

Can Innovation Save the Economy?

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Editor's Note: We certainly aren't going to reach prosperity by flipping burgers .

([The Big Money](#) [1]) - For all the discussions of “green shoots” in housing or consumer spending over the last few months, too little attention has been paid to a classic American economic advantage: innovation. If cash flow is the blood of the global economy and spending and investment are its main artery veins, then innovation is the heart that does the pumping.

Over the long term, innovation is what drives cost reduction, higher employment, spending, health care, investment, and ultimately, better living standards. Many business owners see it as their No. 1 priority. When executives were asked by consulting group McKinsey in February of this year where the government should direct the majority of its stimulus spending, 59 percent of respondents said “on fostering innovation and potential new industries,” putting it in the top spot, even before potential solutions such as “on helping workers who have been laid off” or “on helping existing companies.”

So here’s some good news: Right now, the economy is abundant with innovation—so much so that it might end up saving the day or, at least, paving the way to future prosperity. In some sectors, there are signs that it is already. After years of intensive research and development, a band of small biotechnology companies are teaming up with larger drug producers to rush out what many scientists consider to be an effective replacement for chemotherapy, a painful and traumatizing stopgap to the disease. Immunotherapy drugs aim to stimulate the body’s natural immune system so that it can attack or destroy tumors on its own, without the need for invasive radioactive treatments.

So far, the drugs, many of which are currently undergoing Phase 3 trials by the Food and Drug Administration, seem to be working pretty well. Dendreon, which manufactures Provenge, a prostate-cancer drug, said in April that its drug had proven to be safe in the Phase 3 stages of its FDA trial and extended the life-span of patients by an average of four months, compared with 2.5 months from Sanofi-Aventis’s conventional Taxotere vaccine. As a result, the share price of the \$2.6 billion biotech has risen around 800 percent this year. Antigenics (AGEN), a drug developer for small-cell cancer, has also entered its flagship product Oncophage into Phase 3 trials. In June, GlaxoSmithKline (GSK) launched a Phase 3 study for a new malaria vaccine, which includes an adjuvant provided by Antigenics. Shares in Antigenics have soared over 300 percent so far this year.

Besides the obvious human benefits, there’s big money in cancer treatments—up to an estimated \$2 billion a year in sales, according to analysts. All the excitement

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over revolutionary cancer medicine has led to the creation of an index designed just to track the leading developers' shares. Mentor Capital's Cancer Immunotherapy Index, which tracks 10 cancer immunotherapy drug makers, has risen nearly 30 percent since it was created on July 10.

There are signs of innovative life in other corners of the economy, too. Despite the fear rising energy costs instill in many cash-strapped consumers, as oil prices have been on the rebound this year, the urgency for the development of cleaner and cheaper fuels has notched up a gear.

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