Anti-crisis policies in knowledge-intensive economies.

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A long period of neo-liberal academic dominance is coming to an end. Unfortunately, it is being wiped out by a difficult economic crisis and not by an end of the inertia of cross-citations-based academia. Some "old theories" (which were academic pariahs until a couple of months ago) offer the main intellectual framework for anti-crisis policies. Re-considering past theories and policies is certainly a very useful re-starting point. However, policy suggestions should not ignore how much the economy has changed since the thirties. At that time, the main focus of policies stimulating aggregate demand was on traditional infrastructures, like bridges, roads etc. In a modern knowledge-intensive economy, the focus should be different. Policies should exploit the new opportunities that contemporary economies offer for Keynesian-type measures.

The knowledge-intensive economy is characterized by an unprecedented share of privately owned knowledge (or, in other words, by widespread monopoly rights on intellectual assets). While global institutions (WTO and the related TRIPs agreements) have made private intellectual property more profitable, no global institution has increased the convenience of public intellectual property. The present (and, even more, the missing) institutions of the global economy have made it convenient to over-privatize knowledge and over-monopolize the economy by an intensive web of intellectual property rights (IPR).

Intellectual private property rights (IPR) can be a cause of economic stagnation. Monopoly prices restrict production. The drive to acquire monopolies may initially stimulate investments but, after a while, the stimulus is increasingly offset by the fear that the use of new knowledge may be blocked by monopolies on pre-existing complementary knowledge (the so called anti-commons tragedy). Moreover, IPR involve asymmetric arrangements for rich and poor countries. While developing countries export their commodities in competitive conditions, many firms of the first world countries can sell knowledge-intensive goods under the monopoly shield granted by IPR. Although being sold as a necessary ingredient of free trade, IPRs offer stronger protection than the strongest protectionist tariffs. They grant total protection not only for the home market but also everywhere else in the World. Similarly to high tariffs, they can make the economic crisis only worse.

The present institutions of the knowledge-intensive economy are likely to become one of the causes of a prolonged stagnation. However, the knowledge-intensive economy offers great opportunities for more effective Keynesian policies. Instead of being used to nationalize inefficiently the assets of firms producing private goods, Keynesian policies could be used to decrease the monopolization of knowledge and to transfer efficiently knowledge from the private to the public sphere. The WTO, which has made intellectual private property more convenient, should be balanced by the institution of a strong WRO (World Research Organization) which helps to make intellectual public property feasible whenever it can better foster development. Countries should acknowledge that knowledge is a non-rival good which should be treated as the most precious and specific global common of humankind. In Jefferson's vivid image, knowledge is like the flame of candle: lightening one more candle is not diminishing the flame of the other candles. By contrast, allowing others to contribute to the fire increases the shining of each candle!

Anti-crisis policies should include the funding of public research infrastructures.

This funding should be coordinated at supranational level to avoid the free riding problems among countries, which are presently fettering the development of investments in public research.

More important, in the present crisis, the funding can immediately take the shape of a public acquisition of well-established IPRs from private firms. The effects of this policy would go well beyond those entailed by many current anti-crisis measures:

In the first place the funding does not involve a nationalization of the firm or the use of taxpayers money without any counterpart. By contrast, while the IPR is paid at its private value, it is transferred in the public arena where it has a greater public good value and decreases costs for many producers.

Secondly, financial support is granted to firms who have proved to be innovative. A powerful stimulus for new investments is given to the most efficient firms. On the one hand, these firms receive fresh funds but, on the hand, having sold the old intellectual property rights, they face tough competition. Therefore, they have an urgency to invest in the production of new intellectual assets, which boosts aggregate demand.

Thirdly a monopoly price for the asset is replaced by the lower competitive price, which has again a positive effect on aggregate demand.

Finally, the "anti-commons" problem is eased; everyone can now invest in new knowledge with the awareness that complementary pre-existing knowledge is less likely to be owned by other firms. The policy decreases the costs of future risky transactions necessary to use the fruits of innovation. While the immediate funding goes to incumbent innovative firms, which may often belong to the richer countries, the increase of the knowledge freely available to everyone has widespread beneficial effects and contributes to the overall development of the world economy.

The multiplicative effects, which we have indicated, are stronger than those traditionally associated with standard Keynesian policies: their total effects are more powerful both on aggregate demand and on the level efficiency of the economy. An investment "super-multiplier" can be made to work in knowledge-intensive economies.