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# Is There a Sustainable Learning Economy Regime?

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## Abstract

In this paper we deal with the concept of the learning economy and its suitability to describe the modern globalizing economy. We contend that in contrast to the many fleeting catchwords and phrases found in economics and public policy, the notion of the learning economy represents a superior conceptual starting point, which reflects a new and emerging economic regime. Even though it is still circumscribed to a small minority of developed countries, the learning economy offers a concrete example for the more numerous 'have nots' of the world to emulate.

**Keywords:** catchwords, fads and fashions, learning economy, interactive learning, utopia

**JEL Classification:** P47, P51

## 1. Introduction

Catchwords are found in every field of human activity. These vogue words and phrases weave themselves into the daily fabric of social and workplace discourse. Their uses are varied: impressing others, gaining social acceptance, suggesting expertise, signalling class or group adherence or conveying a hidden or indirect meaning. Periodically, new catchwords or phrases will emerge in economics. Since the 1990s, we have witnessed a succession of these buzzwords: the service economy, the information economy, the knowledge economy, the digital economy and, most recently, the new economy. In this paper, we examine the birth process of catchwords and phrases in economics and public policy. After reviewing the origin, spread and eventual demise of these fleeting fads and fashions, we retain the notion of the learning economy as a superior conceptual and heuristic starting point and go on to sketch the broad contours of this emerging economic regime. We next use the conventional procedure of grouping countries into different socio-economic models in order to gauge their relative performance in the learning economy. A companion research agenda is also presented but not further explored here. Lastly, we offer some concluding remarks.

## 2. Genesis and Nurturing of Catchwords and Phrases

Catchwords and phrases get spun off in economics and public policy in the course of a number of social, political and institutional processes. They are frequently adopted in international, inter-organizational and inter-social fora as possible compromise reference rationales to which each national party can give whatever meaning it wants. They are therefore meant to remain as ambiguous and ill-defined as possible. Some of these compromise agreements on referent policy agenda make more rational sense than others thanks to the efforts of international civil servants

who are connected with the best researchers but this is not primarily why they are chosen in this highly negotiated process between delegates. Catchwords and phrases also serve as convenient reference points for politicians' justification of economic and social policies that require immediate personal sacrifice in the name of a putative better future. Every so often trend makers will market a new catchword or phrase. Sometimes they manage to create a bandwagon and imitation fad and fashion effect around it, as was the case during the 1990s with the marketing of the concept of industrial clusters [Porter 1990]. Academics like everyone else can fall prey to fad and fashion effects which shape their thinking sometimes in problematic ways.<sup>1</sup> Typically taking root in small but authoritative segments of the academic world, intellectual fads and fashions can quickly spread to a wider audience through the influencing effects of informational and reputational cascades. Informational cascades occur when individuals choose to follow a norm that is established by the statements or decisions of others [Bikchandani et al. 1992]. When a situation is ambiguous people are more likely to turn to other members of their group to obtain information. Uncertainty renders them more receptive to the informational signals sent by the acts and statements of their colleagues. In such situations, the emergence of a little new information suggesting a different course of action can convince individuals to disregard their own private information and follow the behaviour of others. The desire to be part of a group and to avoid disapproval or outright rejection by their peers can also influence peoples' choices. Mounting reputational pressures can lead to a cascade effect where pressure from the perceived views of others results in the collective adoption of a particular point of view. The influencing effects of both informational and reputational cascades can be further amplified by the group discourse that surrounds them. Like the monochromatic light of a laser, group members engaged

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<sup>1</sup> The distinction between fads and fashions cannot be drawn with great precision [Best 2006]. For the purposes of this paper, we disregard distinctions that have been made between the two concepts and follow Myerson and Katz [1957] in applying both terms to transient phenomena that involve a large number of people.

in discussion become ever more aligned in the direction they were already tending towards. Sunstein [2001, p. 10] notes that “A group of like-minded people thinking about the same topic are highly likely to move toward a more extreme position not merely fortifying their position but amplifying their pre-deliberation inclinations.” The spread of intellectual fads and fashions not only deflects from research in alternative venues; it also hinders efforts to go beyond paradigmatic references and descriptions onto operationalization, measurement, prediction and prescription. Their collective adoption often obscures the very set of phenomena they were originally trying to draw attention to, sometimes to the point of negating the original intent of the author. Witness Perroux’s [1955] notion of development and growth poles. Originally framed to describe and explain the unequal concentration of technological and economic activity in economic and territorial space, their widespread use often for the very opposite purposes ultimately dissolved the core of Perroux’s original concept. Such is the ransom of fame that a gifted scholar’s idea gets so widely adopted it is used not only without the appropriate reference but also perversely for contrary reasons.

There are also other more cogent explanations for the prevalence of intellectual fads and fashions that have been highlighted by the cognitive sciences and which are entrenched in the limits of human perception and reasoning. When a new catchword is first presented a ‘salient’ fact is often associated with it. These facts are chosen to epitomize the new vogue word or phrase and anchor people’s beliefs through the persuasive effects of first received information.<sup>2</sup> The new exemplars will then be used as a metaphor for a set of observations that one does not quite understand. As salient facts gain wider currency their influencing effects on the attitudes and

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<sup>2</sup> For further details on the cognitive processes related to salient and anchoring facts see Piateli-Palmarini [1994] and Kahneman [2011].

decisions of others can be amplified through the action of the availability heuristic, a mental shortcut whereby the perceived likelihood of a given state is tied to the ease with which it can be brought to mind [Kahneman 2011]. Even if these facts are proven to be marginal, transitory, nor useful for policy prescription, their saliency will often override other widespread and more important phenomena. Nor will the demonstration that these salient facts are irrelevant prevent their recurrent use. They will continue to hang on to the mind and guide behaviour. For instance, the OECD's [1996] promoting of the knowledge economy seems to have taken little stock of Fritz Machlup's [1980, 1982, 1984] three volume exploration of this theme and its pitfalls. A salient fact and the fashionable thesis it epitomizes will not be displaced until another model and emblematic exemplar replaces it.<sup>3</sup> Recourse to salient and anchoring facts prevents a more rational use of observed frequencies in making choices and guiding behaviour. Moreover, once a heuristic is chosen around a salient exemplar, the focus of investigation becomes immediately narrowed; certain issues are interesting and 'in' while others are 'out'. Collectively chosen questions subsequently constrain curiosity and bring about a tunnel vision that can limit inquiry and lead to a detrimental segmentation of research activity. Widespread mimetism in academia does the rest. The massive socialization of knowledge and institutionalization of intellectual production has reduced critical thought and promoted a conformist duplication of research topics. Associations, journals, quotation of colleagues, mutual tipping of hats – all provide for a well-oiled echo chamber and inducement for alignment on a new and fashionable catchword or phrase. In such an environment, collegiality and conviviality can quickly degenerate into complacency. Even when counterfactual evidence is revealed, a tradition of genteel civility may

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<sup>3</sup> This point raises the question of when do fads and fashions end. A key factor has to do with a loss of saliency. As fads and fashions mature, their features become so blurred from widespread and indiscriminate use that their original intent is lost and their novelty and saliency fade rendering them obsolete. The distinguished economist and historian Deirdre McCloskey [1997] claims the half-life of fads and fashions in economics is five years in macro and at most ten in micro.

stifle criticism. More so than ever, the task at hand is to recommend caution, promote careful, systematic, corroborating observations and pinpoint faulty or superficial reasoning.

### 3. Is the Learning Economy Another Catch Phrase?

All this being said, in contrast to the short-lived intellectual fads and fashions mentioned above, we are persuaded that the learning economy as articulated by Bengt-Åke Lundvall in the 1990s is not just another catch phrase. We believe that at the start of the millennium the learning economy – defined as an economy where the ability to learn is crucial to the economic success of individuals, firms and national populations [OECD 2000] – represents a superior conceptual and heuristic starting point, which reflects a new and emerging economic regime. Unlike most catchwords in economics whose sense is ambiguous or even contradictory,<sup>4</sup> the concept of the learning economy references a grouping of relationships, institutions, values and norms affecting demand, production and distribution that are internally consistent (belong to one another). There is a natural coherence associated with the grouping as opposed to a chance occurrence in time and place. In what follows, we attempt to sketch the broad outlines of these emergent attributes with a view to emphasising how on the one hand they characterize the learning economy and on the other how they differentiate it from other most-similar concepts. In other words, our intent is not only to describe what the learning economy is but also what it is not.

#### Interactive learning

The prime reason for favouring the learning economy to related concepts like the information economy or the knowledge economy is that it makes clear that what matters for economic

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<sup>4</sup> According to Gerring [1999] this inconsistency is the result of a catchword referencing phenomena whose shared properties are not related in some way. In each case, it is the lack of similarity among the items in the set that is at issue.

success in the globalizing economy is the dynamic capacity of agents to learn new competencies and skills and to abandon old ones. The primary economic question is no longer how to allocate scarce resources but rather how to create new kinds of knowledge through a range of learning processes. In this perspective, even though information may now be more abundant than ever before, it is not the abundance of information that is an asset. What matters is what individuals and firms do with this information to generate new useful insights and acquire a competitive advantage. The increased importance of knowledge is also obvious. The education sector is larger. The share of educated personnel in all economic activities has increased. The share of time dedicated to conception and re-conception in contrast to that of execution has also increased significantly [DeBresson 1996a]. Or, as Bart Nooteboom [2003] expresses it, the time and effort devoted to exploration has increased relative to that of exploitation. All this has stimulated interest in knowledge as a factor in modern production. Knowledge more so than natural factors of production or capital stock can be considered as an inexhaustible fund [Georgescu-Roegen 1971]. But is all this helpful? Instead, is it not more reasonable to view knowledge as an activity and process? It is the intelligent use of the fund of knowledge and not its absolute level that makes the difference in competition. Even in terms of levels, it is the increase in the intelligently used knowledge fund and not its absolute level that may give a competitive edge to some individuals and firms. And the increase of intelligently used knowledge depends on the dynamic capability of agents to acquire new knowledge and master its use, that is to say learning. A common feature of almost all learning processes is that they are interactive and depend on the ability of individuals to combine and recombine different pieces of knowledge into something novel [Lundvall 1996]. The creation of new products and services in particular involves an interactive learning process whereby consumers and producers cooperate in the creation of



commercially useful knowledge. This two-way interactive learning process is crucial for sustaining innovation in the learning economy.<sup>5</sup> The diverse activities of producers in developing new products and services and of consumers in determining their final characteristics and uses are primarily local in nature. Learning by interacting converts this localized learning into general knowledge embodied in new products, technologies and business solutions. It acts on the outcomes of learning by doing and learning by using through the facilitation of tacit knowledge exchange and the diffusion of new knowledge.

### Norm of consumption

There are certain demand-side characteristics of high real-income countries that are functional to the emergence and operation of the learning economy. We contend that with rising real-incomes, consumption expenditures in the learning economy shift irreversibly toward the procurement of amenity, specifically quality products and services that add to the comfort, convenience, and well-being of individuals.<sup>6</sup> The quest for these income-elastic but price-inelastic performance products and services becomes increasingly important to consumers in the learning economy, as quality of life comes to be a more meaningful objective than the provision of subsistence goods or the accumulation of consumer durables. Affluent consumers in the learning economy prefer improved quality to greater quantity, whether it is the result of the accumulation of new attributes in existing products or the creative destruction of old products by entirely new ones and are willing to pay premium prices for these amenity provisioning quality products and services. We are supported in this observation by Nelson and Consoli [2010] and Witt [2001] who note that

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<sup>5</sup> In a study of electronics firms operating in the Pearl River Delta, China, Fu et al. [2013] find that firms engaging in the highest intensity of interactive learning with the widest scope of partners achieve better innovation outcomes.

<sup>6</sup> Just as Duesenberry [1949] noticed a consumption ratchet effect with the rise of real wages one could, after some time, expect a similar ratchet effect to occur with an increase in real-income levels.

with rising incomes meeting wants more fully is attained by purchasing higher quality rather than simply more of the same goods.<sup>7</sup> It is only when the majority of the population of a national community has developed common priorities in their family budgets around the consumption of amenities that a learning economy can emerge. In the absence of this precondition, a learning economy cannot take hold. No matter how the learning economy evolves in the future, the majority of household budgets must focus production on the provision of amenity in order to reap the dynamic benefits of a demand-led, interactive learning, growth process where changes in consumption patterns feed back onto and foster growth.<sup>8</sup> The importance of this precondition for sustaining the learning economy – that the demand structure be oriented toward the acquisition of amenity in contrast to subsistence goods or consumer durables – is reinforced by a further requirement. Perceived equity in income distribution is needed to maintain the social trust that is so essential for the proper functioning of a collaborative learning economy. Trust cannot long survive in a society where there are perceived inequities in income distribution; a lack of social cohesion inevitably ensues. And a lack of trust will seriously hinder learning. This is why as Lundvall and Lorenz [2012] point out learning economies need to maintain an active income support infrastructure that strengthens the learning capabilities of their citizens and provides for the well-being of excluded portions of their populations. One must, however, be careful not to concatenate the two terms. The learning economy is inherently a regime where the economic success of individuals, firms and national populations depends on their ability to learn and not a welfare state.

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<sup>7</sup> For an in-depth case study on the demand for amenity and structural transformation in the American economy consult USC [1988].

<sup>8</sup> Even among high real-income countries it is the proportion of people by type of demand structure, that is, the majority of family budgets, which will focus production and determine the prevailing macro-economic regime.

## Form of competition

The demand in learning economies for quality amenity obliges producers to compete on the performance characteristics of products and services. Performance led competition operates as minimizing costs to scope rather than to scale. Firms will increasingly seek to reduce costs over a range of quality products rather than diminish costs through ever-greater scales of production. These quality products and services change frequently in the learning economy. Innovations follow on innovations, some extending the hedonic frontier, others recombining performance characteristics on a Lancasterian [1971] map. Competitors will attempt to occupy different combinations of performance characteristics on this map in order to capture market segments. A few will extend the technological frontier. Occasionally, a competitor will introduce a new dimension of consumer satisfaction. Performance led competition leads to ever-shorter product life cycles and production runs, as small batch and custom manufacturing replaces mass production. The introduction of new products and services every few years becomes the accepted norm. Furthermore, innovation and new product development are often the joint undertaking of networks of independent firms and not just that of individual entrepreneurs as Schumpeter suggested [DeBresson et al. 1998]. Networks are the form of organization best suited to the learning economy because they foster social interaction that speeds up knowledge creation, provide access to a wider variety of technologies and enable a greater flexibility of entrepreneurial objectives. We posit that the learning economy is dependent not only on such networks of firms but also on a particular type of configuration, namely non-hierarchical ones.<sup>9</sup> It is this type of network configuration that is the most adept at the recombination of the means of production in novel ways, that is, innovation requiring new knowledge and learning. This view

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<sup>9</sup> In a typology of innovative networks, DeBresson [1999] identifies four types: dyads (suppliers-integrators), triads (suppliers-integrators-users), dyads or triads plus competitors, and cliques (or clubs) that comprise all of the above plus research institutions and regulators. Only the first and last two configurations of networks are non-hierarchical.

does not fit well within a methodological individualist, zero-sum approach to innovation. It is more readily captured and subsumed within the learning economy, which is an emulative competition founded on the inexhaustible and inalienable nature of knowledge [Carter 1996] and a positive sum game where the parties to the competition generally gain [Rosenberg and Kline 1986].<sup>10</sup> Competition by emulation does not eradicate a past incumbent's position but rather builds on it cumulatively. The goal is to obtain lead times, create a technical advance or reduce a gap and catch-up. It is learning that makes the difference. Learning is the key to catching up or surging forward, as well as the key to economic welfare and well-being in this new economic regime. The challenge of adapting to this new competitive environment will be especially problematic for older line firms whose organizational design is geared to the mass production of identical goods. These firms' hierarchical configuration, excessive division of labour and segmentation of tasks make them ill-suited to functioning in a dynamic learning environment. The firms most likely to thrive in this setting are small customized and batch producers that retain the organizational flexibility and responsiveness to meet the challenges of continual innovation. These firms characteristically operate as learning organizations choosing methods of production and governance that enhance their capacity to generate and use production-based knowledge, such as in-house training, decentralized responsibility, horizontal communication and inter-firm networking. This emphasis on learning is reflected in the importance that such firms place on using information (know-how) and establishing inter-personal relationships (know-who) as against the mere knowledge of facts (know-what).

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<sup>10</sup> The learning economy is not as may at first seem a purely positive sum game where all parties to the competition gain. As Gregerson and Johnson [2001] point out, there is little learning without forgetting. But forgetting, for example by the elimination of branches, firms or industries, can be a cost for some individuals in terms of lost employment and income.

## Social trust

A high level of social trust is an essential prerequisite for the proper functioning of the learning economy. The learning process requires trust; innovative, non-hierarchical networks in particular need a high level of social trust in order to be sustainable. Trust is the only sufficient condition able to reduce the high transaction costs that are associated with intensive, interactive learning collaborations [Nooteboom 2002]. Not all social and cultural milieu are, however, equally adept in fostering trusting relationships. For instance, the individualistic, litigation prone United States may be at a disadvantage [Fukuyama 2004]. Conversely, the Nordic countries with a long tradition of consensus building based on shared cultural values have developed high levels of social trust that contribute to their success in this emerging economic regime. In the learning economy, it is the firms with the greatest capacity of exploiting simultaneously both the advantages of community embeddedness and doing so in different cultural communities that will have a lasting competitive advantage. Trust, however, is not always coexistent with cultural homogeneity. Although cultural homogeneity can reduce the costs of establishing trust and assists in the maintenance of inter-personal relationships, distrust of outsiders can develop in highly homogeneous societies. Moreover, homogeneity can act as a source of complacency and inducement to exclusion that is, in the long term, deadly to a learning economy. While trust may be harder to establish between people of different cultures, it is an even more powerful asset with culturally distant societies who can provide different technological knowledge or the prospect of growing markets. Regrettably, in the post September 11<sup>th</sup> world where transnational cultural conflicts appear to have taken centre stage this kind of trust may become increasingly difficult to sustain.

## Openness

Opening to other cultures has long been seen as a key to promoting local learning and innovation [Pilon and DeBresson 2003]. Exposure to diversity is an essential stimulus for accelerated learning and growth. Johnson [2011, p. 4] writes, “The gradual discovery of the importance of people with open minds and national borders open for goods, people and ideas may [be] regarded as a crucial institutional change in the evolution of the learning economy.” Much of the growth literature has emphasised the importance of exposure to external stimulus, what can be called the dynamic gains from opening and the liberalization of exchange. These dynamic gains, which are characterized by increased productivity, capital accumulation and, in certain cases, technical innovation and learning [Cotsomitis et al. 2002], enhance a national population’s ability to compete in external markets on the basis of product differentiation and product quality. Closure, on the contrary, for whatever reason, is a danger to learning economies. Past success can be a major problem for some countries. The economic historian Nathan Rosenberg [1963] was perceptive in pointing out early on that the United States, whose technological ingenuity had been based on learning quickly from others, had lost this aptitude and was prone to a ‘Not Made in America’ syndrome. As a result, the United States is now one of the advanced countries of the world least open to adopting foreign technology – a change in outlook that is reflective of an erosion in its overall innovation capacity, particularly over the past two decades [Atkinson and Ezell 2012]. A number of macro-level policies can, however, be put in place to help prevent or redress parochial closure, notably liberalization of immigration and emigration, inducement to go abroad and come back, initiatives that encourage the tolerance of diversity and, of course, educational programmes.

## Patient and intelligent capital

The dominance of the financial sector in the contemporary globalizing economy impinges on the learning economy. The increased demand in the learning economy for investment in product innovation and repeated technological change is not well met by today's financial institutions. Today's financial institutions prefer frequent and short-term returns. Firms can only procure this by offering high yearly earnings to stockholders. If a firm wants to be able to provide competitive earnings, it is then lured into short-term investments where it can make quicker and more recurrent returns. But it does so at the cost of reinvesting in new technology, a long-term patient proposition. New financial arrangements will have to be found that are better suited to the innovative, iterative, learning economy. What is required are changes to the rules of international finance that temper the current cyclonic shifts of massive amounts of capital from one short-term investment to another and, in contrast, favour patient and intelligent capital. By this, we mean stable capital that knows how to wait for an investment to mature and understands the specificity of the technical problems and business fundamentals in a given sector of the economy.

While all of the above trends have to be taken into account in attempting to understand and explain the current economic context of intense competition and rapid change, each taken in isolation would overlook some essential features that are captured by Lundvall's concept of the learning economy. It is in this respect that the learning economy subsumes the best elements of other recent attempts to encapsulate what is new in the world economy while overcoming or bypassing their previous problems and shortcomings. Put differently, the term learning economy represents a natural grouping of existing concepts [Kaplan 1964], which allows for the discovery of many more (and more important) connections than those originally recognized. In terms of

Gerring's [2001] criterial framework of concept formation, it enhances the quality and utility of existing concepts in the field through a re-envisaging of the semantic landscape. In so doing, the notion of the learning economy captures a new and emerging economic reality at the same time doing as little harm as possible to the usefulness of neighbouring concepts.

#### 4. A Realistic Eutopia

Although far from dominant in the world, the learning economy does seem to have taken hold in some segments of the global economy, in parts of Europe and North America, Japan, and portions of East Asia.<sup>11</sup> Because it is already present in some developed countries the learning economy offers a tangible and concrete eutopia – a good place – for the more numerous ‘have nots’ of the world to emulate, in contrast to previous utopias which are nowhere to be seen despite centuries of effort and sacrifice.<sup>12</sup> In those fortunate few countries where it has taken hold, the learning economy provides enduring welfare and well-being for a significant, if still small, minority of the world's population. In this section, we draw on the work of Sapir [2006] and use the traditional procedure of grouping European Union (EU) national systems into different socio-economic models – Nordic (Sweden, Finland, Denmark, Netherlands); Anglo-Saxon, (United Kingdom, Ireland); Continental (France, Germany, Austria, Belgium, Luxemburg) and Mediterranean (Greece, Italy, Spain, Portugal) – in order to gauge their relative performance in the learning economy. A detailed description and comparison of the four models would go beyond the purpose of the paper (refer to Boeri [2002] and Torrasi [2007] for

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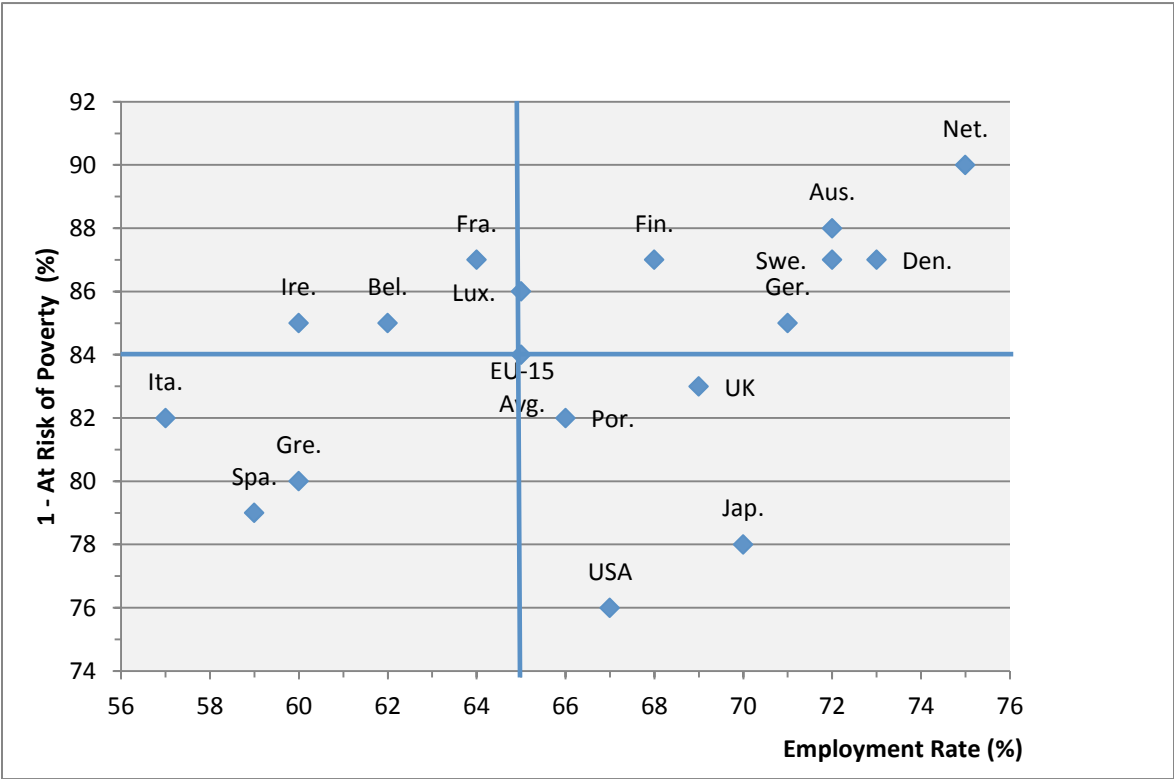
<sup>11</sup> Growth of the learning economy as a distinct macroeconomic regime has been hindered by larger than expected gaps between learning needs and capacities [De Bandt 2003], recurring financial crises and the diversion of national resources to global rearmament following on September 11th. We do not, however, further address these issues here.

<sup>12</sup> Thomas More coined the term in his treatise *Utopia* published in 1516. A pun on the homophones eutopia (good place) and outopia (no place), the term *Utopia* has come to symbolize a desirable never-never land unreachable yet existing. More an inveterate punster admitted this double meaning in an addendum to *Utopia* [Mumford 1922].



specifics). What we propose here is a more modest investigation. In Figure 1, we compare the performance of the four country groupings and each of the 15 members of the old EU-15 for 2010 against two criteria: efficiency and equity. As they are two of the largest and most advanced economies in the world, we also report analogous results for the United States and Japan. In Sapir’s bi-dimensional typology, a country’s macro-economy is deemed to be efficient if it provides sufficient incentive to work thus generating high employment rates. It is regarded as being equitable if it keeps the risk of poverty low or, correspondingly, the probability of escaping poverty high (1 - risk of poverty). Unless otherwise indicated, all data series are sourced from the Eurostat Database, Table Tessi010 (At Risk of Poverty Rate by Sex - Source: SILC) and Table Lfsi-emp-a (Employment: Main Characteristics and Rates - Annual Averages).

Figure 1: Employment Rates and Probability of Escaping Poverty 2010



Notes: At risk of poverty rates for the USA and Japan are obtained from OECD.Stat. Data series for Japan are for 2009. Source: Adapted from Sapir [2005, p. 5].

We find that only a small group of mostly Nordic countries manage to combine both equity and efficiency, ranking above the EU-15 average both in terms of employment rates and the probability of escaping poverty.<sup>13</sup> We hold that it is these countries' commitment to social trust and fairness coupled with their wealth creating dynamism that situates them in the learning economy. In an interactive learning economy, where knowledge creation and use is the motor of growth, openness, social trust and social provision are essential productive inputs that help render national systems robust in terms of innovation, rapid adaptation and wealth creation.<sup>14</sup> On the other hand, Mediterranean countries (except for Portugal) which rank below the average on both dimensions are disadvantaged by national systems that clearly deliver neither efficiency nor equity and will likely need to be reformed. In the case of Continental and Anglo-Saxon countries, we observe a trade-off between equity and efficiency (except for Austria and Germany). Anglo-Saxon countries reflect an efficient but inequitable model ranking above average in terms of employment rates but performing poorly in terms of the probability of escaping poverty. We also find that the performance of the United States and Japan as compared to the EU-15 average mirrors that of 'Anglo Saxon' countries. In contrast, Continental countries display more equity but are less efficient, ranking above average with regard to the probability of avoiding poverty but below average in terms of generating employment. The inability of Anglo-Saxon and Continental countries to attain concurrent high levels of efficiency and equity is, we suggest, a factor holding some of them back from making a full transition to the learning economy. The presence in certain of these countries of large pockets of structural

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<sup>13</sup> Figure 1 also reveals that the four country groupings are not entirely homogeneous. For instance, Portugal appears more 'Anglo-Saxon' than 'Mediterranean', Austria and Germany more 'Nordic' than 'Continental' and Ireland more 'Continental' than 'Anglo-Saxon'.

<sup>14</sup> In her book on the rise of bourgeois dignity and the making of the modern world, Deirdre McCloskey [2010] perceptively comments on Sweden's ability to retain its economic dynamism in spite of having a well-developed welfare system with its notional (according to standard economic analysis) inefficiencies.

unemployment, destitution, illiteracy and lack of social trust drags the rest of the economy down and blocks a full expansion to a learning economy regime. The failure to provide sufficient security, comfort and education levels to a large enough segment of their national population impedes the generalization of the learning economy that exists in certain high-income, highly-educated regions of these countries. The specific case of Germany is particularly revealing in this regard. It provides the example of a large economy engaged in wide-scale production that is successfully transitioning to a learning economy regime. We hold that this shift has been facilitated by embedded cultural values and norms that lessen social polarization and allow for greater participation in the learning economy. We refer here to Germany's well-developed and long standing social welfare structure and its strong emphasis on education, especially technical and scientific education, which has become accessible to all its citizens. To summarize, the principal conclusion to be drawn from the results of our analysis is that the learning economy is not some dream or distant utopia but a tangible reality, an actual achievement that has taken hold most firmly in a small but significant part of the world, namely north-western Europe.

## 5. New Required Research

While only time will tell whether the learning economy will prove to be a viable economic regime, a careful and systematic analysis can delineate its basic features and help advance our understanding of the functional roles of learning and knowledge in the contemporary globalizing economy. As with most new areas of research, indicators of the learning economy will need to be developed. Preliminary investigations indicate that current innovation indicators are not adequate to the task [DeBresson 1996b]. At the outset, such indicators should be the focus of academic research but some may eventually be tagged onto innovative activity surveys in future revisions

of the Oslo Manual. As the ability of economic agents to gain knowledge is at the core of the learning economy, collaboration with the pedagogic and cognitive sciences will be essential in order to study the phenomenon we are talking about – how people learn in interactive social environments. There is also a need to develop and work with new meso-level units of analysis that are based on human learning interactions, namely networks of people and networks of organizations. Within this context, the role of different organizational forms in fostering learning is an especially important topic for research. Careful observations of how learning organizations operate in actual fact may yield valuable insights for later inferences and comparisons. Johnson [2011] points out that learning is often marked by conflict arising from the contradictory nature of knowledge and forcefully argues that the learning economy is driven by its internal contradictions and the institutional responses to these contradictions. To gain fresh insights into the dynamics of the learning economy a series of new dialectics will need to be addressed, including learning and forgetting, tacit and codified knowledge, commoditisation and free access to knowledge, openness and parochial closure, social trust and suspicion, social tolerance and intolerance and financial speculation and patient and intelligent capital. Recourse to comparative studies across countries and regions might be the most effective way to deal with many of these issues.

## 6. Conclusion

At the present time, the learning economy has been circumscribed to a small group of industrially advanced countries of the world. Nonetheless, we contend that in contrast to past failed utopias the learning economy is a worthwhile and realizable eutopia or good place for societies to pursue. Because it has already emerged in some developed countries, the learning

economy provides a more credible policy rationale for politicians and social movements. If one has to ask for people, communities and societies to sacrifice, save and invest for the future, it is more convincing to do so for a concrete and credible future that does exist, or has existed someplace, than to ask people to do so for a conjectural and hypothetical future. We at least know what this eutopia is, how it looks and feels, and what its challenges are. The disastrous consequences of past attempts to establish utopian societies vividly demonstrate that utopias remain with us only so long as they are not rendered tangible. As Voltaire's insightful adage from the poem *La Bégueule* cautions 'the best is the enemy of the good'. It may have its own risks but we hold that the learning economy is still a preferable conceptual and heuristic starting point to other professed economic regimes. It may not be perfect, not a utopia, yet bearing in mind the worse alternatives so readily taken up sometimes good is good enough. In the meantime, if the concept of the learning economy is to survive the interest that academics and some policy makers have shown towards it one will need to find some solid theoretical and empirical foundations for it. Such foundations cannot, however, be solely found in economics or the management sciences. As the underlying assumption of the learning economy depends on learning processes, one will also need to find some solid foundations in the contemporary cognitive sciences.

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