

The risk-reward nexus in the innovation-inequality relationship: who takes the risks? Who gets the rewards.

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# Abstract

We present a framework, called the Risk-Reward Nexus, to study the relationship between innovation and inequality. We ask the following question: What types of economic actors (workers, taxpayers, shareholders) make contributions of effort and money to the innovation process for the sake of future, inherently uncertain, returns? Are these the same types of economic actors who are able to appropriate returns from the innovation process if and when they appear? That is, who takes the risks and who gets the rewards? We argue that it is the collective, cumulative, and uncertain characteristics of the innovation process that make this disconnect between risks and rewards possible. We conclude by sketching out key policy implications of the Risk-Reward Nexus approach.

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