

## Interaction of Innovation to Economic Freedom Index on Economic Complexity in Selected Science Producer Countries

*Abolfazl Shahabadi\**

*Tayebeh Chayani\*\**

*Zahra Sadeghi Motamedd\*\*\**

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### Abstract

The economic complexity approach is based on the concept that the products produced in the economy represent the amount of productive knowledge required for their production, and assuming that countries do not produce a product unless they have the knowledge and skills to produce it, the economic complexity of the rate The accumulation of productive knowledge hidden in the economy calculates countries. Increasing economic complexity requires the development of the necessary grounds for innovative activities. On the other hand, economic freedom through the creation of market economy relations, private sector development, foreign trade development, elimination of redundant government regulations and security of property rights can improve skills, technology transfer, encourage investment and efficient use of this capital. It provides opportunities for the development of productive activities, including innovative ones. The present study uses GMM to examine the interaction of innovation with the Economic Freedom Index on the complexity of the economy in selected countries producing science during the period 2008-2017. The study's findings suggest that the interaction of innovation with the Economic Freedom Index on economic complexity is positive and significant. In addition, research findings show that the Entrepreneurship Index, the Financial Development Index, and the Market Size Index have a positive and significant effect on economic complexity.

**Keywords:** Economic Complexity, Innovation, Economic Freedom, Entrepreneurship, Market Saize.

**JEL Classification:** C23, O32, F41.

\* Professor of Economics, Economic Department, Faculty of Social Sciences and Economics, Alzahra University, Tehran, Iran. Email: a.shahabadi@alzahra.ac.ir

\*\* PhD Student in Public Sector Economics, Faculty of Management and Economics, Lorestan University, Khorramabad, Iran. Email: tayebe.chayani@gmail.com

\*\*\* PhD Student in Economic Development, Faculty of Social Sciences and Economics, Alzahra University, Tehran, Iran. Email: zahra.sadeghimotamedd@gmail.com



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