

Editorial: Knowledge as an economic good: toward a policy theory of endogenous technological change

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This monograph contains two papers both of which view knowledge as an economic good. The first paper, entitled “The Knowledge Cost Approach to Productivity Growth,” considers a firm’s production process that is driven by capital (K), labor (L) and the stock of knowledge (T). This paper concludes with an innovation policy advancement, namely that knowledge within a technology production function contributes to higher total factor productivity growth rates: the lower the cost of knowledge and the larger total factor productivity growth rates. The second paper, entitled “Diffusion Policy as a Remedy to the Knowledge Market Failure,” also based on a firm’s production process that is driven by K, L and T. This paper also advances innovation policy by demonstrating that diffusion, with its distributed adoption lags, is a major cause of the knowledge market failure. It is argued that diffusion policies aimed at accelerating the rates of diffusion to reduce adoption lags can be an effective tool of science and technology policy. Both papers apply and implement the use of a standard tool of economics, the analysis of the derived demand, to understanding the dynamics of knowledge prices and to explore a new idiosyncratic aspect of knowledge as an economic good: its costs are intrinsically below equilibrium levels.

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