

THE DYNAMICS OF INNOVATION AND MARKET STRUCTURE IN THE EVOLUTION OF THE PHARMACEUTICAL INDUSTRY: A HISTORY FRIENDLY MODEL

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In this paper we present a “history-friendly” model of the evolution of the pharmaceutical industry. Pharmaceuticals constitute an ideal subject for history-friendly analysis, for several reasons and especially in comparison to our previous efforts concerning the computer industry. The paper is organized as follows. After a brief historical account of the evolution of the pharmaceutical industry and an emphasis on the regimes of search of new drugs that have characterized the industry over time, the main theoretical issues are raised and the model is presented. In particular the age of random screening is compared to the molecular biology revolution. In this frame, we try to answer some key questions related to the relationships between the nature of the search space, innovation, the patterns of competition and industry evolution.