Preface

Today, the world is in rather a turmoil. There is an overarching environmental crisis, the solution to which seems, for once, to be evident from the analysis and advice proffered by the leading global climate change experts and their research communities. However, the world’s political leaders could not agree a new protocol for the moderation of climate change emissions at their United Nations summit in Copenhagen in December 2009 because many of the most important were mentally locked-in to vertical thinking, primarily of their own national ‘silo’, rather than giving equivalence to the horizontal perspective that would have encompassed the world and its needs. A second global crisis simultaneously enveloping the world economy at the decade’s end was the global financial crisis. In the book, at various points, key things are said about what this crisis represents; it is a far deeper version of the telecoms or dot.com crisis at the beginning of the twenty-first century, that presaged the demise of many business leaders and, for a few, led to incarceration and even death. This recession shared the previous one’s neoliberal business and governmental dogma that the way to become unbelievably wealthy is by stoking up the stock valuation of companies.

This dogma is argued in the book to be a function of yet another crisis, albeit in some ways a less dramatic one than that concerning global warming. This is the transition from an Industrial Age to a knowledge economy paradigm. In the former, valuation of publicly quoted firms was measured largely in terms of tangible assets. In the knowledge economy such valuation is performed largely in terms of intangible assets. The main one, and the subject of this book, is knowledge in its various economic forms, from intellectual property, as represented in copyrights and patents, to that of a collaterized debt obligation (CDO) squared and other financial derivatives. It was shown that trading in such intangibles at what subsequently proved to be fictitious valuations was the proximate cause of the global financial crisis of 2008–9. Just as occurred nearly a decade earlier, the core problem, whether of trading in oil and telecom futures then or CDOs squared more lately, is that value has been conflated with price, and risk conflated with uncertainty. Both result in spurious measurements whose vulnerability is hidden in the upswing by ‘irrational exuberance’ but exposed in the downswing as expressions of myopia, followed by
panic and, more often than not, folly on the part of those responsible. ‘It’s only when the tide goes out that you learn who was swimming naked’, as Warren Buffett,¹ who is widely respected for understanding the importance of these things in the financial sphere, has put it. Or, more appropriate in a knowledge flows context, ‘in the kingdom of the blind, the one-eyed man is king/woman is queen/person is monarch’, as Desiderius Erasmus did not quite put it some years earlier.

These kinds of thoughts stimulated a response, in the form of a winning proposal to the European Union’s Sixth Framework Programme for Research and Technological Development from two of this book’s co-authors, S. MacNeill and C. Collinge, to perform a pioneering analysis of contemporary knowledge flow processes and products among European firms and their global interlocutors, the sectors in which such firms had traditionally been thought – at least by governments – to reside, and the multilevel governance agencies that nowadays habitually interact with firms with a view to assisting, in particular, their innovation efforts. Innovation is thus seen as a major trigger of contemporary knowledge flow patterns, because in global terms it is seen as the key to increased productivity, competitiveness and growth. This book reports only on part of the whole Eurodite project, as it came to be called. It is mainly concerned with the extent to which firms and economic governance entities incorporate lateral thinking in their decision-making about ways to exploit knowledge to become more innovative. In the Industrial Age, after 100 years of regulators allowing innovations to be sold with relatively little testing and trialling, most products were not allowed onto the market without having been examined for unexpected side-effects or hidden weaknesses. Accordingly, quality standards rose exponentially in the final quarter of the twentieth century. However, financial services are not even yet in the Industrial Age but something more akin to the Dark Ages with respect to the public examination of their products prior to release on the market. One aspect of the research reported in the book concerns the extent to which such ‘examination knowledge’ is deployed today. An interim conclusion is that it contributes to the emergence of ‘platforms of innovation’ where firms leave more and more of their business to suppliers with expertise in processes that may be closely linked to client requirements but far away from client expertise. But other forces reinforce this tendency towards innovative platforms, as the book shows, and these include environmental concerns, energy issues, trading regimes, market structures and policy or regulatory interventions.

In putting this book together we the authors are grateful to the small army, including its many foot soldiers as well as the numerous academic generals on display, involved in the Eurodite project. They are too many...
to mention by name but all their affiliations are listed in Chapter 2. The coordination of the book was managed by the first two co-authors and they wish to thank their Centre for Advanced Studies colleagues for their advice and occasional scepticism about what we thought Eurodite was finding in relation to what their, sometimes neighbouring, projects were finding. As mere lieutenants in the Eurodite army the ‘Cardiff lot’ had few of the complex organizational challenges faced by ‘General Command’ in Birmingham. Accordingly, the book benefited from occasional Eurodite sideshows organized by Stewart, Chris and their capable support staff in partner locations of culinary accomplishment like Toulouse, Turin and, we dare say, Cardiff, where much of the conceptual advancement arising from the research design and findings were discussed and agreed. We are ineffably thankful to the European Union for making such an interesting call, finding our modest proposals worthy of support and we hope that the results provide them, other policy-makers and our academic peers with plenty of food for thought.

Philip Cooke, Carla De Laurentis, Stewart MacNeill and Chris Collinge
Cardiff and Birmingham, January 2010

NOTE