

Macro Roundup Article

Headline: [How Does Expropriation Risk Affect Innovation?](#)

Article Link: <https://www.nber.org/papers/w32288>

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Publication	National Bureau of Economic Research
Publication Date	April 08, 2024

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Summary: [Government activity to increase innovation] increases the risk of expropriation, such as corruption, clientelism or political favors, by the government, leading to a misallocation of efforts and resources. The International Country Risk Guide (ICRG) corruption index [evaluates] a country's practices by asking if there are demands for special payments and bribes, exchange controls, tax assessments or police protection for those involved with trade and financial transactions, along with patronage, nepotism, job reservations, secret party funding, and ties between politics and business. We present the simple correlation between our corruption index and some innovative activity indicators. There is a strong negative correlation between most of the selected variables and our variable of interest. Relative to GDP and population R&D expenditure and the number of R&D researchers differ by 100% between the lowest and highest values of the corruption index.

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Primary Topic: Innovation/Research

Topics: Academic paper, Cronyism, Database, Incentives/Risk-Taking, Innovation/Research, Productivity

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