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The Revival of the Demand Pull Hypothesis
Origins, Renewal and Policy Implications

A conference proposal abstract for the 2015 international conference Governance of a Complex Word.

Abstract

This paper is an attempt to further the debate and to contribute to the renewal interests on the demand pull perspective in innovation studies. We stress the benefits of implementing complexity thinking in understanding the demand-pull generation of technological knowledge. The paper starts by reconstructing the term of the debate and retracing its evolution, firstly introducing both the macro and micro take on the demand-pull hypothesis by emphasizing the decisive contribution of Kaldor and Schmookler. Subsequently by reviewing the theoretical and empirical evidence we introduce a neo-Schmooklerian approach based on the work of Antonelli, that bridges the gap between the macro oriented demand pull hypothesis and the micro-economics of technological change. The competent demand hypothesis confirms that only the combination between changes in the product and factor markets and the provision of knowledge externalities make the creative response possible. The competent demand hypothesis highlights the importance of pecuniary knowledge externalities and mostly knowledge interactions in narrowing the demand-pull from generic to "competent". From this viewpoint, the integration of the demand-pull hypothesis in the creative response framework (Schumpeter, 1947) enables to understand innovation as an emergent system property that is shaped and explained by the interactions among individual agents. Our proposal was driven by the recent empirical evidence of the role of user-producer sectorial interaction in propelling innovation driven growth processes. The existence of pecuniary knowledge externalities and the crucial role of user-producer interaction constitute a new rationale for public intervention. In the last part of the paper we discuss what kind of policies take advantage of the role of advance users in pulling technological change and the most appropriate policy mix that reinforces the effect of interactive learning.

Key words: competent demand-pull, pecuniary knowledge externality, complexity, innovation policy, interactive learning.