

## Does Innovation Suppress Innovation? No.

A cornerstone of modern growth theory may rest on an assumption that does not always match how companies behave in practice. The 1992 economic model developed by Philippe Aghion and Peter Howitt is widely taught, frequently cited and received a recent accolade. Its central insight, that the expectation of future innovation can dampen incentives to innovate today, has shaped how economists think about technological progress.

But there is a tension; some historical evidence from competitive industries points in the opposite direction.

When firms anticipate technological change, they do not necessarily retreat. They may accelerate; invest to defend their position, extend existing technologies, or reposition ahead of rivals. Far from discouraging innovation, the prospect of future competition can intensify it. This pattern appears in corporate history before the model's publication,

In *Science and Corporate Strategy* (1988), David A Hounshell and John Kenly Smith Jr. describe how DuPont's short foray into polyester tire cord development caused it to double-down on improving nylon. Likewise, in *Innovation* (1986), Richard N. Foster drew on cases including Allied Chemical, BASF, Celanese and Goodyear to describe what he termed the '[Attacker's Advantage](#)'; a dynamic in which the defender's spend on incumbent technology improvement is sustained or even increased.

Such instances raise a substantive modeling concern. If a widely used framework implies that forward-looking competition weakens innovation incentives, while historical evidence in some cases suggests the reverse, the discrepancy is worth examining more closely.

At stake is not a technical detail, but how economists and policymakers understand the mechanics of innovation itself. If an expected future change in an economic outlook and the present-day investment in it are mischaracterized, the implications extend well beyond theory.