Eco-Innovation: Perspectives from a Theoretical Approach and Policy Analysis

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Abstract : Eco- innovations, unlike regular innovations, are not self-enforcing and are associated with the double externality problem. Therefore, it is emphasized that eco-innovations need government. intervention in the form of supportive policies on priority. Off late, factors like consumer demand, technological advancement as well as the competitiveness of the firms have been considered as equally important. However, the interaction among these driving forces has not been fully traced out. Also, the theory on eco-innovation is found to be at a nascent stage which does not resonate with its dynamics as it is traditionally studied under the neo- classical economics theory. Therefore, to begin with, insights for this research have been derived from the merits of 'neo- classical economics', 'evolutionary approach', and the 'resource based view' which revealed the issues pertaining to technological system lock- ins and firm- based capacities which usually remained undefined by the neo classical approach; it would be followed by determining how the policies (in the national level) and their instruments are designed in order to motivate firms to eco-innovate, by analyzing the innovation 'friendliness' of the policy style and the policy instruments as per the indicators provided in innovation literature by means of document review (content analysis) of the relevant policies introduced by the Chinese government. The significance of theoretical analysis lies in its ability to show why certain practices become dominant irrespective of gains or losses, and that of the policy analysis lies in its ability to demonstrate the credibility of govt.'s sticks, carrots and sermons for eco-innovation.

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