

Knowledge economy based on Kerala's unique strengths

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Only once before, have I been in this unique situation to have a chance to discuss the knowledge economy with a Prime Minister. It was in Lisbon in the year 2000 together with Luc Soete who is on the program later today. We were invited by the Prime Minister of Portugal to discuss how to develop a long-term strategy for Europe. One of the main themes was to establish knowledge based development in Europe. The then Prime Minister is not completely unknown to you. It was Antonio Guterres, now the Secretary General of The United Nations.

From the very beginning, there were two competing framings over economic policies. One was a knowledge economy framing which aimed at more and better jobs through investments in knowledge and through building what we call egalitarian learning economies. But the other one was a neo-liberal framing aiming at more jobs, through structural reform and weakening the position of workers in labor markets through what's called 'flexibilization'. Halfway through the planning period, it became clear that the neoliberal view had become the dominant. Within governments it is normally propagated by the Ministry of Finance (I am happy to note that this is not the case in Kerala!). The neoliberal turn resulted in much weaker emphasis on building a knowledge economy and it implies that governments looked at the labour, not as people or humans who know things and can do things - labour is seen just as a number. And this is the view which prevailed.

In 2003 I was invited to China to become professor at Tsinghua University in Beijing. During this period, I realized that the Chinese people had inherited a culture with great respect for knowledge. When this was combined with policies promoting science and innovation, it resulted in a very strong investment in innovation and knowledge. To some degree that has to do with the fact that most of the leaders in China, had education in science or engineering,

not like in the West, in economics or law. The main reason why China today can aspire to become world leader in strategic technologies such as artificial intelligence is massive investment in knowledge and infrastructure and the willingness of ordinary people to invest in education.

One of the things I think is utterly important is to give the concept knowledge economy a broad understanding. I think that in Europe, China and United States for there is a tendency to understand knowledge as closely related to science and high technology. This means that scientists, engineers and R&D managers are seen as the main actors. In the education system, there is a strong focus on universities. I think there are two reasons why one should be aware that this perspective is too narrow and therefore problematic. One is economic and the other one is political. On the economic side, the diffusion and use of technologies which actually is what results in economic performance and social wellbeing will reflect the skills and competencies of workers and farmers not only those of scientists and engineers. Second, the political is that the knowledge strategy that only promotes academic training risks to alienate the majority of citizens and to create social and political polarization.

Knowledge is more than science and information. It is important to know about the world, scientists and experts have - what we have called know why and know what knowledge. But it is at least as important to know how to change the world. All of us have elements on know-how. The housewife's skills are important to determine the health and wellbeing of the family. Workers', fishermen's and farmers' skills are critical for making use of new technology. Skilled workers', technicians' and designer's skills are crucial for absorbing and adapting new technology. Managers' and public servants' skills are crucial for the performance of private and public organizations.

So, I want to emphasize that knowhow should be regarded as a very important part of knowledge when we talk about the knowledge based economy. Therefore, and I think very much that this is in line with the thinking of Kerala as I just heard it presented by the Minister of Finance, the knowledge economy is for all and there is a need for lifelong learning. It is important to understand that all people have knowledge. The concept of 'unskilled worker' is wrong. There are no unskilled workers. We are all working with different levels and kinds of skills. And everybody have a potential to contribute to the knowledge economy.

One implication is that investment in formal knowledge in the form of education and research should be combined with building 'learning organizations'. We should try to design

organizations in private and public sectors in such a way that people learn from what they do and that they get strong incentives to learn from what they do. As I mentioned before, in the neoliberal economic models, labor is reduced to a number, but it's not the number. It is humans with many qualities which can be further developed. Of course, this is general, but I think fits well into the Kerala model.

Concepts such as knowledge economy, learning economy, national innovation systems draw upon theoretical reflection and empirical research from very different parts of the world. But before applying such concepts and transforming them into political action, I think it's necessary to give full attention to the reality of Kerala. I believe very much in pragmatism, which means that the focus should be on what works best. I think this has to do with how you mix market with plan, the private to the public, and the openness of the economy versus protection. It is more helpful to have pragmatism as basic approach rather than specific narrow and rigid ideological principles.

I have had the pleasure and it was fascinating to read the budget speech for 2021- 22, which is a wonderful contrast in style to standard documents from mainstream Ministry of Finance documents. The budget speech is ambitious. There is strong focus on higher education and on research related to science, technology, engineering and management. But there's also, which I find extremely interesting, a strong gender perspective on the knowledge economy.

I think when you build a knowledge economy in Kerala; you should start from the unique strength of Kerala. You should mobilize social entrepreneurship and grassroot organizations in the transition. You should leave room for local experimentation and I think that you already do that. That is one of your specific ways of governance; you leave room for local and regional experiments and draw lessons from what works in different parts of Kerala. Make visible successful efforts for individuals, organizations and enterprises, and use them as good examples showing that it pays off to make extraordinary efforts. Mobilize knowledge and build skills with equal opportunities, disregarding gender, ethnicity class, caste and religion and build trust in society and aim at zero tolerance of corruption and abuse of power. I think these are very much in line with how things are done already in Kerala.

Social sustainability is important to transform towards a knowledge economy with social cohesion. Ecological sustainability is an important change with respect for the natural environment, not just treating natural resource in nature as kind of input in the production process, but show some respect for the environment. Economic sustainability is to eradicate

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poverty and create better jobs and cultural sustainability to modernize and transform society with respect for cultural heritage.

I am extremely proud in taking part in this communication. I think it is nothing less than a historical moment that Chief Minister and the Minister of Finance take time off to think creatively about how to use wisdom and knowledge to transform Kerala. It is great and I am very, very happy for this initiative. Thank you very much.