was awarded the prize in 2012.
- see <http://www.eeassoc.org/> for further details

The citation for my award reads

“Rachel Griffith is a leading empirical researcher in studies of innovation and productivity. Her influential contributions have brought new data sets, particularly firm-level data, to bear in answering classic economic questions about what drives the process of innovation and what determines differences in productivity levels between firms. This has furthered our understanding of the determinants of Research and Development spending including responses to policy changes. Her research is invariably of a high standard using appropriate empirical methods and data to great effect. Her citizenship and service to the profession in Europe has been recognized by her election to President of the European Economic Association. She will be the first woman to hold that position when she takes office in 2015.”

- When I take office in 2015 I will be the first female president of the EEA to take office.
- Much of the work for which I was awarded the prize is summarised in Aghion and Griffith (2005), the acknowledgement to that book reads:
 - *“This book owes its existence to Birgit Grodal and Gunnar Persson of the University of Copenhagen, who invited us to give the Zeuthen Lectures in November 2001. It is only natural that it be dedicated to the memory of Birgit Grodal, who stands to us and to many economists of all generations as a model of scientific achievements and integrity, and as a fantastic institution-builder who did so much to promote excellence in economics in Europe, often working against the system.*

Aghion, P. and R. Griffith (2005) Competition and Growth, MIT Press, Cambridge, MA, Aug 2005

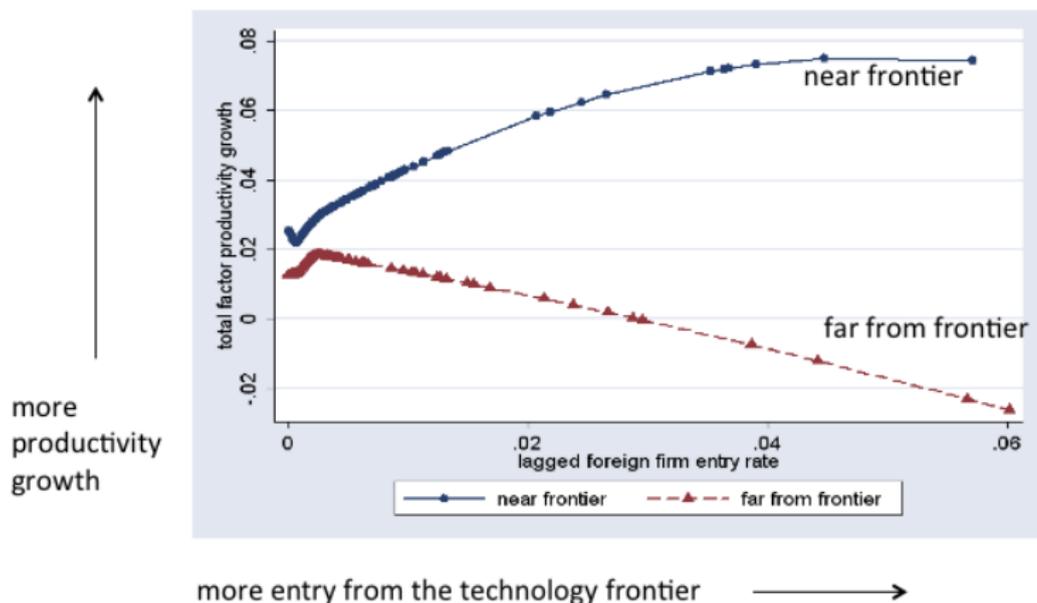
Competition and Growth

- In 2002 Philippe and I jointly taught a graduate class on innovation and growth
- The Zeuthen Lecture came out of this experience; it takes the form of a dialogue between an applied theorist and an econometrician
- Earliest version of Schumpeterian growth theory
 - increased competition reduces monopoly profits, this reduces the reward to successful innovation so reduces growth
 - however, this prediction was contradicted by empirical evidence
- We adapted the model to help understanding the evidence
 - added entry barriers
 - added incentive to escape competition (or competition for the market)

Shumpeterian growth model with entry barriers

- Removing entry barriers allows more potential innovators, to be active; seems like it should raise an economy's overall rate of innovation
- However, adding entry barriers into growth theory suggests things aren't so simple, there are two effects
 - the new entrants will bring new possibilities for innovation
 - BUT established firms might be discouraged from undertaking R&D
- Aghion, Blundell, Griffith, Howitt and Prantl (2009) formally develop this theory, and showed the prediction holds in UK data
 - firms close to the world technological frontier have faster productivity growth when there has been a lot of entry recently, but those in industries that are further from the world technological frontier more foreign entry means slower productivity growth

Foreign entry spur innovation in firms near to the frontier, it dampens it for those far from frontier



Aghion, Blundell, Griffith Howitt and Prantl (2009) *Review of Economics and Statistics*

Innovation and Competition, the Inverted-U

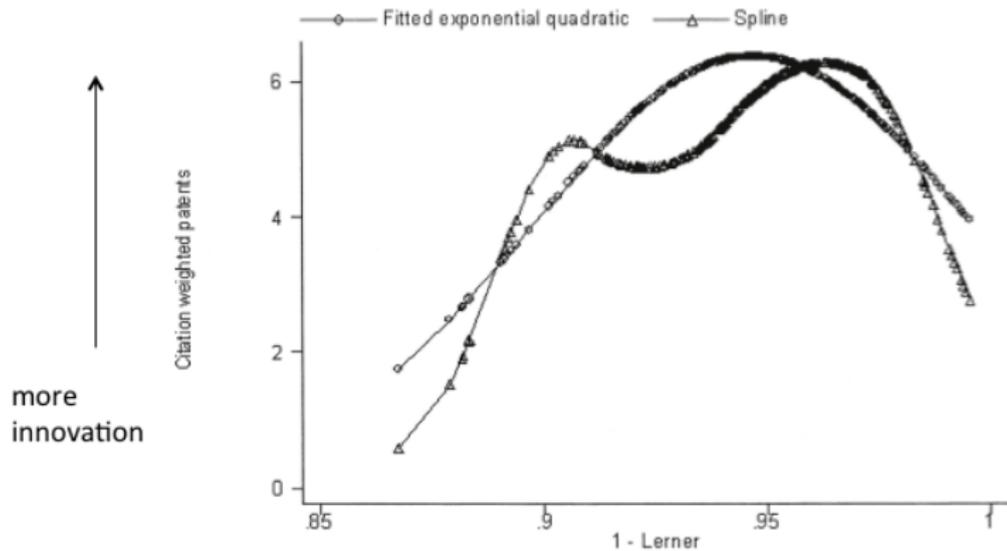


FIGURE II
more competition (lower profits)

Aghion, Bloom, Blundell, Griffith and Howitt (2006) *Quarterly Journal of Economics*

My work going forward

- Corporate taxation, intellectual property and innovation
- Public policy and the food industry