

Report of the Seminar with prof. J.E. Stiglitz “Creating a Learning Society” – November 7th 2014 – hosted by the The Netherlands Scientific Council for Government Policy (WRR), The Hague – Notes: Rashad Jafarov

1. Opening

The chairman, prof.dr. J.A. Knottnerus, of The Netherlands Scientific Council for Government Policy opened the seminar by greeting the guests and reflecting on fruitful appointments and meetings of prof. Stiglitz with government officials and the media representatives, and thanked him for his generosity in accepting to hold the seminar in the midst of such a busy schedule. Having given his lecture on “The Future of Globalization” yesterday; today the focus will be on his new book: *Creating a Learning Society*. Next, the word was given to prof. A. Boot, the moderator of the seminar who announced that the meeting is intended to be of an interactive nature, and invited the guests to keep the main questions till after the presentation by prof. Stiglitz and keep it only to clarifying questions during the presentation.

Next prof. Stiglitz started his presentation titled *Creating A Learning Society: A new Approach to Growth, Development, and Social Progress*. He started off by expressing his pleasure in reading the summary of the WRR report *Towards a Learning Economy* and pointed out two overlapping elements with his new book; (1) growth requires a learning (economy) society and (2) the markets on their own will not deliver this, hence an active role for governments to facilitate creation of a learning society is needed.

He started the presentation by noting the importance of a learning society in achieving the current state of living standards in historical perspective. The main reason is that throughout the time we learned how to do things better, not because we just knew how to save more for the future but by becoming better at things that we do. Although the standards of living stagnated through the 1800s; since the industrial revolution the economies grew exponentially and now we are in the process of convergence where the laggards are also catching up. The main driver can be attributed to the fundamental change “Enlightenment”, associated with creation of scientific methods. Traditionally, economics has not paid attention to the process of *learning*. Predecessors such as Schumpeter and Solow have noted the importance of innovation and technological change respectively, however the learning process has not been addressed as a driving principle of economic growth in retrospective. It was presumed that the gap in knowledge was only between developed and developing countries that determined the slow productivity of the latter, whereas we now observe large gaps in productivity between the developed countries, which undermines the concept of aggregate production function. The cause of the gap can be ascribed to the lack of knowledge and learning from other firms. Knowledge and information is an advantage which can be transformed into profit. Currently the knowledge regulating systems facilitate the restrictions on the flow of information and knowledge across the firms. Therefore, the focus of policies should be how to design a framework that can balance the protection of intellectual property and the flow of information. A question on this point was raised that the knowledge will flow anyway eventually. Prof. Stiglitz noted the difference between the flow and creation of

knowledge, and that there is a tension between the two. We mostly focus on R&D, however very large fraction of knowledge creation is by learning by doing. Most productivity increases are of incremental nature which gradually add up to bigger changes.

The peculiar property of knowledge (information) is that it is a non-rival good. A quote from James Keller: A candle loses nothing by lighting another candle. Knowledge has to be publicly provided as a public good. Once knowledge is created the efficiency principle actually requires dissemination of it rather than discretion. If we establish the notion that knowledge is a public good then we can put forward the presumption that markets will not be efficient in dissemination of knowledge. A question was raised at this point that we need incentives to produce (encourage) dissemination of knowledge at the originator (actor) level. Prof. Stiglitz answered that when there is innovation then there are always imperfect markets. Thus, policies for transitioning into a learning society will be different from policies advocated for traditional economic policies based on static allocation of resources. Everything we do affects learning, so policies should evaluate the impact of the changes from the perspective of how they impact learning. Regarding the Euro crisis, we see how stability is important to learning. Recessions disrupt this process. It was noted by one of the guests that at universities during the recessions we observe that actually the flow of knowledge is increased.

2. Questions and Debate

A lot of knowledge is created on the jobs. The real price of the Euro crisis is that the recession dampens the human capital accumulation (on the job learning) and the statistics do not capture this aspect of the impact. Quantifying the losses of this would run trillions. We also need to focus on *learning* to learn. A small part of learning happens in formal schooling. While labor mobility used to be lower (low turnover) in the past, we are now in a state with heightened labor mobility where employers are not willing to invest in employee learning. Post-graduation education (lifelong learning) should be emphasized and the labor markets should partner in this process (for example: Massive Open Online Course (MOOC) and Coursera). Markets do not take into account learning spillovers (positive externalities in the economics jargon). Governments should address this aspect, and also address the dynamics of benefits accruing from positive externalities of knowledge spillovers.

Consider the example of Intel: the aspect of public interest in patent settlements (shutting down Intel). Compared to the US, Europe has better provisions for opposition of challenging patents.

We need to think about how to structure frameworks that will facilitate opposition to patenting. Disclosure requirements should be strengthened and those (e.g. Microsoft) who undermine it should be targeted. Compulsory licenses should also be in the center of policy discussions.

A question was asked how life-long learning can be encouraged in terms of incentivizing employees to pursue post-schooling learning and make it effective? Prof. Stiglitz mentioned the rise of MOOCs and their effectiveness in achieving life-learning objectives. He pointed out that people do show willingness to pursue courses. It is the employers that need to be incentivized in terms of accommodating the employees with free time next to their jobs.

How about knowledge as a global good and policies of national governments which are also constraining to dissemination of knowledge? Prof. Stiglitz noted that indeed we should be

doing more research and cooperation on the global level and international policies should be tailored to this purpose.

How can we get to a greener world, what should governments do to push more innovation in the direction of serving for a greener economy? Prof. Stiglitz talked about stimulating the demand side for carbon-low products, and the effectiveness of carbon emission policies. China shows how to create comparative advantage in producing solar panels. In response to the question, which western country is doing best, prof. Stiglitz mentioned the success of the US technological investments, and that the US has done reasonably well on average.

Globalization has increased cross-border movement of highly educated human capital, which has led to worsening developing countries' positions. How can governments still benefit from their highly educated human resources? In response to this question prof. Stiglitz confirmed that the real theft of intellectual property is indeed, the theft of intellectual people and he stated the possibility of cross-border compensation on human capital allocation. Countries at the receiving end should compensate those countries suffering from outflow of skilled human capital.

In response to the question: "if you were to re-regulate the financial sector, which field would you focus on?", prof. Stiglitz talked about the importance of capital flow to small and medium-sized enterprises (SMEs). The reason why there is usually less domestic learning is that the biggest proportion of learning in society is created by SMEs and when they do not get enough capital flow this hinders and slows down the learning process. For example: restrictions on cross-border operations of the banks in the US. In Europe it was mentioned by one of the participants that between the westerns and eastern-central European countries, the transfer of information was quite fast as opposed to the assumption that it would be slower.

In response to the question whether the locations for focus of stimulating learning mattered, prof. Stiglitz stated the importance of clusters, and spillovers that these clusters can produce. And that there is a big role for the government in encouraging projects like Silicon Valley which was not meant for profit initially.

There are also implications of global supply chains for learning. We should start thinking not in terms of sectors, but in parts of global supply chains where for the purposes of development we can target its specific parts to encourage dissemination of learning. And that we need global and national policies for achieving this. Prof. Stiglitz also talked about developing the metrics for quantifying the benefits of creating a learning society. It is a complex concept and also requires consideration of consequences on macro indicators. But the fact that developing such metrics is difficult should not discourage the discussions.

The seminar was rounded up by the moderator prof. A. Boot who thanked everyone for excellent discussion and contributions. The chairman, prof. Knottnerus thanked prof. Stiglitz for his brilliant presentation and the interesting discussion, and for his time, and prof. A. Boot for his excellent moderation.

Round of applause.