

Industrial and Market Dynamics and Endogenous Growth

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ABSTRACT

Economic growth can be described at the macro level, but it can never be explained at that level. It is a matter of creation of a variety of ideas, some of which result in new technologies that are confronted with potential buyers (customers) in dynamic markets and hierarchies. Thus, economic growth results from the dynamic interaction of a variety of actors who create and use technology; it is inherently a micro phenomenon. This process is not linear; it can originate at any point and with any actor.

The focus of this paper is on the conditions that are conducive to creation of a variety of new ideas and on those that are necessary and sufficient for effective and efficient selection and retention of winners. We refer to the former as a *technological system* and the latter as a *competence bloc, combined with an experimentally organized economy* (EOE). The confrontation between actors and between actors and ideas gives rise to dynamics.

The paper is organized as follows. The first part summarizes the concept of technological systems. The second part outlines the main ideas behind competence blocs and the experimentally organized economy. In the third part we present a theory of how the interaction between the creative and selective actors yields economic growth. We illustrate the argument with a few case studies in part four.