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**Stiglitz, J.E. & B.C. Greenwald (Eds.) Creating a Learning Society: A New Approach to Growth, Development, and Social Progress. Kenneth J. Arrow Lecture Series. Columbia University Press, 2014.**

Suwithida Charungkaittikul Ph.D.  
Chulalongkorn University, Bangkok, Thailand, suwithida@yahoo.com

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**Stiglitz, J.E. & B.C. Greenwald (Eds.) *Creating a Learning Society: A New Approach to Growth, Development, and Social Progress*. Kenneth J. Arrow Lecture Series. Columbia University Press, 2014.**

*Creating a Learning Society: A New Approach to Growth, Development, and Social Progress* was written by two of the world's foremost economists, Joseph E. Stiglitz of Columbia University, a 2001 Nobel Memorial Prize winner in economic sciences, and Bruce C. Greenwald, a professor in financial and asset management at Columbia University. This book should be of particular interest for those who study macro-economic policy, educational philosophy, or life-long learning. The authors' concept of a "learning society" is geared toward implanting knowledge in a country's citizens in order to utilize that knowledge and experience and thus maximize the benefits to individuals' careers and lives. The authors of this book advocate the creation and utilization of a learning society as a tool for a country's development and advancement. They believe a government should emphasize the implementation of proactive policies to drive the creation of a knowledge community. Continuing, they suggest supporting effective policies on trade, industry development, intellectual property innovations, and other capacity-building areas, as these factors are essential to driving a country's economic growth.

It was initially believed that society's development of living standards were made possible by technology advancement, not capital. It was realized later that what differentiated developed countries from developing countries (including countries under active development) was not the difference in the countries' relative possession of economic resources. Instead, it was the difference or the gap in knowledge resources that made developed countries different from the others. Relatedly, growth in developing countries was determined to be largely attributable to their potential to fulfill or close such a gap. Therefore, to understand how a country can pursue development, its citizens must know themselves how to learn, what to learn, and how to develop. Governments should also realize the extent to which they can support such learning. In creating a learning society, Greenwald and Stiglitz emphasize the understanding of economic theories and policies. This is the beginning of the concept of "Learning by Doing," by Kenneth J. Arrow, who explained in 1962 why knowledge production differed from goods and why the market economy alone was unable to produce and convey knowledge in effective ways. Both closure of a knowledge gap and assistance in terms of opening up learning opportunities for people who are left behind are thus keys to growth and development. In short, the creation of a learning society is a significant factor in sustaining the development of living quality, especially in advanced countries.

Stiglitz and Greenwald carried out a technical economic analysis and presented a new model for economic development, (*i.e.*, the endogenous model as opposed to the exogenous model). They explain the role and significance of governments' well-conceived trade and other economic policies as tools to help create a learning society. The authors also state that improper design of an intellectual property system would slow down the creation of a learning society. In addition, the authors share the view that almost all government policies yield both positive and negative outcomes for learning and that policy makers should be well aware of this point. Furthermore, the content in the book includes explanations of a number of concepts of learning relevant to the economic system, including static resource allocations, free trade, and exchange rate interventions.

The book contains four parts: Part One provides an overview about creating a learning society. Part Two covers analysis. Part Three is about policies for a learning society, and Part Four includes opinions and conclusions. Each part contains chapters discussing both theoretical and practical details as well as what the authors consider good examples. The

book applies Ken Arrow's (1962) lesson on the importance of the production of knowledge; how to create a learning economy and society; and how government can and should intervene to improve societal well-being. The authors have added full-fledged body of theory that required historical context, examples of general and specific applications, and discussions of political economy. The content of each part is shown below.

Part One, *Creating a Learning Society: A New Approach to Growth, Development, and Social Progress: Basic Concepts*, comprises the six initial chapters: *The Learning Revolution* (pp. 13-28); *On the Importance of Learning* (pp. 29-46); *A Learning Economy* (pp. 47-87); *Creating a Learning Firm and a Learning Environment* (pp. 88-100); *Market Structure, Welfare, and Learning* (pp. 101-130); and *The Welfare Economics of Schumpeterian Competition* (pp. 131-262). In this part, the authors describe key aspects of creating a learning society, the processes and determinants of learning, and some of their broad implications for economic architecture—including the design of the economic system, its subcomponents (most importantly, firms), and policy.

The authors explain the implications of “localization of knowledge” (both technologically and spatially); extend the concept of learning by doing to learning to learn by learning; and explain why geographically concentrated large enterprises, traditionally in the industrial sector but more recently in the modern services sector, have been at the center of growth, with high rates of productivity increases and large spillovers to other sectors of the economy. The authors also explain the link between macro-stability and long-run productivity growth—a new rationale for why real macro-stability is very important. The highlight of this part is the focus on the importance of learning as a basis of sustained growth and development, either to catch up with the best practices or to improve upon them. There are two aspects of learning that the book emphasizes: an improvement in best practices, reflected in increases in productivity of firms that marshal all available knowledge and technology, and improvements in the productivity of firms as they catch up to best practices. The central message focuses on the role of government in promoting learning, especially in developing countries. This could spur human resource development and create a learning organization and a learning environment. The final section provides a theoretical context within which to think about the sources of sustained increases in standards of living, employing the familiar distinction between movements of the production possibilities curve and movements toward the production possibilities curve. Using this framework, the authors explain why it is that we ascribe such importance to learning and why the true virtue of a market economy was its innovativeness.

Part Two, *Analytics*, consists of chapters seven through eleven: *Learning in a Closed Economy – the Basic Model* (pp. 265-285); *A Two-Period, N-Good Model with Endogenous Labor Supply* (pp. 286-309); *Learning with Monopolistic Competition* (pp. 310-318); *Long-Term Growth and Innovation* (pp. 319-330); and *The Infant-Economy Argument for Protection: Trade Policy in a Learning Environment* (pp. 331-366). In this part, the authors provide the key analytical results, moving from simple models to those that are more complex. In the early chapters of part two, the authors try to state the full role of learning in an open economy by showing how public policy can be used to enhance learning even in a closed economy. Products in which firms have more monopoly power will see less production, and lower production will lead to less learning. Of course, labor not used in the monopolized sector gets displaced to other sectors, and when labor is displaced to sectors with less learning and weaker spillovers, the overall rate of growth of the economy is reduced.

The two key chapters are 7 and 11. Chapter 7 looks at a two-good (agriculture and manufacturing), closed economy (no trade) model and explains how policies promoting the industrial (manufacturing) sector (such as subsidies) lead to higher rates of growth and welfare. The short-run (allocative) distortions are more than offset by the long-term learning

benefits. Simple formulae describing the optimal subsidy are derived. In this simple setting, the authors point out that we can compare the rate of innovation in a system within which there is competition to one in which the industrial sector is dominated by a single firm. Innovation will be higher with monopoly, but whether welfare will be higher is ambiguous and depends on learning elasticities and discount rates. Chapter 11 extends the analysis to an open economy, establishing the infant-economy argument for protection. Because the industrial sector not only has a greater capacity for learning but also more learning spillovers, encouraging that sector through protection or industrial policies can lead to higher growth and social welfare. For instance, in the economies of the United States, Europe, and Japan, there is already a dense infrastructure that has the scale to develop ideas and innovations, though there may still be cross-sector or cross-industry learning externalities that might warrant government intervention. The authors provide a new rationale for why capital and financial market liberation may lead to lower rates of growth. Chapter 8, 9, and 10 extend the basic analysis of a two-period, two-good model into a multi-period, multi-good model. These chapters derive more general formulae for optimal interventions; show that there are many equilibriums, in one of which, societal welfare is higher than in another; explain that the composition of output can affect the long-run pace of innovation; and demonstrate that it may be desirable for a country to intervene in the exchange rate, setting it at such a low rate that it runs a perpetual surplus, with the benefits of learning outweighing the foregone consumption and investment. The authors indicate that whether learning is internal or external to the firm, the market equilibrium will not, in general, be Pareto efficient.<sup>1</sup> Government has a role to play in correcting the market misallocations. Therefore, the authors have established the desirability of government intervention to encourage the industrial sector and to help create a learning economy.

Part Three, Policies for a Learning Society, spans chapters 12 through 17: The Role of Industrial and Trade Policy in Creating a Learning Society (pp. 369-400); Financial Policy and Creating a Learning Society (pp. 401-413); Macroeconomic and Investment Policies for a Learning Society (pp. 414-428); Intellectual Property (pp. 429-456); Social Transformation and the Creation of a Learning Society (pp. 457-472); and Concluding Remarks (pp. 473-482). In this part, the authors move to a broader policy discussion, beginning with trade and industrial policy, moving on to macro-economic, financial, and investment policies, and to intellectual property. The authors explain why the political economy objection to specific infant-industry protection—namely that the special interests that benefit from industry protection often work to keep such protections in place long after the economic justification for protection has gone—has much less force in the context of the infant-economy argument for protection. The main idea in this part is to show that political economic concerns affect not whether there should be industrial and trade policies but which policies are appropriate and how they are best designed. In addition, this part describes the role of intellectual property laws—which, if not well-designed, may impede learning—and outlines that stronger intellectual property regimes may be associated with a slower pace of innovation. This part focuses on one of the central reasons for industrial policies, one that has been at the center of this book: Markets on their own do not create a learning society; in fact, the structure of the economy that results from market forces results in less learning and less growth than there could or should be. Industrial policies have been highly controversial, as have trade policies, including those designed to help restructure the economy and more effectively contribute to creating a learning economy.

This part also asserts that financial policy can also be an important tool for industrial policy and that even when the government is not directly using the financial sector to encourage one sector or discourage another, broader financial sector policies can be used to help create a financial sector that is more focused on lending, especially lending to activities

that generate learning externalities. In short, a key objective of government policy should be to create a financial sector that fosters learning and helps create a learning economy. The part ends by moving beyond creating a learning economy to creating a learning society. The authors also describe the relationship between the economics of learning or creating a learning society and the aspects of societal transformation. In many ways, understanding how to change mindsets is in some ways more difficult than coming to an understanding of which economic policies would facilitate learning. But in creating a learning society, both mindsets and policies are inexorably linked. It is essential to identify political systems and mindsets that recognize the virtues of creating a learning society, as policies can necessarily help create a learning economy and society.

Part Four, Commentary and Afterword, covers the final five chapters: Introductory Remarks for the First Annual Arrow Lecture (pp. 485-487); Further Considerations (pp. 488-491); Commentary: The Case for Industrial Policy (pp. 492-498); Commentary (pp. 499-503); and Commentary (pp. 504-508). The authors took some information from Columbia University's 2008 Kenneth J. Arrow lecture series, meant to showcase new ideas in economics by focusing on the usefulness of the book in opening up a new era of inquiry in political and economic theory. Several commentaries provided during the lecture series by well-known theorists such as Philippe Aghion and Robert C. Waggoner, Robert Solow, and Kenneth J. Arrow, are brought to the book, specifically regarding the theorists' opinions on the work's various topics (including how to create societies that are better at learning and how to solve the problems of moving people, firms, and societies to the "frontier," thus maximizing the value of output in the short-run, as is conventional in static analysis though it does not necessarily optimize learning and does not necessarily move firms or countries rapidly to the frontier and, therefore, does not necessarily maximize growth or societal welfare). Such commentaries also serve as a means of rethinking industrial policy issues in several Latin American, European, and East Asian countries like Korea and Japan and providing recommendations for future development using learning as a tool in enhancing all economies and societies. These commentaries and Aghion's lecture in particular enriched the authors' perspectives and influenced the authors' subsequent development of this book in important ways. The main chapters of this book are followed by adapted transcripts of the commentaries made on the lecture day. The authors decided to include these additional materials in hopes that the reader will enjoy getting a flavor of the day's proceedings.

Despite the work's breadth and scope, its shortcomings should not go unmentioned. With the rapidity of change, we must not only continue learning but must necessarily do so in a changed learning society, one with a more humanistic understanding of learning. The book fails to address the humanistic component of learning and provides a comprehensive view of a learning society that is growth-producing in economic terms only. It would be logical to expect the text to present the use of learning society strategies to promote not only the economic growth of developing countries but also the growth and development of a variety of sectors (e.g., government, local agencies, private organizations, NGOs, and communities) within those countries. Henschke (2014) indicated that the seven main characteristic elements of lifelong learning in any institution is comprised of i) overarching frameworks, ii) strategic partnerships and linkage, iii) research; iv) teaching and learning processes, v) administration polices and mechanisms, vi) decision support systems, and vii) learner/ economic producer support systems and services.

Unfortunately, the authors primarily discuss the benefits of a learning society from an economic point of view. Nor does the text provide much specific detail regarding the implementation or development of a learning society, which would have been helpful. In addition, the authors' central point regarding the desirability of government intervention and the claim that government implementation of industrial policies would address and

ameliorate deep ethical and intellectual failings across all major forms of organization (e.g., academia, civil society, commerce, government, law enforcement, media, military, and non-governmental/non-profit, etc.) seems to reflect a top-down government instead of including the bottom-up process. Su (2010) asserts that “when people are respected as the ultimate decision-makers and their choices and preferences for learning are fully respected, the learning society is then understood as a foundation for people to use to develop themselves and flourish” (p. 22).

At the heart of a learning society is the commitment of all members to a set of values and a system of lifelong learning, and to sharing knowledge with all members and others on a regular and lifelong basis, which enhances the opportunity of all community members to develop their full capacity of knowledge, skills, and attitude (Charungkaittikul, 2011). In such a society, education is interwoven with the social, political, and economic (Senesh, 1991).

For those interested in the concepts of a learning society and lifelong learning, this book will be a worthwhile addition to their collection. It is time for academicians and those involved in the education field to listen to opinions shared by thinkers from different fields on the same subjects. Being open to opinions from those in different fields with different frames of reference can enable people to understand and see things from different perspectives. This will lead to solutions of problems inherent to education and learning. This book is particularly appropriate for readers who are involved in education management; education policy making; and teacher and learner development, including individuals, families, communities, community organizations, local administration organizations, private organizations, vocational organizations, religious organizations, and other organizations as well as the country’s administration and leaders in state, private, and community sectors.

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<sup>1</sup> Pareto efficient or Pareto optimality is a state of allocation of resources from which it is impossible to reallocate so as to make any one individual or preference criterion better off without making at least one individual or preference criterion worse off. The concept is named after Vilfredo Pareto (1848–1923), Italian engineer and economist, who used the concept in his studies of economic efficiency and income distribution. This minimal notion of efficiency that does not necessarily result in a socially desirable distribution of resources: it makes no statement about equality, or the overall well-being of a society.

Suwithida Charungkaittikul PhD  
Chulalongkorn University, Bangkok, Thailand  
[suwithida@yahoo.com](mailto:suwithida@yahoo.com)

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