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Creative destruction is the process whereby new innovations replace old technologies. Back in 1987 Peter Howitt and I developed a new growth paradigm that operationalized Schumpeter's notion of creative destruction. Our paradigm rests on three main pillars. First, the innovation process is cumulative (new innovators stand on the giant shoulders of previous innovators); second, innovation is pushed by entrepreneurs that are motivated by the prospect of temporary innovation rents; third, creative destruction: new innovations make old technologies become obsolete.

One immediately sees the contradiction that lies at the heart of the growth process: on the one hand, one needs to reward successful innovators with innovation rents; on the other hand, yesterday's innovators are tempted to use these rents to prevent subsequent innovation by new entrants into the market. Regulating capitalism is mainly about managing this contradiction.

Confronting the Schumpeterian paradigm and this contradiction with new rich micro data in a constant back and forth between theory and empirics, allows us to achieve three main goals.

First, the paradigm helps shed new light on several enigmas in the history of economic growth. Why did growth take-off in 1820 in Europe and not several centuries before in China? Why competition enhances innovation-led growth particularly in frontier sectors and in advanced countries? Why did we observe a growth decline in the US since 2005 despite the IT and AI revolutions? Why some emerging countries start growing very fast and then stop before converging to the standards of living of developed countries? Why innovation increases top-income inequality but not global inequality nor social mobility, unlike other sources of top income inequality such as lobbying?

Second goal: the paradigm helps us revisit some misguided common wisdoms on policy: why taxing robots is not a good idea; why protectionism is not the best way to respond to the China import shock and to regain control of global value chains; why negative growth is not the best way to reduce CO2 emissions and thereby fight against climate change.

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Third goal: the paradigm provides guidelines to rethink the future of capitalism. The Covid crisis has clearly revealed the pitfalls of the US social model and at the same time it has revealed the inefficiencies of the European innovation

ecosystem. Some believe that the lack of protection and inclusion in the US is the price to pay for a more innovative capitalism. Similarly, they argue that the lack of innovation in Europe is the price to pay for having more protection and more inclusion. Three examples suggest that this view is misguided: the introduction of a flexsecurity system in the Danish labor market; education policy; and competition policy: all three policies boost creative destruction while making growth more protective or more inclusive.

I owe special thanks to Jean-Michel Grandmont, who created the conditions for all this to happen by encouraging to go and study in the US, and recommended me to Harvard and MIT. I am also particularly grateful to my thesis advisers: Andreu Mas-Colell, Eric Maskin, and Jerry Green, and also to Oliver Hart and Jean Tirole who trained me and guided my first steps as an applied theorist. And last but obviously not least, getting to meet with Peter at MIT and interacting with him on a continuous basis over the past thirty four years, is what gave rise to this whole adventure. I would also like to pay tribute to the next generation that has managed to push the approach so far, in particular Ufuk Akcigit, Pete Klenow, John Van Reenen, and Fabrizio Zilibotti. And now there is an even younger generation of creative destruction economists: Antonin Bergeaud, Timo Boppart, Michael Peters, and all their students and co-authors.

Schumpeter was deeply pessimistic about the future of capitalism: he thought that earlier innovators would turn into entrenched conglomerates that would successfully capture governments and thereby stall the innovation process and the entry of new innovators. Our research with Peter allows us to avert Schumpeter's pessimism and replace it by an "optimism of the will". Quoting Bergson: "The future is not what will happen, it is what we will do".