



REPOSITIONING RESEARCH TO BE A KEY COMPONENT OF THE UK'S ECONOMIC INFRASTRUCTURE

*Smart Incentives, Strategic Growth: Turning thought leadership
into the backbone of 21st-century British prosperity.*

THE ECONOMIC VALUE OF RESEARCH: THE KEY ACADEMIC LITERATURE

A BuildResearch Policy Literature Review

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Who we are and what we do

BuildResearch is a UK-headquartered global think tank and research-focused management consultancy — a strategic thought leader that blends rigorous analysis with creative insight to influence and shape government policy, business thinking and solutioning, influence the development of the world's global professions and their sustainability, and influence — for good — our global human society in the 21st century.

We came together to help others create research that genuinely adds value — and to help people see research not as a compliance exercise, but as a strategic, value-creating activity.

BuildResearch partners with companies, universities, professional bodies and international organisations — turning rigorous evidence into influential thought leadership and lasting advantage.

We help our clients generate rigorous, influential research and thought leadership — and we help them strengthen their internal research capabilities through our 360° research design and development consultancy. We work with clients across the UK, Europe, the United States, and Latin America.

Our work enhances profile and reputation, supports commercial advantage, and lifts the strategic value of research across an organisation. We offer a range of consultancy services including:

Research and Thought Leadership A full-service research and thought-leadership practice that delivers rigorous, evidence-based outcomes — qualitative and quantitative — from first framing to final publication and launch.

Consulting We help organisations revitalise an existing research function — or build new research capability from the ground up.

Coaching and Development Coaching for individuals and teams to raise research confidence, capability and measurable lasting impact.

Let's Talk: Tell us what you're working on — we'll point you to the right kind of help, whether that's a research project, a consulting engagement, or coaching for your team.

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Research that builds reputation.

THE EVIDENCE

THE ECONOMIC VALUE OF RESEARCH: THE KEY ACADEMIC LITERATURE

There is a considerable body of published research which argues in favour of more investment in research and thought leadership based on the economic benefits it produces. Significantly several pieces of work argue that research pays back far more than it costs in terms of innovation stimuli and wider economic and social benefits.

20–30% Private annual return to R&D investment, across decades of empirical studies <small>HALL, MAIRESSE & MOHNEN</small>	40–50%+ Social return, once knowledge spillovers to competitors and consumers are counted <small>HALL, MAIRESSE & MOHNEN</small>	\$5 per \$1 Average long-run social gain for every dollar invested in research and development <small>JONES & SUMMERS, NBER</small>
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Surveys of the evidence, notably by Hall, Mairesse and Mohnen in 2010 is widely cited in the literature because their meta-analysis and survey of existing empirical literature concluded that the private returns to R&D investment are typically around 20% to 30% per year, while the social returns (the benefits to society and other firms) are often much higher, sometimes exceeding 40% to 50%.

Research pays back far more than it costs, in innovation stimuli and in wider economic and social benefits.

In their extensive work, most notably their chapter in the Handbook of the Economics of Innovation (2010) Bronwyn Hall, Jacques Mairesse and Pierre Mohnen reviewed decades of empirical research on the returns to research and development and is one of the critical pieces of evidence in favour of creating more favourable pro-research tax regimes.¹

Their analysis confirmed that the private return to research and development (R&D) generally falls within the 20% to 30% range annually but they also concluded that the social rate of return (which includes positive knowledge spillovers to competitors and consumers) is even higher, often doubling or tripling the private returns.²

Indeed, the return to society is usually estimated as higher, often 50% or more.

Benjamin Jones and Lawrence Summers calculated in a 2020 National Bureau of Economic Research Working Paper that every dollar invested in research and development (R&D) yields an average return of about \$5 in long-run social gains. They accepted that the gap arises

because knowledge spills over: competitors, suppliers, and whole industries build on discoveries without paying for them.

Using robust accounting techniques their analysis positively linked total R&D spending to economy-wide gains in GDP, re-emphasised the spillover impacts of research and thought leadership which spread new ideas across industries and international borders, and identified positive productivity gains because of the boost to workforce skills and competencies which R&D spend drives.³



Knowledge as public infrastructure: the Library of Birmingham

In this context positives of R&D investment are taken further by Nobel Laureate, Professor Paul Romer with his discussion of Spillover theories within his Endogenous Growth Theory. Here Romer argues that technological progress is not just an external stroke of luck, but the result of people and institutions intentionally investing in research and knowledge creation.⁴

Romer argues unlike physical tools or land, one person or company using a new idea does not stop someone else from using it at the same time. Thus, when a company spends money to invent a new technology, other businesses learn from it and use it for free. This creates a positive spillover effect that lifts total market productivity.

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Therefore, Romer's work concludes that governments should act to fund or subsidise education and create incentivising tax and fiscal regimes to drive and expand research and thought leadership to help these valuable spillovers grow.

Here we have captured and summarised some of the most critical and prestigious academic literature which provides strong proof points that investment in research and thought leadership can produce one of the highest returns in terms of economic growth and innovation, drive productivity, and stimulate wider societal inspiration and development impacts.

We have also included curated further reading on the economic infrastructure and value which we referenced to inform and guide this project.



Research spending is labour-intensive: most of it goes directly to skilled people

IN CLOSING

Conclusions

A competitive tax regime makes a nation an attractive destination for foreign capital, bringing high-value projects and advanced global expertise into the domestic market.

Such a regime is shown to boost global competitiveness and foreign direct investment by attracting multinational R&D from highly mobile multinational corporations which strategically allocate their R&D budgets globally.

Furthermore, the literature shows that pro-research and thought leadership tax regimes drive labour market upskilling and high-wage employment because R&D investments are highly labour-intensive, with a vast majority of expenditures going directly to the salaries of scientists, engineers, and technicians.

We know from this literature that tax incentives structurally increase the demand for highly skilled labour and that this demand fuels a wage premium which incentivises domestic workers to pursue advanced education and training, structurally upgrading the nation's human capital stock.



A competitive tax regime draws mobile international research investment

Notes

- 1 Hall, Bronwyn H. and Mairesse, Jacques and Mohnen, Pierre, Measuring the Returns to R&D (December 2009). NBER Working Paper No. w15622, Available at SSRN: <https://ssrn.com/abstract=1530078>
- 2 Hall, Bronwyn H. and Mairesse, Jacques and Mohnen, Pierre, Measuring the Returns to R&D (December 2009). NBER Working Paper No. w15622, Available at SSRN: <https://ssrn.com/abstract=1530078>
- 3 Benjamin F. Jones and Lawrence H. Summers, "A Calculation of the Social Returns to Innovation," NBER Working Paper 27863 (2020), <https://doi.org/10.3386/w27863>
- 4 Romer, Paul M., Endogenous Technological Change, Journal of Political Economy, Volume 98, Number 5, Part 2, (1990) <https://doi.org/10.1086/261725>

SOURCES

Further Reading

Curated further reading on economic infrastructure and the value of research, referenced to inform and guide this review.

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