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ABSTRACT

This paper provides empirical evidence on the relationship between indicators of competitive pressure and innovation incentives using panel data of Spanish manufacturing firms for the period 1990-2006. Instead of using standard indicators of competition, such as market concentration measures or firms' price costs margins, we analyze a number of indicators of competitive pressure directly related to the demand and cost conditions faced by firms. We consider the likely different incentives faced by firms to undertake product innovation versus process innovation efforts, and estimate a multivariate probit model for the probability of firms to introduce product innovations, process innovations or both. Our results are consistent with the theoretical predictions of Vives (2008) for free entry. We obtain that product market substitutability, entry costs and market size significantly affect the probability to introduce product and process innovations but that the effect of these variables differs among the type of innovation. We also find different effects of competitive pressure on innovation when taking into account the efficiency level of the firm relative to the efficiency distribution within its industry.

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Máster en Economía y Doctora en Economía por University College London (University of London), y ha visto reconocida su actividad investigadora por la Comisión Nacional de la Actividad Investigadora mediante la concesión de dos sexenios. En la actualidad es profesora Titular de Universidad del Departamento de Estructura Económica de la Universidad de Valencia y pertenece al grupo de investigación ERICES (Universidad de Valencia). Su labor investigadora se ha centrado fundamentalmente en el campo del análisis microeconómico, tanto de índole aplicada como teórica, y así queda reflejado en sus artículos en revistas internacionales tales como *The Econometrics Journal*, *Journal of Industrial Economics*, *Applied Economic Letters*, *Annales d'Économie et de Statistique*, *Small Business Economics*, *Review of World Economics*, *The World Economy*, *Applied Economics Quarterly* o *International Journal of Applied Economics*.