The word “innovation” was conspicuously absent from most of the federal budget last night, mentioned just a handful of times in Treasurer Scott Morrison’s speech .

It had been very difficult to avoid a strong sense of déjà vu when hearing of the coming “ideas boom” in Australia. Much of the same policy analysis and prescription behind the Turnbull government’s National Innovation and Science Agenda can be found in Keating’s 1995 Innovation Statement, Howard’s 2001 Backing Australia’s Ability, and Rudd’s 2009 Powering Ideas.

The message has been the same for more than 20 years: innovation is important and Australia needs to lift its game and become more innovative. We really have to find out why we continually revisit the same issues around innovation as if for the first time, and then do so little about them.

There have been some improvements in our thinking. The misleading idea that more science leads automatically to more innovation, the so-called linear model, is no longer so predominant. But it is still there. There is more concern for collaboration between researchers and business, and this is to be welcomed. There have been attempts to explain why progress has been so slow, such as an absence of political bipartisanship, but these often look at the symptoms rather than the causes of the problem. For real advances to be made we need two major areas of improvement.

Longer, more rewarding lives

First, the case for innovation has to be made more persuasively to the Australian people. The benefits of innovation need to be tied to the experience of everyone and not just elites in business and universities and the extraordinary worlds of entrepreneurs and venture capitalists. Innovation is about much more than increasing corporate profits, and it can give each successive generation longer and more rewarding lives than the one before. Put simply, innovation – new ideas, successfully applied - has made my life easier and longer than my parents. If we innovate my children’s lives will be easier, more rewarding and longer than mine.

For many, innovation is perceived as a precursor to more unwelcome changes at work and potentially to job losses. More explanation is needed on the ways innovation creates new jobs and brings excitement and meaning into work as people are given the opportunity to explore and try new things.

When these messages are communicated and appreciated, and innovation becomes part of the national social narrative along with health, education and security, governments will be held to more account for their piecemeal and short-term approaches that chop and change innovation support schemes after each election. Government won't have the licence to impose continual reviews and budget cuts on key institutions, such as the CSIRO and CRCs, or impose more regulation and less budgetary certainty on universities.

Ditch old-school economics

Second, and related, we need much better analysis of the causes, nature and outcomes of innovation. We have plenty of data on the subject, but not a lot of imaginative thinking about it. The mainstream (neoclassical) economics that infuses almost all Australian policy thinking is next to useless when it comes to explaining a modern economy, characterised as it is by complexity and uncertainty. Its tenets and prescriptions relate more to 1950s industry rather than the present day fast-moving, networked and knowledge-based economy.

Mainstream economists have a mantra that governments can't pick winners. This may say more about poor decision-making on the part of bureaucrats and their inability to judge rent-seeking behaviour, rather than the need to make some strategic bets for the future. It is no accident that the majority of funding for innovation in innovation leaders such as the USA and Finland is targeted and directed at certain kinds of firms, not spread around and made available to all (thereby avoiding the "crime" of interfering with the market) as in Australia.

Our research capacity in innovation is shockingly poor and we don't evaluate policies well, remember what has gone before, or properly appreciate lessons from overseas. Better analysis would protect us from the periodic magic bullets discovered by politicians and pundits, with their simplistic prescriptions that we need more entrepreneurs, or more venture capital, or more collaboration.

Better research would help us shake off the misconception that the problem of innovation in Australia is primarily one of supply. That is, our universities and research organisations aren't sufficiently engaged with the private sector, or doing research of practical value. The real problem is actually one of demand, a lack of appreciation of the potential for innovation among Australian management. We have some outstanding companies and managers in Australia, but we also have a lot that are second-rate, introspective, cossetted and slow. Far greater priority should be given to management education and to policies for improving the capacity of firms to innovate.

There are wonderful innovation success stories in Australia and some impressive advocates for the innovation agenda. The prime minister "gets it". We are, however, a very long way off the international pace, and we have to multiply these examples and voices many times over and break the mould of our fragmented and short-term approaches. Australia's leaders need to better articulate the consequences of innovation for every Australian, and we need improved analysis to guide better policy and management.

Mark Dodgson does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

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