

# The Varying Weights of Elites, Networks and State Capacity on Shifting from an Extractive Growth Model to an Innovative Growth Model: A Comparison Between Israel and Chile

---

HELEN GERSTENFELD ABREU

THE WATSON INSTITUTE FOR INTERNATIONAL AND PUBLIC  
AFFAIRS, MAY 4<sup>TH</sup>, 2018

“[Information Communication Technology] ICT [is] among some of the most powerful tools for enabling social and economic development with their ability to transform markets, create new industries and drive efficiency gains.”

-UN Assembly Report 2015

## **Research Puzzle**

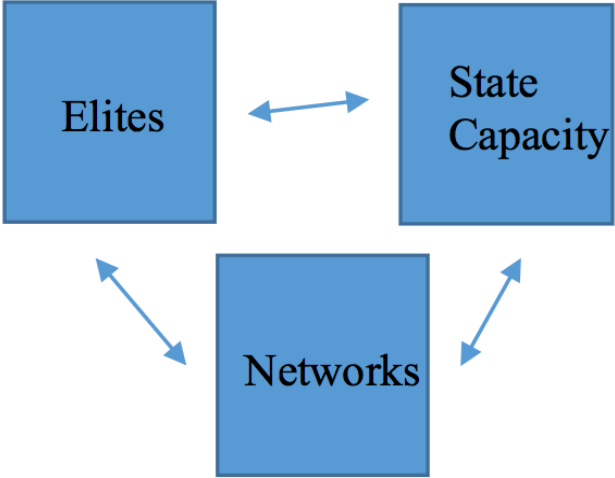
What are the factors that enable a country to shift from an extractive to an innovative growth model?

## **Research Question**

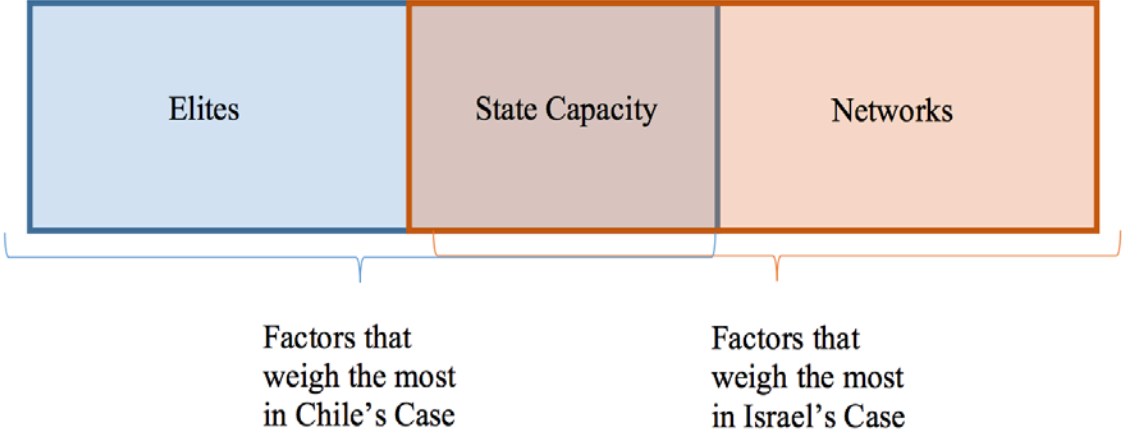
Given Chile's efforts to shift from an extractive growth model to an innovative growth model, why has it not been able to shift its model as Israel did?

# Theoretical Significance

## SUGGESTED COMPREHENSIVE THEORETICAL APPROACH



Key: The weight of the effect of elites, state capacity and networks differs for each case study




# Why Israel and Chile?

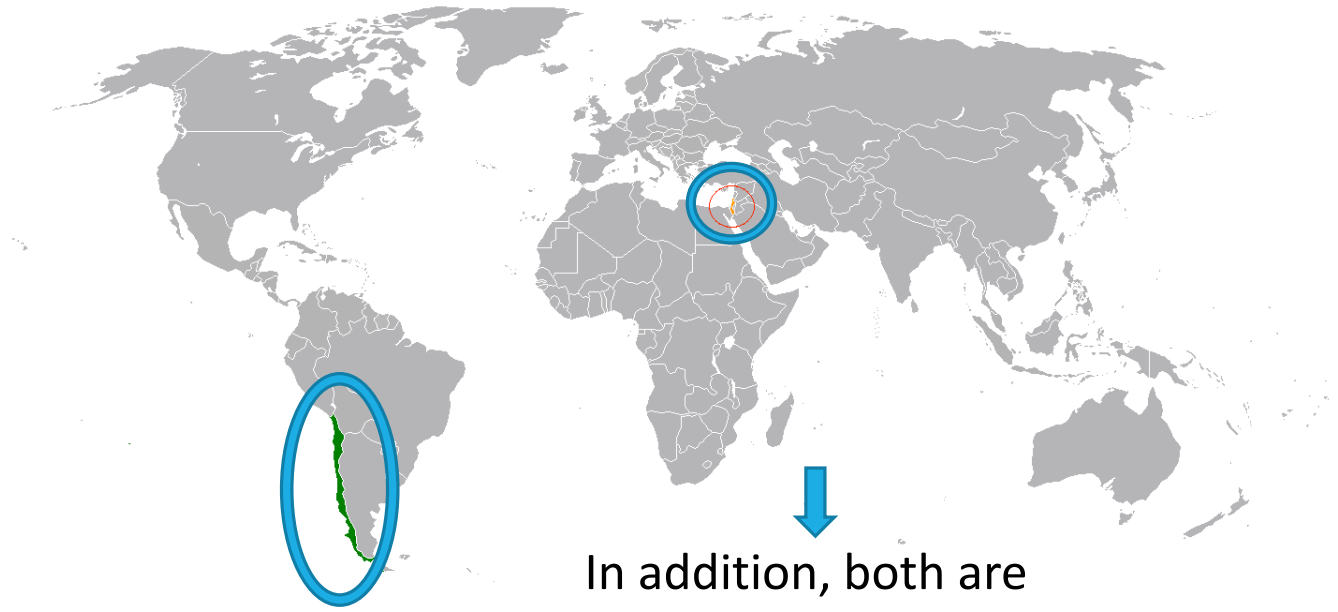
Both countries started with similar economies and challenges 60 years ago



- Israel until the 1970s depended on fruit, mineral and textiles exports
- Chile's primary exports were copper and agriculture in 1960



However different outcomes in the last 15 years... 



In addition, both are isolated, small countries

Indicators	Cases	
	Israel	Chile
R&D indicators	High	Medium
Patent indicators	High	Low
Start-up indicators	High	Low
Upgrading and global value chains indicators	High	Low

# Methods

## Independent Variable

- Elites- existence and blockage of innovation
- Networks- knowledge creation and knowledge diffusion
- State capacity- resource mangament and knowledge creation/education



## Intervening Variable

Political and economic processes in 60 year period



## Dependent Variable (the capacity to shift of growth model measured with innovation outputs)

- R&D
- Patents
- Start-ups
- Upgrading

Quantitative and qualitative analysis

# Findings

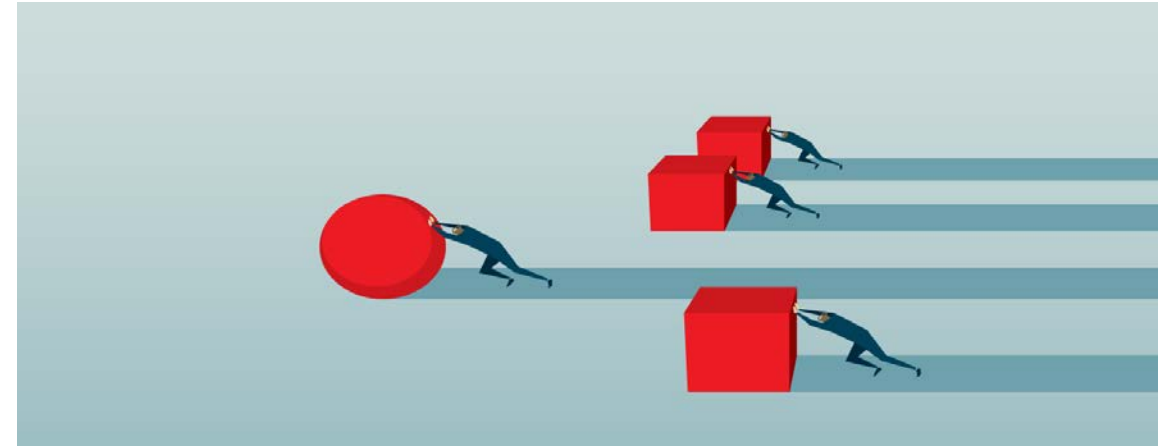
- In Chile, state capacity and elites are the main factors that are blocking innovation
- In Israel, the main enabling factors are networks and state capacity



- History matters
- A holistic approach offers a better explanation of the outcomes
- Addressing state capacity is an effective way of identifying efficiencies or deficiencies in the other two factors



## Broader Implications



### Lessons for Chile...

- Increase quality education spending
- Foster academia-industry-government relationships
- Encourage a more collaborative and equal society

However, take into account the challenges...

### For the world...

- Developing economies should use the holistic approach to identify development challenges
- Address specific historical mechanisms that shape society today
- Use technology and education to bring people together