

Thankom Arun

Professor, University of Essex, UK

It is good to see the Kerala state is taking many steps in developing a knowledge economy framework. It is undoubtedly a much-awaited one, and Dr Isaac's budget would be considered a game-changer to the States' vision in explicit terms. The presentations are awe-inspiring, and I have learned quite a lot about innovation in the State's ecosystem. The term knowledge economy brings the images of Silicon Valley, the tall rise buildings and high-tech startups. But these are part of a wide range of activities that foster economic growth based on the knowledge economy.

We may need to support the knowledge economy concept in a more holistic spirit, and the entire society needs to embrace the idea. The European Bank for Reconstruction and Development (EBRD) considers the increase in total factor productivity as an indicator of the knowledge economy. Most times, more than the leading innovations, what we require is technological dynamism and a broader approach to innovation. The development or adaptation of a new product, process, marketing methods, and organisational structure changes is part of a more comprehensive innovation approach. We can relate the knowledge economy idea in Kerala's context beyond a narrow and measurable path.

Paul Romer, the economist who got Nobel Prize has published two seminal articles in the Journal of Political Economy in 1986 and 1990 on long-run growth and endogenous technological change. He approached the knowledge economy like the one built around ideas that do not have a diminishing return (Jones, 2019). This is a turning point from our understanding of Solow's growth model and diminishing returns to capital. Kerala is a unique case in this context. Over time, the state popularized many ideas with people's help; the most common feature of these ideas is the generation of networks.

The networks across individuals and institutions need to be further developed into sustained knowledge hubs. Our universities and research institutions have the daunting task of

knowledge production. Ideally, this has two steps. The first one is to achieve the local knowledge's full potential, followed by engaging and contributing to global knowledge production. We have transformed and made some significant inroads in utilizing tacit knowledge and local ideas compared to many other regions in the world. However, considering our underutilized infrastructure of public sector enterprises, there is further scope for developing research collaborations with the Universities and other institutes. Many public sector enterprises can provide domain support to begin start-ups with the University talent using their unspent resources, opening up new ideas. Our mammoth global exposure as a community would be a useful asset in linking up with global networks. Taking advantage of digital technology, we may link up more closely and regularly with the leading knowledge networks.

The fact is that markets provide less finance for innovation that would be socially desirable. The venture capitalists are not willing to invest significant amounts in startups in India. That is why many governments use different intervention types to increase the amount of finance available for innovation activities. Although institutions such as KIIFB can address some of these issues, it's a long way to go. Over time, Kerala built a fantastic alternative model for social and economic development, and our ideas attract global attention. The pandemic reveals the gaps in the public health system of very advanced economies. But the management of the pandemic and states preparedness with the limited resources is an indicator of our inherent strengths and the right policies. So I wish the same applies to the knowledge economy in the coming years. Creating an inclusive knowledge economy should not be a technical agenda, but it's more about enhancing an individual's potential or a household or a society through collective imagination.

Thank you, Professor Joseph and GIFT, for arranging this kind of session with industry, policy and academicians.

I hope this will support the comprehensive development of an integrated environment for policies and practices on the knowledge economy.

References:

Jones, C.I (2019) Paul Romer: Ideas, Nonrivalry, and Endogenous Growth. The Scandinavian Journal of Economics, <https://doi.org/10.1111/sjoe.12370>