

JRC WEBINAR ON ‘SCALE-UP GAP’ FINANCING

Government Venture Capital: a little polite apostasy ...

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Moderated Discussion 1.4

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‘WHAT QUESTIONS NEED TO BE FURTHER RESEARCHED?’

To paraphrase DONALD RUMSFELD:

“But there are also unknown knowns—the ones we don't know we know.”

- Alperovych et al (2017) identified 137 GVCs and 35 GLPs in 25 European countries*
- Google Scholar has 85,000 results for “government venture capital funds”
- There is an established international body of academic/policy/practitioner work on GVCs
- **But GVC ‘learning’ is not always well disseminated across countries and time**



* GVCs are defined as stand-alone government VC programs and GLPs include funds where the government is a significant investor (limited partner)

GOVERNMENT AND THE VENTURE CAPITAL INDUSTRY

VCs are expert, professional investors and negotiators ... **they are not philanthropists**

Co-investment (government/industry) fund arrangements/outcomes are complex

Government 'inexperience' can be dangerous and costly

- GVC performance has improved over time
- Several positive European & UK GVC co-investment schemes exist
- ? But private VC performance in R&D intensive, emerging technology sectors needing 'patient capital' less clear



“When you sup with the devil ... eat with a long spoon.” Geoffrey Chaucer, 1390

MARKET FAILURE?

Supply-side focused arguments predominate

But, sometimes a ‘market failure’ is exactly the opposite:

i.e. market agents doing exactly what they should ... i.e. saying ‘no’.

If a ‘scale-up gap’ really exists while European unicorns continue to be capital constrained as VC finance grows:

- *Are European and international VC fund managers and investors just incompetent?*
- *or is private VC inappropriate for some technology sectors outside ICT and Biotech?*



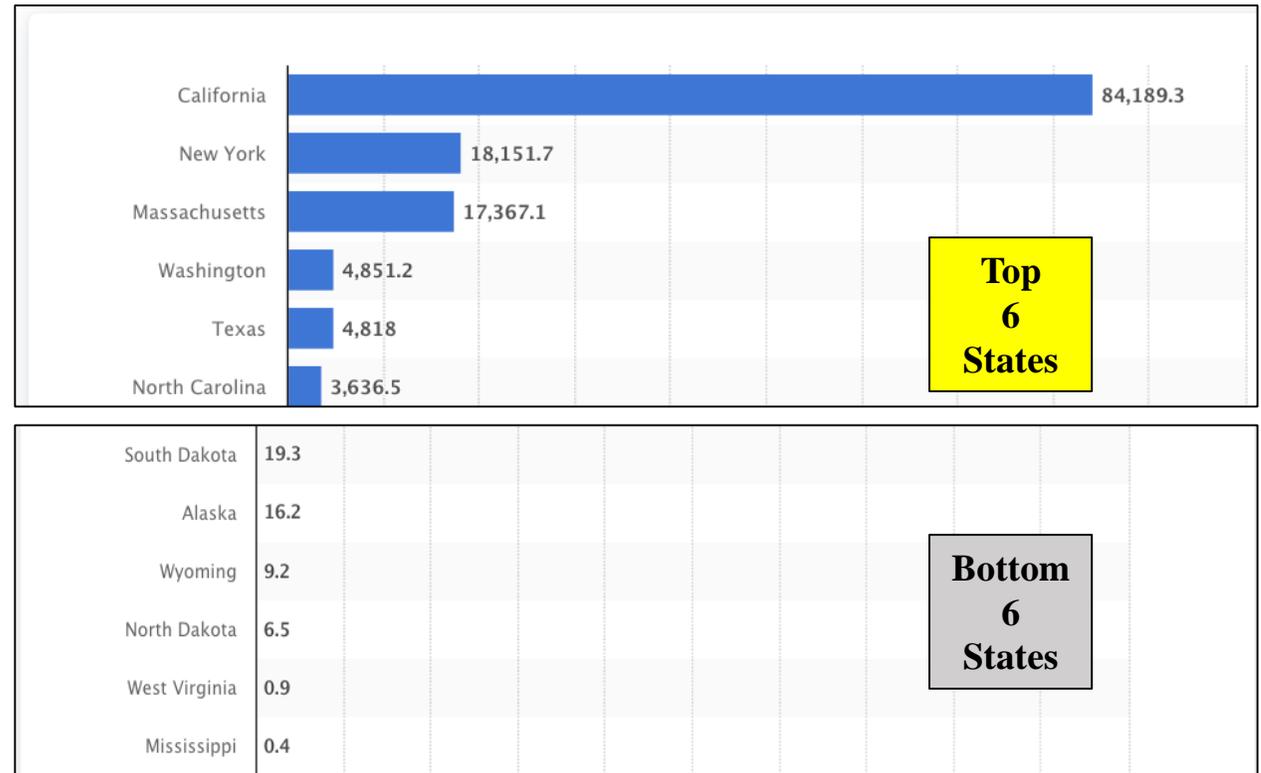
EQUALITY OF REGIONAL PROVISION ... OR MERITOCRACY?

- VC/Unicorns are highly regionalized in USA
- Majority of US states are ‘VC/Unicorn light’
- This spatial concentration is also evidenced in China
- ... and in Europe

... So what scale-up model(s) is the EU seeking to follow across 27 member states?

Value of venture capital investment in the United States in 2020, by state (US\$ million)

ex. Statistica, 2021



AND, FINALLY, WHAT REALLY IS EXCEPTIONAL ABOUT CALIFORNIA?

The *skewed* density of VC – and Unicorn growth - in the USA is an *outcome* of a set of enabling factors – built up over decades - supporting continued profitable investment

- **Appropriate VC finance is *necessary* but not sufficient**
- **World-class Innovation & Entrepreneurship is also a *consequence* of successful ECOSYSTEMS**

