

Book Reviews

Creating a Learning Society

J Stiglitz and C Greenwald

Columbia University Press, 2013

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In this book, Stiglitz and Greenwald provide a convincing critique of neoclassical market efficiency arguments and their links to innovation, while arguing that creating a learning society should be one of the main objectives of public policy. The book also provides the basis for a new theory of the firm and a new way of thinking about static and dynamic comparative advantage. Stiglitz and Greenwald draw on Arrow's contributions to endogenous growth theory as a basis for their analysis.

In part one of the book the authors provide a historical, empirical and theoretical background and justification for learning society as the most important element for innovation and growth. The authors argue that most learning in societies happens within firms. They lay out simple models which identify learning spillovers and show that monopolies are more innovative compared to duopolies or even more competitive markets. They also create a dynamic model to show that innovation could be welfare enhancing by lowering unemployment and inequality. However, a key assumption — that the industrial sector is the source of innovation — is a potential weakness of the analysis, because the services sector (especially the IT sector) has also been a great source of innovation potential and growth.

In the beginning of part two of the book Stiglitz and Greenwald provide analytic results of two good, closed and open economy models, as well as arguments for infant economy protection. Afterwards, they analyse a multi-good, multi-period model which shows that the composition of output can affect the long-run pace of innovation. Part three of the book provides recommendations for trade, industrial policies and intellectual property. Stiglitz and Greenwald argue that public policies should move beyond creating a learning economy to creating a learning society and a learning mind-set. Part four provides commentaries and contributions by Woodfold, Aghion, Solow and Arrow.

This book is very important because it focuses on the role of government in fixing market failures and shaping an innovative economy. Authors argue that one size does not fit all. Therefore, countries should tailor their

industrial, innovation, education and labour policies to promote a learning society based on their local needs. The infant industry argument and its' links to innovation are also well established in the book.

Creating a Learning Society could be very useful to policy makers, academics and students in the field of economics and politics. It may also appeal to a general public who wants to understand how public policy has been created during the last century and how it should be created in the 21st century knowledge economy. This book provides a critical view of neoclassical growth theory and suggests going beyond the standard model by incorporating public policies into analysis to better understand the innovation process.

The book *Creating a Learning Society* is similar to *The Entrepreneurial State* by Mazzucato (2013) in its spirit, since both argue for the active role of government in innovation. However, they use different approaches to deliver their messages. The former is more theoretical while the later is more practical. Stiglitz and Greenwald (2014) use endogenous growth theory and models to show that better knowledge within society could increase innovation and growth, while Mazzucato (2013) focuses on IT, biotech and pharmaceuticals sector case studies to show that the state could be a successful entrepreneur in innovation. Both books stress that the state has been very active and important player in R&D and innovation and it should continue to shape markets and create more opportunities for innovation.

Reference:

Mazzucato M, (2013) *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*. Anthem Press.

Michal Kalecki in the 21st Century
J Toporowski and L Mamica (eds.)
Palgrave Macmillan, 2013
ISBN: 978-1-1374-2827-1

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The editors and contributors to this volume gathered at the 2012 European Association for Evolutionary Political Economy conference hosted at the Cracow University of Economics, where this book saw its beginnings, probably did not envisage how timely its publication would be. Published in early 2015 the book appears at the height of the conflict about the future of Greece's austerity programme. The European insistence on the doctrine of 'sound public finance' — as predicted by Kalecki — has pushed Greece towards the edge of economic and