

INNOVATION SYTEMS, COLLECTIVE DILEMMAS AND THE FORMATION OF TECHNICAL INTELLECTUAL CAPITAL IN MALAYSIA, SINGAPORE AND THAILAND

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I. INTRODUCTION

While it is generally accepted among economists that firms provide the foundation for processes of innovation and technological development, it is equally well known that these processes are vulnerable to collective dilemmas (Parayil, 1999; Metcalfe, 1995). Inherent in these dilemmas is a seeming contradiction. On the one hand, firms are hesitant to invest in innovation if they are unable to fully appropriate the returns on that investment. The result is a strong incentive to free-ride on the efforts of others. On the other hand, of incentives and subsidies designed to improve investment appropriation overly restrict competition and lead to monopoly rents, market pressures to innovate will decrease substantially. Thus, innovation and technological development are contingent upon a society's ability to provide necessary public goods, promote positive externalities, and stimulate demand for innovation without fostering uncompetitive behaviour.