Governing the Global Knowledge Economy: Mind the Gap!

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A restructuring of the innovation process is underway around the globe. New national and regional centers of knowledge work are emerging. As a result, global interactions, information flows, and knowledge sharing are accelerating, diversifying, and deepening. These changes have increased the pace of innovation and created opportunities for innovation in new locations. They rightfully evoke optimism, even utopian visions. It is expected that, once a place becomes part of the expanding global knowledge economy, it will have better chances to increase its share in productivity-enhancing innovation, high-wage jobs and economic growth.

The emergence of a global knowledge economy means that globalization now extends beyond markets for goods and finance into markets for technology, knowledge workers, and innovation finance. An increasing division of labor in innovation has accelerated the creation of markets for disembodied (intangible) intellectual assets and for the skills and money needed to produce and use these assets effectively. The globalization of these markets is driven by fundamental changes in the economics of innovation and the resultant adjustments in corporate strategies and government policies.

Like other observers, we are optimistic about the potential of these developments to improve living standards and the quality of life around the world. Yet, the payoffs are not guaranteed. This paper asserts the existence of a widening gap between the rapidly growing global knowledge economy and the woefully inadequate institutional framework that supports and regulates it. This gap threatens to undermine the potential gains and could slow or even stop the growth of the global knowledge economy in its tracks.

The important point to emphasize is that these adjustments have been asymmetric. Corporate strategies are the key driver – they shape the pace and contents of the global knowledge economy [1]. Governments have been content to facilitate this process, while searching for ways to enhance local and national advantage. They have spent much less effort tackling broader issues of equity and economic sustainability. The underlying assumption of policy has been that, similar to free trade, free markets for knowledge economy inputs will enhance global welfare. Yet, as Karl Polanyi concluded in his classic analysis of an earlier era of globalization, free markets can sow the seeds of their own demise [2]. The emerging global knowledge economy will not thrive over the long term unless it is embedded within a supportive institutional framework of global governance [3]. This will require some reduction in the asymmetries between corporate and state power in general, between the governments of advanced and emerging economies, and between large and small countries.

The knowledge economy governance gap has not received sufficient attention in the literature on science, technology and innovation policy. We know too little about what kind of governance structures and processes might limit “systemic friction” that pits competing nations unproductively against each other [4]. We also need to explore how to better supply the global public goods upon which the knowledge economy rests. And, as in any market, there are externalities that are not accounted for by transacting parties, notably for our purposes externalities that may produce a backlash from those who perceive themselves to be losing out.

In short, it is time to study the challenges that the global knowledge economy poses for the governance of science and technology and the resultant distribution of opportunities for innovation. This paper is a think piece that seeks to outline a new research and policy agenda. We highlight imbalances in the forces that are widening, deepening and accelerating the globalisation of the knowledge economy. We also emphasize the increasing diversity of actors who will seek to shape its governance. As a first step toward devising a governance framework, we seek to identify, for specific governance domains, conceptual building-blocks and generic policy suggestions. The evidence used to support our arguments draws on the authors’ original research as well as secondary literature.

The first section of the paper describes key features of the emerging global knowledge economy. The next sections highlight the asymmetric nature of driving forces that result in the governance gap, confronting corporate strategies and government policies, and analyze the most pressing issues and the risks of non-action. The paper concludes with a discussion of objectives, design principles for bridging the governance gap, and generic policy suggestions.

References