Role of public support for innovation: Case study of the elements of the Seventh Framework Program

Public support for innovation, understood as a translation of innovation policies into actions, has been the subject of many studies; not all of them supporting its validity. The aim of this research is to evaluate the impact of selected elements of the Seventh Framework Program on innovation output of the European Union. More specifically, the study examines the selected commitments of the Innovation Union policy that focus on (i) strengthening the knowledge base and reducing fragmentation (commitment 5 and 6), (ii) maximizing social and territorial cohesion (26 and 27) and (iii) leveraging European Union policies externally (32). The research hypothesis states that each of the listed commitments has a positive and a statistically significant impact on innovation within the European Union. With the use of budget (panel) data serving as proxies for public innovation policy tied to each of the examined commitments, the Cobb-Douglas-like innovation production function has been used to test the impact of the said policies on innovation output as measured by a patent applications per capita; allowing for a 3-year delay between the impulse and a response. The results are mixed as some of the studied areas of FP7 have a positive, some negative and some no statistically significant impact on innovation output of the European Union. It is hypothesized that the unconventional results can be explained by policy designs, e.g. a significant critical mass requirement, which are translated into recommendations for innovation policy evaluation.