

**TITLE:** Impact of innovation policy on firm innovation: A comparison of Finland and Sweden, 1970-2013

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**Abstract:** To what extent have public policies contributed to the innovation performance of Finland and Sweden in the period 1970-2013? This paper aims to assess the share of innovations stimulated by the public sector, specifically because of receiving public funding or being the result of research collaboration with public institutions. We combine survey and LBIO results on these variables, to overcome reporting biases found in the two methods.

The main data comes from the new UDIT dataset, which gathers the most significant innovations of both countries for the period, in total about 4,100 Swedish and 2,600 Finnish innovations. It has been constructed following the LBIO method (Literature Based Innovation Output), which obtains information on relevant commercialized innovations from general technology journals as well as industry specific trade journals.

Our results indicate that Finland had a substantially larger public involvement in these innovations than Sweden. This is specially true in the years between 1990 and 2000, when we see a drop in the relative role of the Swedish public sector in innovation output, while the Finnish trends are constant or slightly increasing over the period. However, in both countries public policies lie behind a significant share of the innovations (30-50% in Finland, 15-35% in Sweden), and in the Swedish case we can further assess that the publicly stimulated innovations were more often found among the most significant new products (written about in several articles).

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