Knowledge Problem and Emerging Economies

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ABSTRACT

The paper analyses the problem related to dispersion and substantial unconsciousness of the knowledge necessary for actions and decisions to coordinate within the economy at best. By the approach of the Austrian school of economics insights on various features of economic activity are exposed, which show the opportunity to realise a knowledge economy within the framework of a new free market experiment; as a consequence, governments must focus on how to improve the diffusion of existing knowledge instead of achieving their preferred industrial structure. Developments of information and communication technologies in emerging economies, especially the African ones, are here exposed as the perfect example of how some infrastructural deficiencies can be overcome by information and communication technologies; the current African renaissance therefore offers a real chance to implement knowledge economy prescriptions.

Keywords: Economic Coordination, Emerging Economies, Knowledge, Information and Communication Technology, Spontaneous Order

INTRODUCTION

Economics is the social science which studies the economic side of society: how individuals interact to manage never-ending needs and limited resources. We cannot therefore disregard social factors in analysing an economy, especially that – being “social animals” – people need and must interact and communicate.

When we talk about an economy, we talk about decisions, and for taking a decision certain knowledge must be collected. Knowledge is therefore one of the most important assets for a society: knowledge of individual needs, knowledge of the most efficient ways to satisfy these needs, knowledge of common needs for infrastructures, knowledge of priorities, knowledge of the availability of resources and technologies, knowledge of the behaviour of individuals and institutions, and so on. All this knowledge is necessary for a society to coordinate its efforts to reach the best economic and social structure possible; but the most part of this knowledge is actually well dispersed among all the participants, so much that no one can ever gather a picture of the reality complete with all the details. As we are dealing with the use and communication of knowledge, Information and Communication Technology (ICT) reveals to play a pivotal role in helping economic development.

What kind of knowledge is here involved, how it circulates and coordinates, is the “knowledge problem” economic theories should solve. Explaining this point helps to understand what
use economic operators make of their knowledge, what crucial features of the economy are directly affected, and what policies by authorities such as governments may be the most appropriate, especially in less-developed and emerging economies which enjoy a relevant penetration of mobile ICT; great opportunities for both economic and social orders are to be exploited.

The paper is organised as follows: Section 1 briefly describes the knowledge problem faced by the economy as a sub-set of society, and the impossibility of central planning; Section 2 exposes the working of spontaneous order and some its expected features, to finally propose a “new free market experiment”; Section 3 translates the previously exposed considerations into the reality of some emerging economies; Section 4 concludes.

1. KNOWLEDGE AND SOCIETY: WHY CENTRAL PLANNING IS NOT POSSIBLE

Economics is a social science. It studies the economic side of society: how operators interact to manage never-ending needs and limited resources. We cannot therefore disregard social factors in analysing an economy, as it is a society seen by the economic perspective. For the purposes of this paper, economy is substantially equivalent to society.

When we talk about an economy, we talk about decisions, be they individual or institutional. For taking a decision, certain knowledge must be collected, then knowledge is one of the most important assets for a society. Knowledge of individual needs, knowledge of common needs for infrastructures, knowledge of priorities, knowledge of the most efficient ways to satisfy these needs, knowledge of the availability of resources and technologies, knowledge of the behaviour of individuals and institutions, and so on. All this knowledge is necessary for a society to coordinate its efforts to reach the best economic and social structure possible; knowledge is made up with all information – marginal utilities, expenses, opportunity costs, available resources and technologies – needed for the economic calculus by operators to lead the economy to its “social best”.

Centrally managing this knowledge to create the perfect society is a long-lasting dream of a relevant part of the world’s intellectual élites. At large extent, with society conceived solely as a collective entity, this dream has been ever-since coupled by the conceit of treating the economy like a machinery, to be thus manoeuvred by use of merely mechanical laws and tools. Economics is then considered by these intellectuals as sort of a science parallel to physics (von Hayek, 1952a), where a superior entity (e.g., the State or specific sections of the Government) can gather all the relevant information to calibrate interventions and legislation for the economy to follow a determined path towards its supposedly best end. This “superiority conceit” of certain intellectual élites is then grounded on the conceit of a superior entity to be provided with better a set of information about both the state of the world and the deterministic laws governing economic aggregates. As previously exposed (Baggiani 2010), such a “superiority conceit” can lead to biased visions of some aggregates (for instance: the individual, natural propensity to save is often considered as “wasted consumption” hence “missing economic growth”, regardless of the fact that savings actually fund investments until they start produce new wealth), so that the subsequent interventions by central authorities will actually reveal as debasing for the economy (they usually force consumption to increase until the so inflated economic structure can be no longer sustained and recession occurs).

Does a central planner know both the true economic laws and the complete set of information needed? Even if some intellectuals can elaborate pure theories which correctly describe the working of the economy in absolutely general and abstract terms (the “exact laws” in Menger, 1871), it is merely impossible they can collect all the relevant information available at each moment for pure theories to turn into appropriate economic policies (Menger...
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