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The Innovation System approach to Eco-innovation – A new policy rationale

Creating synergies between innovation policies and environmental policies plays a central part in integrating sustainability issues into the economic process but it is no easy endeavour. The historic dichotomy between competitiveness and environmental issues still persists and is embodied in policy regimes, economic and other social theories as well as wider societal understandings.

The paper discusses two things:

- A) The differences in rationales and instruments underlying respectively environmental and innovation policies.
- B) The potential of the (national) innovation systems theory perspective (NIS) for providing an analytical framework that may align innovation and environmental policies and lead to a new policy rationale.

Ad .A. In discussing the differences in policy approaches, the paper argues that there is a schism between (the traditional) environmental policies aiming at addressing reactive behaviour and innovation policies aiming at addressing proactive behaviour, a schism that severely hampers the development of a socially responsible market economy. Understanding and recognizing the differences in rationale between the different policy areas is central for promoting an integration of these.

In understanding the process of policy integration in the innovation system the paper pulls in experiences from integrating environmental and innovation policy making in Europe, noticeable a case study from Denmark.

Ad. B. The paper critically assesses the possible implications, potentials and drawbacks of applying a NIS perspective for the simultaneous fostering of innovation and sustainability issues. The paper draws on innovation theory from an evolutionary economic as well as resource based theoretical perspective in developing a framework that captures the innovation system dynamics related to sustainable development.

The paper seeks to identify how and where the innovation system perspective may suggest new policy strategies and new instruments. The paper argues that this new approach may provide a an expedient platform for integrating innovation and sustainability policies which will allow for more effective policy making for eco-innovation.