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WHY INNOVATIVE ACTIVITY VARIES?
THE ROLE OF HIGHER EDUCATION IN LOCAL INNOVATIVE ACTIVITY

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ABSTRACT

Innovation has been the primary source of improvements in the standard of living over since the Industrial Revolution. With the growth of the knowledge economy local economic development officials have sought to foster innovation within their communities. Many have also sponsored efforts to benchmark local levels of innovation in comparison to other places. This paper offers a careful analysis of the characteristics and interrelationships between the most widely used measures of local innovative activity. It proposes and estimates a model of the causes of intercity variation in innovation, and shows that much of this variation be accounted for by differences in the size of the higher education sector. On the other hand, it finds that some aspects of innovation commercialization – especially venture capital investment and Initial Public Offerings – tend to be more concentrated in a few locations than the model would predict, suggesting the presence of economies of scale in these activities.

KEYWORDS: Innovation, Patents, Regional Economic Development

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