Can IT Innovation become a Tool against Fiscal Crisis? Findings from Europe

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ABSTRACT

Economic recession has expanded during the last five years from U.S.A. to Europe and sprawls at an international level. Governments try to redefine their strategies and policies in order to recognize and deal with this unexpected environment, while they prioritize alternative methods in order to return to growth and to control national and supranational economics. Some of these strategic changes emphasize on innovation and research as the means to overcome this recession. The aim of this paper is to question and illustrate the connection between innovation and fiscal growth and in this order to explore whether Governments can capitalize innovation against fiscal crisis. Emphasis will be given on Information Technology (IT) innovation initiatives that are being undertaken with these updated strategies. Literature findings depict such an interconnection, while findings from the latest European strategies are compared to data from other countries regarding innovation’s capitalization against fiscal recession and national downturn.

Keywords: Digital Agenda, Europe 2020, Fiscal Crisis, Framework Programs, Horizon 2020, Innovation, IT Innovation, Lisbon Strategy, R&D Policy

1. INTRODUCTION

Recent economic recession has become a worldwide reality since 2008 (Antonevich, 2010), which was mainly triggered by a bank “collapse” with various economic and social implications in U.S.A. (Alliance for Innovation, 2009). By that time, U.S. Federal Government reacted with huge fiscal packages, while Governments in Europe mainly focused on their fiscal policies rather than re-
considering their strategies and prevent their nations from a “domino effect” in time, which later appeared. Even then, European member states agreed on fiscal stimulus packages, whose effectiveness against downturn has been questioned (Berry & Berry, 1992; Watt & Nikolova, 2010). On the other hand, Asian countries appear more stable against this recent recession; they had faced an economic crisis by the end of ‘90s. Asian states had not reacted with similar means against that unprecedented crisis; neither had they converged on more open or “liberal” economic norms. Instead, they had superimposed change at the margins, seeking unique technohybrid solutions to build capabilities to compete in local, regional, and even global markets (Kamarck, 2003; Keller & Samuels, 2003). An extensive information technology (IT) industry is the result of these Asian states’ investments, which generates competitive innovative products and still the Asian industry leads the international arena.

This paper follows the above observations regarding the alternative Government approach across nations against recent fiscal recession and focuses on Europe in order to address the following questions: a) can innovation and IT innovation respectively be considered as a means against fiscal crisis? And b) how has or does Europe perform regarding innovation’s and IT innovation’s capitalization against recent fiscal crisis? The first question sounds trivial, but this connection with economic growth is crucial to be clarified and understood by policy makers. The second question is very important to be answered, since European fiscal performance flows, while European States have just updated their common strategy to “Europe 2020”, where innovation’s and IT innovation’s prioritization is useful to be identified. Both these questions are answered with bibliographic findings, with data from international organizations and from narrative descriptions, which are based on empirical data from the European Parliament.

The remaining of this paper is structured as follows: in the following section 2, the interconnection between innovation and fiscal growth is determined. Section 3 describes Lisbon strategy’s failure in its mission and objectives, together with forthcoming Europe 2020 formulation and characteristics. Section 4 describes old and new European political obstacles regarding research and innovation, which may impact future strategic development. Finally, section 5 contains conclusions and future thoughts.

2. IT INNOVATION AND FISCAL GROWTH

The first question that this paper seeks to answer sounds trivial or obvious, while it can be considered “cliché to say so” (Lederman, 2010). However, it is important for innovation to be defined in economic terms and its relation with fiscal growth to be identified by policy makers. Schumpeter (1949) was the first scholar who discussed about innovation with economic terms during the decade of 30s and defines it as
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