COUNTRIES THAT INVEST IN R&D ARE MORE RESILIENT TO THE CRISIS

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A very relevant question that we should ask ourselves is what paper Investment in R&D has played a role in the performance of countries in the face of the economic-financial crisis in which Europe has been plunged since 2008.

A simple analysis exercise gives us many clues to understand reality. If we choose the EU 27 countries with a GDP per capita above the average in 2008 and perform a simple regression between their investment in R&D (the average between 2005 and 2008) and the average GDP growth from 2010 to 2012 , we find that there is a strong positive correlation between both variables (R2 coefficient of 0.72) which illustrates (see the attached graph) that the higher the former, the better the countries are coming out of the international financial crisis.

Thus, for example, countries like Sweden or Finland that invested an average of 3.6% and 3.5% of their GDP in R&D have had average GDP growth in the last three years above 2% (3.8% in Sweden and 2.0% in Finland). On the contrary, countries like Spain (the one that invested the least in R&D of the selected countries), Italy and Ireland, which invested less than 1.5% of their GDP, are encountering very serious difficulties in getting out of the economic crisis and they are still at risk of a double dip; average growth below 0.5% and negative in the case of Spain.
The Autonomous Community of the Basque Country invested 1.60% of its GDP in R&D before the crisis (the fourth that invested the least of the selected territories) and although it has clearly performed better than Spain, it is still mired in a significant recession risk situation.

The countries that invest in R&D and that, consequently, have a sophisticated productive fabric that is intensive in technology and knowledge show a "greater resilience to the crisis". Well, although they are not oblivious to the evolution of the global economy and the world financial crisis affects them very seriously, they immediately react and manage to recover their level of competitiveness; The Finnish and Swedish economies fell by 8.5% and 5% respectively in 2009, but returned to a comfortable path of growth the following year.

The path, therefore, is clear and developing a productive fabric that is intensive in knowledge, technology and innovation is the best recipe for maintaining a more stable and sustained long-term development path.

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