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BOOK REVIEW

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# Innovation for the masses: How to share the benefits of the high-tech economy

## By Neil Lee, Oakland, CA: University of California Press. 2024. pp. 248. £23.00/$26.95 (hardcover). ISBN: 9780520394889

**Matthias Haslberger**

School of Economics and Political Science, University of St. Gallen, St. Gallen, Switzerland
Email: matthias.haslberger@unisg.ch

In 'Innovation for the Masses: How to Share the Benefits of the High-Tech Economy', economic geographer Neil Lee explores how modern economies can innovate without the excesses of inequality that characterize Silicon Valley. The book is well-researched and level-headed and will undoubtedly make an important contribution to the debate on how to achieve shared growth.

Chapter 1 argues that innovation is a networked process rather than one driven by individual geniuses. The chapter also provides a concise overview of the economics and measurement of innovation. This sets the stage for Chapter 2, in which Lee lays out his core argument that innovation is essential for raising living standards, but since the benefits tend to be concentrated within and between firms and localities, policies that foster diffusion as well as some degree of redistribution are necessary for equitable growth.

The core of the book consists of four case studies of Switzerland, Austria, Taiwan, and Sweden. In these, Lee draws on aggregate data and numerous interviews, as well as a detailed knowledge of the wider scientific literature. The Swiss model (Chapter 3) is characterized by the complementarities of leading research universities and a strong vocational education system which allows for the diffusion of expertise. Consequently, the country combines both disruptive innovation in new industries and incremental progress in traditional ones. Unlike in Sweden, Swiss equality is based on a compressed distribution of market incomes, rather than aggressive redistribution. Collective bargaining and a consensus-oriented political system underpin this political economy.

Austria (Chapter 4), although also relying on a strong vocational education system and corporatist labour market institutions, followed a different path. Since the 1990s, it has grown from a laggard into a leader in R&D spending, supported by targeted tax incentives. Importantly, this spending has been focused on low-tech industries that historically formed the backbone of the Austrian economy, allowing old firms to do new things. As a result, Austria has seen job upgrading while inequality remained relatively flat, although new challenges related to energy security and the green transition lie ahead.

Chapter 5 explores the case of Taiwan, which has emerged as a leader in high-tech manufacturing, notably semiconductors. Taiwanese relative equality is linked to land reform in the mid-20th century. Rapid export- and innovation-led growth since around 1980 was achieved with a developmental state approach, with an influential role for example for state-led research institutions. An unusually rapid expansion of tertiary education kept inequality in check during the initial technological expansion, but as Taiwan has caught up to the technological frontier, inequalities have soared.

Finally, Lee considers the poster child of the Nordic model, Sweden, which has managed to support both a large, universalist welfare state and a thriving tech industry centred around Stockholm. Readily available venture capital and a highly skilled population support the entry of new firms, while the state has historically encouraged the diffusion of new technologies to create markets for innovative products. Yet, with the shift to high-tech-intensive innovation, Sweden has seen a rapid and persistent rise in inequality and the model appears at risk of breaking down.

The concluding chapter systematizes the findings with an insightful taxonomy. *Generative institutions*, such as leading research universities and ready access to capital, are the precondition for innovation. The state mostly plays an enabling role here, although it can focus investment on certain sectors, as in the case of Austria and Taiwan. *Diffusive institutions* spread innovative potential across the realm. For example, vocational education systems that enable non-university-educated workers to innovate are a common feature of the three European countries and are intimately linked to the presence of competitive SMEs. Finally, *redistributive institutions* such as corporatist labour market institutions and a universalist welfare state can reduce the remaining inequality to an acceptable level.

Lee neither naively discounts the need for growth, nor the complexity of the challenge of achieving greater equality. This is a great strength of the book, which does not succumb to the temptation to offer simplistic blueprints and instead emphasizes institutional complementarities and historical contingencies. Yet, two potential objections are never directly addressed. First, whether the relative equality of Switzerland, Austria, Taiwan, and Sweden is not a relic of a previous era, an account that is slowly drawn down as the knowledge economy matures. At times, especially in the cases of Taiwan and Sweden, Lee seems to imply as much. Second, most examples of successfully keeping inequality in check are related to incremental innovation. If frontier innovation is inherently more disequalizing, then the existence of Silicon Valley would be a necessary condition for equitable innovation elsewhere. All in all, however, 'Innovation for the Masses' is a deeply researched and highly engaging read and should be of great interest to scholars and policymakers worldwide.

## ORCID

*Matthias Haslberger* https://orcid.org/0000-0003-3056-6630