

# **GROWTH IN EUROPE THROUGH KNOWLEDGE AND EMPOWERING THE INDIVIDUAL**

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**Abstract:** The present paper emphasizes the European Union's objective to achieve a process of economic growth through knowledge and the responsabilization of the individuals. In order to cope with the exigencies of competencies and to fulfill the promise of a knowledge-based society, the EU should ensure high standards of excellence throughout the phases of its educational process, permanently upgrade the population's skills, and to create a regulated socio-economic environment for the stimulation of research, creativity and innovation. This desideratum is a guarantee for Europe's future prosperity.

**JEL classification:** I25, O15, O31, O32.

**Key words:** economic growth, intelligence, innovation, creativity, modernization of education.

## **1. INTRODUCTION**

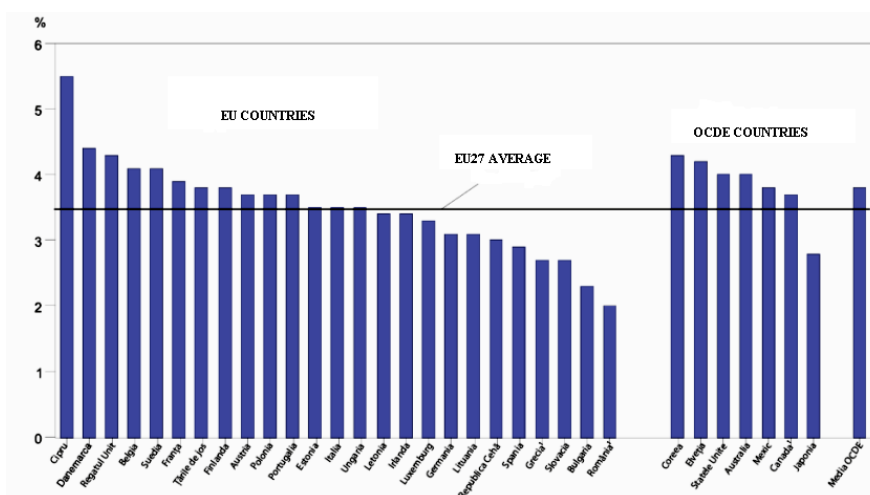
Knowledge-based and creative industries and services have expanded significantly over the last two decades, becoming the central pillars for employment and economic dynamism in Europe. The days when the EU's competitive advantage could be measured in wage costs are long gone. Today, intelligence, innovation and creativity have become the relevant benchmarks. They are Europe's insurance for future prosperity. We live in a world which demands not only high value products and markets, but also, increasingly, high value skills. And yet, Europe is falling behind in the skills race. On current investment trends, by 2025 Asia may be at the forefront of scientific and technological developments at the expense of the EU and United States. It is estimated too that by that date nearly a million Chinese and Indian students will study abroad, bringing a wealth of talent and experience back to their Asian homelands. This contrasts with the relatively small number of European students studying outside Europe. In tertiary-level education, the EU is equally lagging behind, with only 27 universities amongst the world's top 100, compared to 57 in the United States. The EU is also poorly represented in political, business and environmental debates taking place beyond its borders.

The EU cannot afford to be complacent when confronted with this trend. A better use of human talent will be the key strategic instrument for ensuring upward mobility for individuals and progress for European society at large. If the EU is to realise the promise of the knowledge society, it must deliver excellence at all stages of the education process; continuously upgrade the skills base of its population according

to need; and create a social, economic and regulatory environment in which research, creativity and innovation can flourish.

## 2. THE QUEST FOR EXCELLENCE AND RELEVANCE: UPGRADING EDUCATION AND SKILLS

A solid educational foundation at primary and secondary school level can have a huge influence on a person’s ability to progress through life. Too many European citizens and third-country nationals living in Europe do not have access to education systems of the highest quality. Urgent action is needed to address this situation, including providing teachers with the professional recognition they deserve; developing flexible and open curricula capable of nurturing curiosity and creativity among children; and strengthening links between public education systems, business and society. Similarly, there are not enough first-rate universities in the EU, making Europe less attractive to top-qualified graduates. The quest for excellence does not preclude a parallel effort to promote greater access to university education with a view to improving average education levels among the wider population. Excellence requires critical mass and competition, in effect a “common space” for students, universities and academic research.



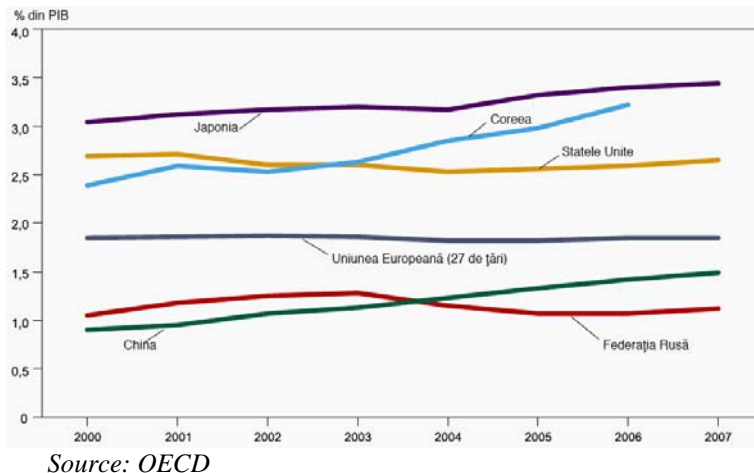
Note: Malta, Slovenia: no data available. 1. The reference year 2005  
Source: Eurostat, OECD

**Chart no. 1: Expenditure on primary and secondary education institutions as a percentage of GDP (2006)**

The administrative and financial autonomy of universities must also be encouraged, as this is the most effective way to increase private funding for higher education. As future beneficiaries, high income students should contribute to the mounting cost of education while a system of scholarships and student loans should be made available to students who need financial support. Competition between universities must also be promoted, as should governance models based on accountability and transparency.

University systems characterised by clientelism and corporatism must be thoroughly challenged. The focus must shift to ensuring that universities have greater exposure to the real economy in Europe and the rest of the world. This reform process

should include measures to increase student mobility, by encouraging greater up-take of the ERASMUS programme and by providing advantages to students holding diplomas from more than one country. Universities must do more to provide graduates with the skills needed by industry. Indeed, correcting the mismatch between the supply and demand for expertise must become one of the top priorities of the educational system. This will require a strong emphasis on skills upgrading in order to prepare individuals for employment transitions as well as the use of new technologies and skills. The necessary precondition, in turn, will be the realisation of a flexible, life-long learning culture, where individuals are able to return to education at any point in their careers under conditions similar to the young. “Learning to learn” must become a guiding principle throughout the education system.



**Chart no. 2: Gross domestic expenditure on R & D in percent of GDP**

### 3. CREATION OF A EUROPEAN RESEARCH AREA: RAISING THE STAKES FOR R&D SPENDING

Despite numerous calls for substantial increases in R&D spending, the last decade saw relatively little change – the EU’s expenditure remains at 1.8 per cent of GDP. A concerted effort is needed in Europe to reach the ‘Europe2020’ target of 3 per cent expenditure on R&D and the creation of an “Innovation Union”. This must include budgetary reallocations and greater private sector funding. EU centres for pre-competitive applied research should be developed (public-private partnerships between states, regions and private industry) together with increased support for investigator-driven free research through the European Research Council. To this end, it will be crucial to simplify the procedures for accessing public funding, including EU funds. This would above all benefit small dynamic businesses, which are often the driving force for forward-looking innovations. Today, SMEs account for half of the EU’s GDP although they benefit from only 15 per cent of R&D programmes. New forms of partnership are needed between researchers at publicly-financed universities and researchers at privately-financed companies to ensure a continuous pooling of knowledge throughout the process of research and innovation. In particular, more funding is needed for applied research that would benefit SMEs. Excellence must be the main criterion for granting public aid both at national and EU levels. The role of the European Research Council must be expanded and strengthened, with funds allocated strictly on the basis of peer reviewed excellence, actual or potential. Likewise, the EU

must encourage the development of “European poles of excellence” while ensuring that this process of concentration would not lead to the creation of “intellectual deserts”.

Last but not least, the European Research Area must become a reality – an area without borders where all scientific potential, wherever it is, can be fully tapped thanks to the free movement of researchers, ideas, technologies and capital. This process of “Europeanization” must itself be part of a more general openness to the world. Transfers of knowledge have now become the indispensable complement to the traditional drivers of globalisation based on material and capital flows.

#### **4. IMPLEMENTATION OF A REGULATORY FRAMEWORK FOR UNLEASHING INNOVATION AND CREATIVITY**

Europe often finds it difficult to translate scientific research into new products, new patents, new entrepreneurial activities and new jobs. A lack of competition in service markets inhibits innovation, raises costs and limits growth. Financial services, next generation digital services, energy solutions and services to promote health and learning have all huge potential. The EU is well placed to become a leader in the new service industries, but only if service providers are supported by a Europewide market and a new regulatory environment where innovation and creativity can actually flourish. Free global markets that respect intellectual property rights are the essential breeding ground for innovation. It is therefore important that Europe remains committed to improving market access both inside and outside Europe, most effectively through the completion of the Single Market, both in regard to services and new technologies. At the same time, the EU must reform the rules on intellectual property, for instance through the creation of a straightforward European patent system that is affordable, quick and reasonable, and offers effective protection on a European scale.

In this context, it will equally be important to put in place the measures needed to reinforce risk capital markets and the availability of seed capital. In particular, SMEs – which are very often at the forefront of innovation – need more adequate support mechanisms, including access to risk capital, to help them compete in the global marketplace. The creative economy will continue to evolve faster than the political processes intended to support or regulate it. Every day it reveals new horizons and revolutionary prospects. Flexibility and responsiveness must therefore be the backbone of any regulatory framework in this field. Facilitating a culture of risk taking and entrepreneurship is even more important. Only this will allow the EU to fully reap the rewards of research and experimentation, and with it to create new jobs.

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