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WEA Commentaries*

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To *plurality*. The Association will encourage the free exploration of economic reality from any perspective that adds to the sum of our understanding. To this end it advocates plurality of thought, method and philosophy.

* Formerly the World Economics Association Newsletter

Inside this issue:

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From Issue 7 No.1 the newsletter will be renamed WEA Commentaries.
This more accurately reflects the nature of the publication.

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Discussing *Can we avoid another financial crisis?*

By Steve Keen

My first book since Debunking Economics has just been released in the UK, and will come out in May in the USA. Can we avoid another financial crisis? is a brief (140 page, 25,000 word) explanation for the lay reader of how the 2008 crisis was caused by factors that mainstream economics ignores—fundamentally, the levels of private debt and credit-based demand—and why other countries that avoided a crisis in 2008 are likely to suffer a similar crisis in the near future.

My argument is based in equal measure on my interpretation and model of Hyman Minsky's Financial Instability Hypothesis (though my book is equation-free), and my analysis of the role of endogenous money—which I now prefer to call "Bank Originated Money and Debt" or BOMD—in causing both economic booms and slumps. The book relies upon the statistical work of the BIS, which since 2014 has started publishing detailed databases on private debt, government debt, house prices, and recently consumer prices. This has made it possible for me to analyse the debt and credit dynamics of 43 countries to identify which have had a crisis, and which are likely to have one in the future.

There are two new insights developed in the book that are new for people who are otherwise familiar with my analysis: that a realistic macroeconomics can be derived directly from macroeconomics itself; and that a rough guide to whether a country is likely to experience a financial crisis can be derived from the BIS data.

Methodology: derive macro from macro

The mainstream is currently undergoing some soul searching about how their models failed both in the crisis and its aftermath, but as usual is convinced that macro should be derived from micro (Blanchard 2016, p. 3). After outlining the complex systems (Anderson 1972) and Neoclassical own-goal critique of this extrapolation fallacy (Sonnenschein 1973, Mantel 1975, Shafer and Sonnenschein 1993), I show that Minsky's basic insights can be derived directly from basic macroeconomic identities (the employment rate, the wages share of GDP and the private debt to GDP ratio). I don't show the math in the book, given that this is a book intended to be read by a lay audience, but it's available on my new website at http://www.profstevekeen.com/crisis/models/.

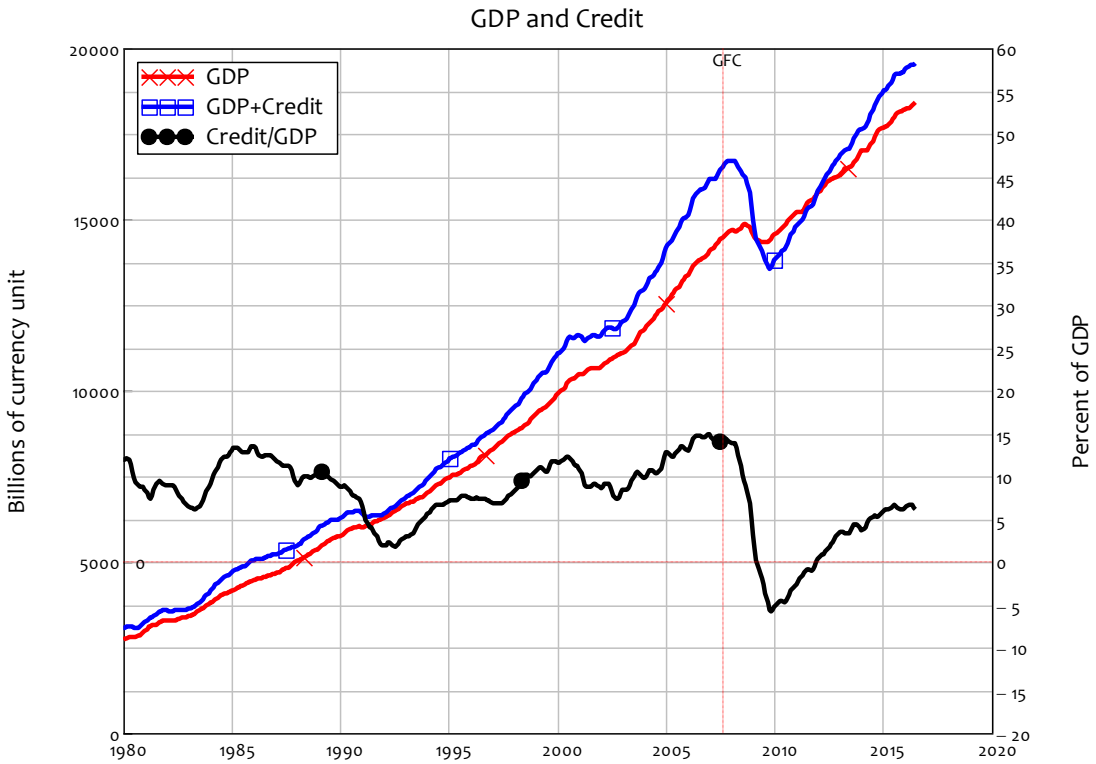
The Smoking Gun of Credit

My analysis of the role of credit in aggregate demand and income leads to the proposition that aggregate demand (spent on both goods and assets) is equal to the turnover of existing money plus credit, which is equivalent to the change in private debt (Keen 2015)—see also http://www.profstevekeen.com/crisis/demand/. Since most credit today is used to buy assets rather than goods and services, a *rough* guide to total monetary demand is given by the sum of GDP plus the annual change in debt (there is double counting of the order of 15% of GDP, but it is still a good guide).

This leads to a chart I describes as "the Smoking Gun of Credit", which shows how a sharp decline in the rate of growth of private debt when a country's private debt to GDP ratio is around 150% of GDP is sufficient to cause a serious decline in aggregate demand, income and capital gains.

The chart explains why the USA had a crisis in 2008 (Figure 1), but countries like

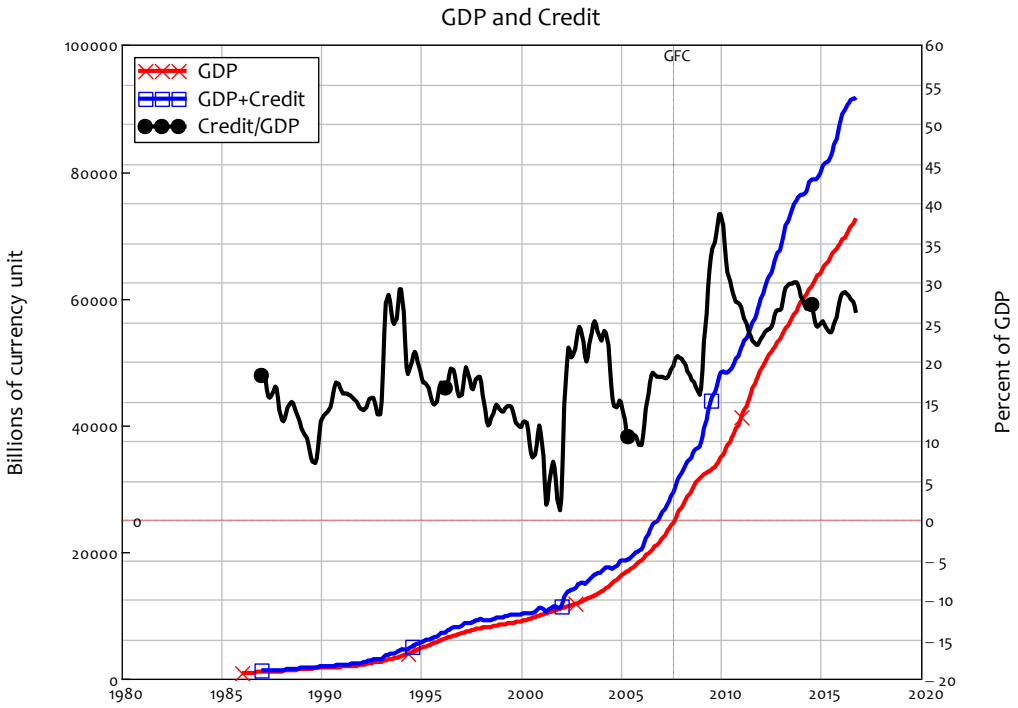
Figure 1: USA



China did not (Figure 2): the former suffered a substantial fall in credit-based demand with that demand turning negative for the first time since the Great Depression. China—and several other countries that apparently evaded the worst of the crisis in 2008—managed to stop credit demand from plunging.

But the price of them doing so was an explosion in China's private debt to GDP ratio, from under 120% of GDP at the time of the GFC to almost 220% as of Q3 2016. The USA, on the other hand, delevered slightly—from 170% to a low of 146%--but is now levering up again.

Figure 2: China

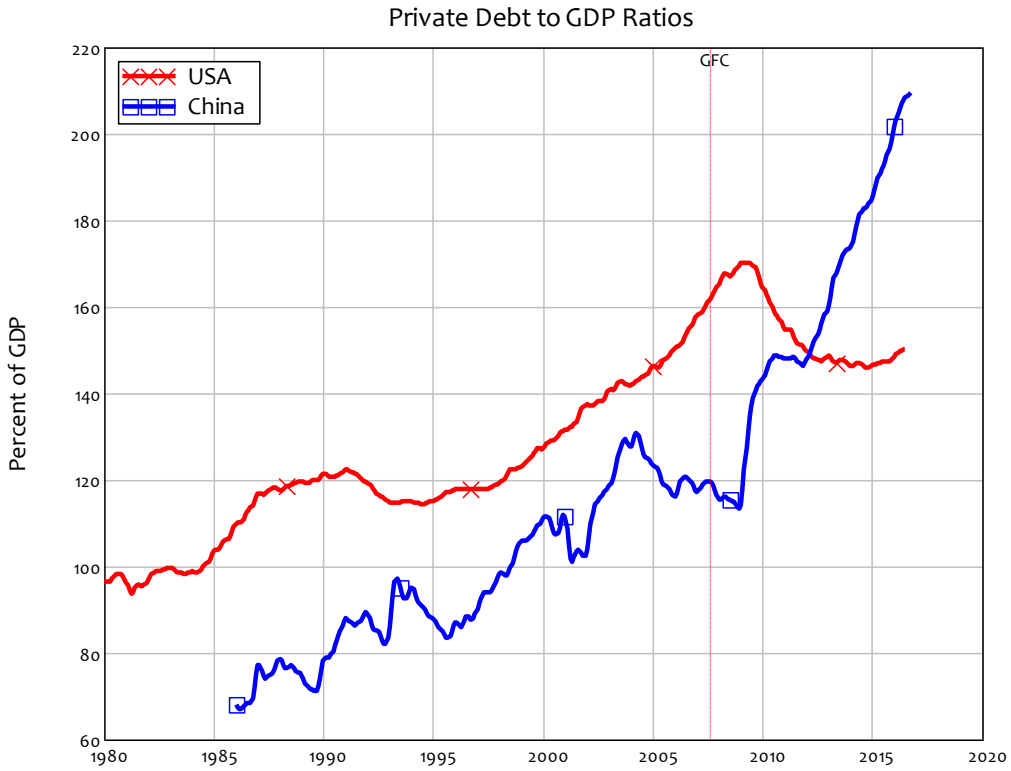


The USA had a crisis in 2008 and is now suffering from "Credit Stagnation" (not "Secular Stagnation"), because with private debt once again exceeding 150% of GDP, it is already in the range where a slowdown in debt growth can cause a recession (see pages 81-83 of the book), and only fractionally below its peak level of private debt).

On the other hand, China's evasion of the crisis has given it a staggeringly higher debt level, and a dependence on continued demand from credit (the annual change in debt) which is now running at over 25% of GDP. This can't be sustained (though China can do more than most to switch from credit to government based demand), and China, though by far the largest, is only one of 9-16 countries which evaded the crisis by increased private debt, and now have the pre-requisites for a future crisis of excessive private debt (greater than 150% of GDP) and dependence on unsustainable credit-based demand (exceeding 10% of GDP).

This leads to a natural

Figure 3: Comparing China to USA private debt levels



classification of countries into either the "Walking Dead of Debt" (USA, Europe, UK) or "Zombies to be" (China, Canada, Australia, Korea, Belgium and several others; there are very few that aren't in one camp or the other—Germany being the notable exception). When these countries' credit bubbles burst, the global economy will be trapped in not Secular but "Credit Stagnation".

Finally, I argue for a "Modern Debt Jubilee" as an effective policy to end the crisis, if matched by necessary reforms of bank lending to prevent a future recurrence. Since I believe these policies have a snowflake's chance in hell of being implemented, my conclusion about the economic future for the planet is rather cynical.

In other news, I have just launched a crowdfunding campaign on Patreon (see https://www.patreon.com/ProfSteveKeen) to enable me to continue my work as a public intellectual.

I see myself as the canary in the coal mine here. Just as non-mainstream, and in particular Post Keynesian economics, is being institutionally recognised (McLeay, Radia et al. 2014) and Neoclassicals are admitting flaws in their paradigm (Blanchard 2016, Kocherlakota 2016, Romer 2016), Neoliberal economic policies applied to Universities in the UK are unwittingly destroying the one toehold that we have in academia—low ranked universities—in a three pronged pincer movement.

The first stage was the introduction of the "Research Excellence Framework" (REF), which focused applications for economics research classification only at the top status universities, where heterodox economics is shunned.

The second was undermining the viability of low status universities via the removal of caps on first year student intakes. High status universities have simply offered more cheap-to-teach humanities vacancies, and high school students, who are utterly uninformed "consumers" of the product called "university", have taken up these positions.

The third, which may commence next year, is the ranking entire universities as "Gold, Silver or Bronze" teaching institutions in what is known as the "Teaching Excellence Framework" or TEF (the UK seems obsessed with TLAs: "Three Letter Acronyms"). This will surely mean that universities where pluralism is practiced in their economics departments will be ranked as "Bronze" teaching institutions, while high status institutions where the orthodoxy dominates economics tuition will be ranked Silver or Gold.

All these challenges to the viability of low status UK universities has meant that it's no longer possible for Kingston University to support me in my public role. It's either take on a full teaching load at Kingston—roughly four times what I'm doing right now—or fund three quarters of my salary. I've taken the latter option, and am currently up to US$2800 a month.

Please spread the word about my Patreon campaign. What I'm doing is not a viable option for all heterodox economists of course, but it will give me a public and political platform to challenge both mainstream economics and the deluded Neoliberal approach to university education and research funding.

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Reflections on 5 years of the WEA journal *Economic Thought*

By John Latsis

Economic Thought was launched in January 2012 with a first issue that included contributions by Tony Lawson, Donald Gillies, Richard van den Berg, Sheila Dow, Geoffrey Hodgson and Irene van Staveren. As founding editors, Alejandro Nadal, Annalisa Rosselli and I were extremely fortunate to have such an impressive line-up of economic thinkers grace our inaugural issue. Five years later the journal has seen an injection of fresh blood, enthusiasm and research expertise with the arrivals of Constantinos Repapis and Michel Zouboulakis, who have joined Sheila Dow and John King as editors. As I am the last founding editor to have ridden off into the proverbial sunset, I thought some reflection on what has happened over the last five years would be appropriate.

As a student of history and philosophy of science, I had always been somewhat sceptical about the power of individuals to transform the world around them. I tended to view stories of individual heroism against the odds as ex-post facto rationalisations that served the purposes of their authors. All this was before I had met Edward Fullbrook. It is no exaggeration to say that Edward's career in heterodox economics stands as a convincing counter example to my early beliefs. He started with few resources and huge ambitions. His plan was to create an organisation to regroup heterodox and dissident economic thinkers; to give them venues to publish, interact, and exchange ideas and opinions; to use new digital technologies to facilitate collaboration at little or no cost; and to open up the economic conversation to alternative voices. The result is what you see today: an organisation with about 15,000 members that not only sponsors this publication and the journal that I have edited for the past five years, but also two more journals, a successful book series, conferences, blogs, student networks, national chapters, and a range of teaching materials. When Edward approached me to edit the journal less than six years ago almost none of this existed. What WEA has achieved under his stewardship is exceptional and I am proud to have played a very small part in it.

When we launched the journal we had little in the way of experience, money or other material resources to support us. What we lacked in resources, however, we made up with enthusiasm and a willingness to innovate. Many aspects of the journal were designed by Grazia Ietto-Gillies prior to the formation of the editorial team, and I believe that we have stayed faithful to the principles that she laid down. The journal remains free to all, electronic (despite some concessions to the traditionalists), and our editorial process remains transparent. In all three of these areas, Economic Thought was a pioneering publication. It is true that e-journals are now much more common than they were six years ago, but many journals that claim to be free and open access charge authors a fee to cover the cost of publishing their work, something that we have never done. To my knowledge no other journal in the discipline of economics has opened up its reviewing process to public scrutiny in the way Economic Thought does through the Open Peer Discussion (OPD) forum. In order to translate the principle of transparency into practice the Economic Thought team had to struggle against the inertia that affects any well-established profession. We had to convince authors that posting a paper under review to a public forum was not as risky as it seemed. We had to convince referees to publish reviews that would normally only be shared with editors and authors. And we had to do all of this whilst removing the shield of anonymity that has been an unquestioned feature of journal publishing for decades. In addition to these challenges, the editorial team had to cope with an environment that was becoming more and more hostile to 'start-ups' for macroscopic and structural reasons. As more countries began to ape the UK's Research Assessment Exercise, the dystopian vision of research assessment painted by Donald Gillies in his contribution to our first issue started to resemble reality. Journal lists have now become the norm and the value of an 'output' is often judged by colleagues, department heads and academic auditors of all stripes principally on the basis of where it is published rather than what it says. Within economics this contributes to the already significant bias towards a very small number of well-established American journals, edited at elite universities, publishing papers by a relatively small group of high-profile US-based scholars. In this context, convincing anyone who wishes to build an academic career that it is a good idea to send their cherished paper to a brand new, heterodox e-journal with a public refereeing process is seriously challenging. Somehow we managed it, and eventually high quality submissions began to flow and the respectful and creative discussions that we had hoped to stimulate began to unfold on our OPD and in the pages of the published issues of the journal.

Nothing is perfect and some of the goals that we set for ourselves have not yet been achieved. For the benefit of our authors, and in order to meet the highest

standards of modern journal publishing, we must add DOI numbers to our articles, list the journal on Scopus and widen our referee database amongst other things. But these things take time, and they require an established track record. After five years of successfully (and punctually) publishing two issues per annum, we now have the track record and experience to make the next step and fulfil Edward and Grazia's vision.

On a personal note, editing Economic Thought came at a very significant time in my life. I was appointed to my first permanent academic job in the same week as I was offered the editorship, and my daughter was born a few days after I started working on the journal. As a relatively young academic with no experience of editing, I was honoured to have such eminent scholars as close colleagues and delighted to be able to contribute to the construction of something as original and worthwhile as Economic Thought. I would like to thank my editorial colleagues Alejandro, Annalisa, Sheila and John for their kindness and collegiality. I had known of them and their work before joining the editorial team, but I now count them as friends. Finally, I would like to pay tribute to the brilliance and quiet efficiency of Kyla Rushman, who, since she became managing editor, has worked tirelessly on keeping the journal on track and is largely responsible for making Economic Thought what it is today.

To read the latest issue of Economic Thought **click here**.

Realism in Economics: ontological indeterminism and methods of inquiry

By Maria Alejandra Madi

[Editor's note: This is an expanded version of an entry here on the WEA Pedagogy Blog]

1. Introduction

A relevant feature of the current crisis in economic knowledge is the recurrence of the Ricardian Vice. Joseph A. Schumpeter coined this term in his book *History of Economic Analysis* when he criticized the *habit* assigned to Ricardo to represent the economy by a set of simplified assumptions and to use tautologies to develop practical economic solutions. In Schumpeter's own words :

His (Ricardo's) interest was in the clear-cut result of direct, practical significance..., He then piled one simplifying assumption upon another until, ...he set up simple one-way relations so that, in the end, the desire results emerged almost as tautologies. For example (if)… profits 'depend upon' the price of wheat. And under his implicit assumptions.., this is not only true, but undeniably, in fact trivially, so. Profits could not possibly depend upon anything else, since everything else is 'given', that is frozen. It is an excellent theory that can never be refuted and lacks nothing save sense. The habit of applying results of this character to the solution of practical problems we shall call the Ricardian Vice. (Schumpeter, 1954: 472-73)

Indeed, Schumpeter rejected the kind of economic thought that mainly favours deductive methods of inquiry – based on mathematical reasoning- because the *habit* known as the Ricardian Vice generates analytical unrealistic results that are irrelevant to solve the real-world economic problems.

Considering this background, this contribution seeks to reflect on the relationship between logical categories and ontological indeterminism of economic relations in order to develop a realistic theoretical understanding of the dynamic and evolving components of the economic relations in the real-world.

2. Ontological realism

Economic theories are built on representations of economic experiences. However, all representations must pass the test of meeting the otherness of experience. Indeed, reality is a system of relations that imply existence. In other words, reality is revealed in existence as fact, as a phenomenon. Thus, the real is not what we think of it, it is not a creation of the human mind (Ibri, 1992).

Under an ontological point of view, realistic theories are built by constitutive achievements through a process of inference and interpretation (Peirce, 1975). In this attempt, it can be said that the phenomenology of economic relations is a pillar for an ontology of Economics in the framework of realistic theories about the behaviour of those economic relations as dynamic and evolutive objects. In truth, under this ontological point of view, the economic reality has foundations in the phenomenology of economic relations.

The real set of economic relations are not strictly causal and governed by a system of laws because the idea of a real-world governed by laws is a mere assumption, it's not real. As a matter of fact, the ontological indeterminism of economic relations corresponds to a worldview where the economic facts could present deviations from the so called economic laws, or even where the world of economic experiences has elements of chance that are responsible for such deviations. In other words, the presence of chance and uncertainty makes room for discontinuities between the past and the future that add certain degree of indeterminacy to the evolution of economic relations. Thus, as the ontological indeterminism makes room for chance as a possibility not regular through

time, the principle of chance has relevant implications for a realistic theoretical approach to the study of economic decisions and actions through the flow of time (Ibri, 2000).

As a result, the acceptance of a certain degree of indeterminacy in economic phenomena reinforces the importance of formulating economic theories that consider the changing features of their objects of research in their historical and evolutionary circumstances. In this way, realism in Economics should enhance a dialogue between theories and the complex economic phenomena that they intend to explain. As a result, the principles of economic theories should therefore be compatible with the properties inherent in the dynamic nature of the economic objects, as the only possible way to illuminate central features of the real-world.

3. Realism and methods of inquiry

The ontological and the epistemological approaches to realism in Economics are inter-related. While rejecting the fundamental hypothesis of nominalism, ontological realism addresses the problem that economic relations cannot be seized under a Newtonian mechanics and deterministic world view as if all economic relations were governed by absolute laws.

Indeed, uncertainty is a key issue in the ontology of Economics since its research objects cannot be treated as crystallized facts, but facts in evolution through chronological time. As a result, the concept of uncertainty in the context of an ontology of economic relations has deep consequences for the evaluation of the methods of inquiry in Economics.

Considering this background, deductive economic reasoning as the privileged method of inquiry in Economics does not cope with the dynamic and evolving nature of the set of real economic relations. Indeed, there is a danger that the Cartesian deductive method of inquiry could lead to a concept of economic reality that is solely a creation of the human mind because its representation of reality lacks existence, lacks economic facts.

As Keynes warned in his analysis about the dynamics of the uncertain real-world monetary economies, the understanding of the economic phenomena demands not only purely deductive reasoning, but also other methods of inquiry along with the study of other fields of knowledge- such as History and Philosophy. In his own words:

The study of economics does not seem to require any specialised gifts of an unusually high order. Is it not, intellectually regarded, a very easy subject compared with the higher branches of philosophy and pure science? Yet good, or even competent, economists are the rarest of birds. An easy subject at which very few excel! The paradox finds its explanation, perhaps, in that the master-economist must possess a rare combination of gifts. He must reach a high standard in several different directions and must combine talents not often found together. He must be mathematician, historian, statesman, philosopher – in some degree. He must understand symbols and speak in words. He must contemplate the particular in terms of the general, and touch abstract and concrete in the same flight of thought. He must study the present in the light of the past for the purposes of the future. No part of man's nature or his institutions must lie entirely outside his regard. He must be purposeful and disinterested in a simultaneous mood; as aloof and incorruptible as an artist, yet sometimes as near the earth as a politician. (Keynes, Collected Writings, vol. X: Essays in Biography)

Today, Schumpeter's and Keynes's criticism could be certainly addressed to those economists whose beliefs ultimately privilege the deductive method of inquiry in Economics. Due to these beliefs, mainstream economists favour the adoption of a nominalist approach where concepts are not anchored in the real-world economic phenomena. And as a consequence, the current challenge in Economics is that the dialogue between economic theories and the economic reality turns out to be abandoned not only in academic research but also in the policy making process.

This dialogue is complex and should be considered in any attempt to build realistic economic theories, as Keynes warned. Indeed, the changing environment of real-world markets through time -that is irreversible- refers to a certain degree of ontological indeterminacy that should be considered in realistic economic theories and in the study of Economics.

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Double deflation: Double Distilled or Double Dutch? Some remarks about the estimation of real economic production - Part 2

By Merijn Knibbe

This piece benefited from remarks by Stuart Birks, Josh Mason and Diane Coyle

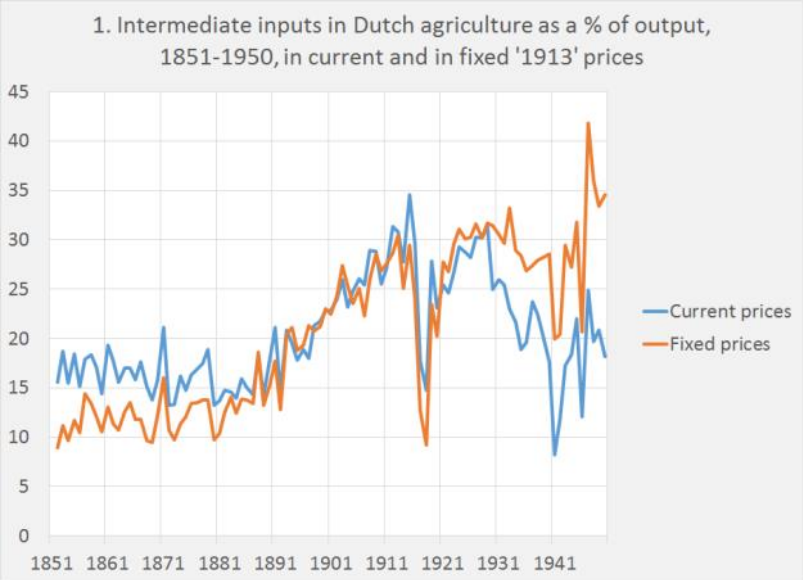
In a previous article I explained one of the methods used by economists to estimate production and productivity: double deflation. This follow up article extends the argument, show how different estimation methods lead to differing results, pays some attention to institutional influences on prices and discusses how the problems mentioned here should influence the choice for policy variables like the inflation targets of central banks.

Krzywy Domek, "crooked little house".

1. Introduction: the anachronistic nature of productivity estimates

The double deflation method to estimate production and productivity is, according to the IMF, the method of choice for economists (Alexander e.a. 2017). According to the OECD, which also defends the use of this method, this method can lead to bizarre outcomes: "*Another issue is the occasional occurrence of negative value added figures when double deflation operates with Laspeyres quantity indices. Nothing ensures that the subtraction of constant-price intermediate inputs from constant-price gross output yields a positive number*" (OECD 2001, p. 45). If this happens, The OECD is clear on what to do: *"In these circumstances different accounting method should be used to estimate an aggregate like value added, such as the methods based on "superlative" index numbers*". But maybe we should first try to understand why a 'method of choice' results in unpalatable outcomes. After all: even when value added is not negative it might still be wildly of the mark!

The first question is how a deflation method – i.e. a method which tries to disentangle changes in prices from changes in volumes - might result in negative 'real' value added. Value added is a nominal variable defined as the nominal value of production minus the nominal value of current inputs. The nominal value is influenced by changes in input and output prices as well as by changes in input and output volumes. Using the double deflation method to take the price changes out of the estimates of the value in inputs and outputs can, in specific historical circumstances, lead to a 'volume' index of inputs which rises much faster than the index of outputs while, at the same time, the value of inputs does, as input prices decrease relative to output prices, does not show such a pattern. An example: graph 1 shows the use of intermediate inputs in Dutch agriculture as a percentage of the value of output, measured in current prices as well as measured by using the double deflation method, i.e. using fixed prices.



Looking at the historical of development of the use of intermediate inputs in Dutch agriculture (feed and fertilizer) it shows, after 1880, a rapid increase of the use of these inputs (the next paragraph is based upon Knibbe, 1993). This was caused by the fast increase of the use of (imported) feed after around 1880 and of (largely imported) chemical fertilizer after around 1895. Both developments were connected with an uptick in the rate of production growth as well as structural change. For one thing, farmers on the sand soils could dispense with the labor intensive practice of cutting card load after card load of heather sods, mixing these with sheep manure and spreading card load after card load of the resulting compost over them their arable lands. Instead of this, they could sell their sheep and buy some bags of chemical fertilizer and spread this quickly and efficiently over

their lands, to obtain a better and more secure harvest with much less toil. Within decades, the hundred years old practice of cutting heather sods was abandoned, aided and facilitated by railroads which transported the fertilizer, government extension and research services which taught farmers how to use fertilizer and which investigated how much was needed and agricultural co-operatives which broke cartels of fertilizer producers. As a result, use of *monetized* intermediate inputs, measured as a percentage of output, rose dramatically – but use of own produced intermediate inputs declined.[1]

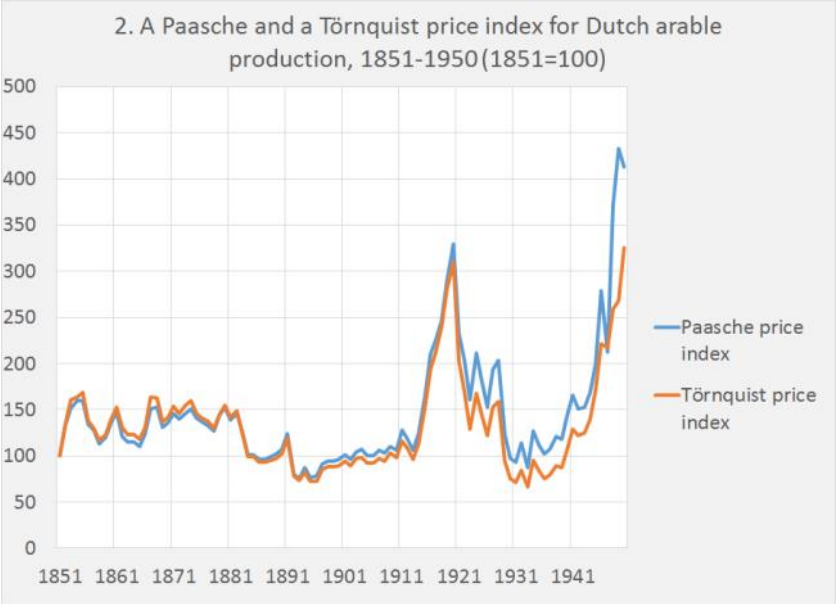
The increased use of purchased inputs of course had a catch. Farmers became more dependent on the market which meant that a disruptions of the market (the world wars come to mind) could wreak havoc with this kind of input intensive farming while a poor local harvest might leave them indebted to suppliers. But there is more to this story. After 1929 the value of intermediate outputs used, *measured as a percentage of current output,* declined dramatically while intermediate outputs, measured using the double deflation method, stayed level. Thanks to lower prices for feed and fertilizer (and government policies which increased the prices of outputs) relative prices of inputs compared with prices of outputs declined, which explains the diverging trends of the two series. Looking more closely at the graph teaches us that a comparable development took place around 1880, when cheap imports of feed became available

As far as I'm concerned, the differing developments of the two lines point out an extremely important development: a decline of prices of intermediate inputs relative to outputs which was pivotal to a profound transformation of farming and agriculture – and also to a profound change in the distribution of total income generated in farming.[2] Developments which are missed when we only look at 'volume' estimates, even if these volume estimates of production were unproblematic. But what does it mean for our estimates of productivity? Nominal value added can be understood as an estimate of production, but also as an estimate of income. In the latter case, deflating value added with an index of the consumer prices is the apt procedure to calculate a 'real' variable, in this case purchasing power (one has to use net value added here, not gross value added). This makes sense. But was does subtracting an index of the use of intermediate inputs from an index of the use of outputs in fact mean? Using more natural gas to heat an office building during a cold winter will diminish nominal value added as well as double deflated value added – but does it also decrease production and productivity of the office workers? The concept of double deflated value added is not entirely straightforward.

A comparable argument is made by Edquist (2013). According to him the extremely high growth rate of productivity in Swedish production of electronics (40% a year…) is due to subtle biases of the double deflation method (Edquist, 2013). Swedish manufacturing of electronics is dominated by one company, Ericsson. Large Ericsson losses in one year led to (almost) negative nominal value added for this company. The subsequent large increases in value added showed up as extreme increases in productivity; just looking at the double deflated data only conflates the situation instead of illuminating it. In his words: *"when productivity is analyzed for these types of industries it is important to base the analysis on both value added and gross output to test the robustness of the results*" (Edquist, 2013, p. 9). Also, recently Peter Lindert used a related argument in his contribution to the discussion about the question if 'the West' surged ahead of the rest of the world already in the seventeenth and eighteenth century (Lindert 2017). Instead of using anachronistic 1990 prices of inputs and outputs to compare the relative level of prosperity in centuries past, a more direct approach may be advisable: "*It is far easier, and more appropriate to historical contexts, to stick with direct current-price comparisons of the countries' nominal incomes per capita back then, deflated by prices people paid back then*." Doing this made a difference. For one thing, western dominance was not just a question of western growth. But also of non-western stagnation and decline, exemplified (according to the data of Lindert) by the long run development of the Dutch colony of Java. While India was already very poor to begin with (1595). Again, the choice of prices and methods to measure historical processes clearly matters. On the most basic level, this is caused by the fact that we are living in a monetary world – and (relative) money prices matter. Value added is a fundamental monetary variable. It surely enhances our understanding to investigate how changes in productivity influence value added. But in a monetary world, productivity can never be understood from changes in market 'volumes' alone. Production functions are inherently monetary and prices are a function of the institutional surrounding. As a consequence, volume estimates, useful as they are, can only be understood in context. Volume estimates of production and productivity can be quite misleading when understood in their own terms and even unpalatable, according to the SNA 1993 (quoted in OECD 2001): *"a process of production which is efficient at one set of prices, may not be very efficient at another set of relative prices. If the other set of prices is very different, the inefficiency of the process may reveal itself in a very conspicuous form, namely negative value added".* And it's up to the economist to investigate what these inefficiencies are and why they arose, surely when we consider that even when double deflated value added is not outright negative it might still be far of the mark.

2. Adding an insult. Index number theory

Such problems arise because productivity, as economists define it, is not something physical like wheat per hectare, phone calls per call centre employee, spectators watching a particular football game or the occupancy rate of hotels or planes. But a monetary phenomenon: economists estimate value added per hour of labor or unit of capital.[3] Above, we've seen that the OECD advises to use "superlative' index numbers to avoid the problems which one can encounter when using the double deflation method. "Superlative" methods enable one to estimate a price or volume series which uses a new base year every year, which prevents the problem of using anachronistic prices of a fixed base year which becomes less relevant with every year that passes. Even then, arithmetical quirks (related to ever changing weights of these methods) can lead to less palatable outcomes. Graph 2 compares two price indexes of Dutch arable production (which I took as I have the data but also, and more important, because arable products do not change too much).



One consists of spliced Paasche indexes with a fixed based year which were calculated for a number of sub periods. The other is a superlative Törnquist index, which is rebased every year. As can be seen, the long run development of the indices is quite different. Somehow, price declines must have gotten a relative larger weight or price increases must have gotten a larger weight, compared with the Paasche index. Using one of the Irving Fisher tests of price indexes (the increase of the index should lie between the price increases of the goods and/or services with the lowest and the highest price increase) shows that the Törnquist index only barely survives this test. Only one product (wheat) has a price increase which is lower than the increase of the aggregate Törnquist index (295 vs. 326). The theoretically less ideal Paasche index is as such more plausible as it is near the median as well as the arithmetical average of price changes (8 products have a larger increase, 4 products have a lower increase). Economic statisticians are of course well aware of this and other problems and in reality use, next to the double deflation method, a plethora of methods, maybe not all of them theoretically sound, to produce volume estimates of value added (Eurostat 2015, especially figure 5). Which reminds us of the suggestion of Edquist, cited above. Using one method only to calculate production and productivity might just not be the answer.

3.What to do?

Estimating 'real' economic growth is a noble and worthwhile pursuit. But economists should take heed that value added is, fundamentally, a nominal variable. Deflating it will, among other problems, lead to all the well-known problems related to the use of deflators for constructing time series: there is no 'right' way to disentangle price increases from changes in relative prices. Double deflation does not only doubles that risk and adds the possibility that unpalatable magnitudes of 'real' value added are calculated, which obfuscate instead of enlighten.

Instead of this – or better: next to this – economists would do well to focus on these intermediate inputs which are subtracted from output and do not seem to have an independent role in increasing value added – at least not in neoclassical growth accounting. We're talking among other things about energy, water and the like. Fortunately, we do have existing estimates of real 'real' use of inputs – i.e. information in tons and gigawatts - which are largely based upon the same national accounts as the value added series. Eurostat, 2016, calculates use of material resources and production of CO2 related to final use (consumption, investment, net exports), which shows that post 2008 housing bust led to a sharp decrease of the use of materials. A recent flagship UN report written by the International resource panel and titled 'resource efficiency: potential and economic implications' (International resource panel, 2017) contains extensive data on use of a whole array of resources, like different materials, land, water and energy and how these are used. And uses among other metrics 'material footprints' as variables to estimate productivity. Instead of subtracting inputs it surely is worthwhile to look at how these actually contribute to productivity. Tracking such more technical variables and using input-output tables to do this might enhance our understanding of

why real production increased. The value added estimates, broken down in constituent parts like wages, profits, rents and interest can subsequently teach us how the spoils are distributed.

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1. The series actually consists of a number of spliced sub series, each with their own base year set of prices, to take account of changes in relative prices. I used this particular series because I had the data but also because agricultural products do not change too much over time, which means that all kinds of problems connected to quality changes of products do not raise their head.

2. For the history nerds: the fast mechanization of Dutch agriculture would only start after about 1955.

3. Estimates of the magnitude of the 'volume' of the aggregate value of capital suffer from the same problem. A fascinating example of this is Agrawal e.a. (1996), a McKinsey Global Institute flagship publication with an advisory committee consisting of no less than Bob Solow, Ben Friedman, Zvi Griliches and Ted Hall, at the the cream of the crop when it came to estimates of capital. While the authors consistently write about *physical* capital the text shows that they use the national accounts estimates of capital, which are aggregates of the monetary value of capital beset with the same kind of relative price quirks (even more so, in fact) as estimates of production or inputs. The authors do not seem to be aware of this; a welcome addition to neoclassical growth theory, which only takes account of produced capital is however that, as they use national accounts data, information on 'land' (i.e. non produced capital) are included.

An additional note on double deflation

"*All of these measures are carefully developed but have their own limitations. Those who use the data we produce should recognize these limitations and exercise judgment accordingly concerning whether and how the data ought to be used*"

Abraham and Moulton, quoted in Perry (2014)

Double deflation is constructing time series of weighted averages of outputs (wheat, sugarbeet, whatever) as well as a weighted average of inputs (fertilizer, energy, pesticides, whatever) and subtracting outputs from inputs. Prices of outputs and inputs are used as weights. This seems straightforward, as value added (the amount of money available to pay wages, rents and 'mixed income' of a farmer or small businessman or – woman) is also equal to the value of outputs minus the value of inputs.

There is however a catch. Relative prices change. Suppose that energy prices increase while all other prices stay equal. Nominal value added will decrease and, as 'mixed income' is risk bearing, mixed income will decline. Using fixed prices from before the rise of oil prices won't show this: 'real' value added, as it is called, will stay equal or, when volumes of inputs or outputs change, only change because of these volume changes. Which leads to the question: which set of 'fixed' prices will be used to calculate 'real' value added? Of course, one can change this set of fixed prices every year, calculate growth rates between two years and splice all these growth rates. To calculate growth between 2014 and 2015, 2014 prices are used. To calculate growth between 2015 and 2016, 2015 growth rates are used. And the growth rates are spliced. This is what statisticians mean with 'chain weighted indexes'. This has, however, some problems. It is very well possible that a sector grows faster than the entire economy but that prices in this sector decrease. 'Real' value added will show an increase but nominal value added will show a smaller increase, relative to the rest of the economy of, as happens on a regular basis in the real world, even a decrease (a case in point: shale oil during the first months of the abrupt decline of oil prices between October 2014 and January

2015).

Also, and more important: what does {'real' output – 'real' input} actually mean? Nominal output minus nominal input is, to me, a clear concept: the amount of money available for incomes (or, when measured on a gross basis, also for replacement investments). And (net) nominal value added divided by a consumer price index is equal (or at least a good approximation) of the purchasing power of nominal value added. But I have difficulty grasping the meaning of series of 'real' output minus 'real' input. One can of course relate the use of inputs (feed, fertilizer, manure) to the production of outputs (Knibbe, 2000). One can also investigate the influence of availability of real products on prosperity (for food: Knibbe, 2006). These analyses are based upon national accounts estimates. These accounts force the researcher to construct *complete and coherent* estimates of inputs and outputs which, next to estimates of nominal output, for the very reason of their coherence and completeness, can be used to investigate productivity or prosperity looking at actual inputs or outputs. But 'double deflation' only seems to make sense in a one product economy, where coconuts are either consumed or used to grow new coconuts. Which leads us to critiques of this kind of 'one product' thinking. In the words of Marx (ht: Josh Mason): "*we have the complete mystification of the capitalist mode of production, the conversion of social relations into things (i.e. coconuts, M.K.), the direct coalescence of the material production relations with their historical and social relation. It's an perverted, enchanted, Topsy-turvy world in which Monsieur le capital and Madam la Terre do their ghostwalking as social characters and in the same time directly as mere things*". Marx did not write about double deflation but reducing output and input to a one product economy without social relations fits into such kinds of critiques. The whole Schumpeterian development hinted at in the main text is left out of the analysis and the distribution of nominal value added (who owns the land) is rendered impossible as the 'real' variable measured is thus opaque that it disables any meaningful analysis of distribution (at least at the sectoral level). Those inclined to dismiss such critiques by stating that price indexes are technocratic entities are advised to read Rippy (2014): economic indicators are always forged in a political fire. Chain weighted indexes do enable Schumpeterian analysis if only by investigating how and why weights changed but this does not happen too much.

Aside from this price and volume indexes have their technical problems. In a very useful oversight Diewert (1992) lists 21 'reasonable' tests indexes have to satisfy – and many frequently used indexes do not satisfy quite a lot of these (Diewert is in favour of the Fisher index); Diewert however refrains from stating how indexes can be used in dynamic economic analysis.

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New Magazine—The Mint

The Mint is a new magazine which brings together a range of articles about new economic thinking covering all aspects of reform of economics systems and the profession. The first free issue features:

Steve Keen on Brexit and the coming debt crisis;
Vince Cable on industrial strategy;
Ha Joon Chang on the importance of a pluralist economics approach to policy design; and
Gabriela Ramos, Chief of Staff of the OECD, on how the OECD is reforming its thinking on economics

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The Magazine has been created by a new not-for-profit organisation, Promoting Economic Pluralism, who we are working with to use the 10 years after the Crash anniversaries to give an added boast to our efforts to reform the economy. Watch out for further news on that…

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New School Economic Review Special Issue
Origins and Implications of Donald Trump's Economic Policy

(Submission deadline: *May 31st, 2017*)

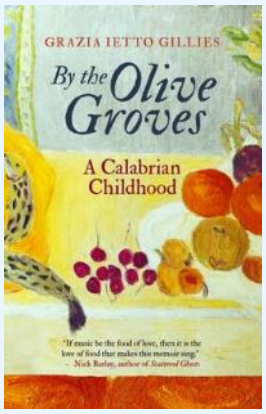
Ever since Donald J. Trump was sworn into office, ceaseless debates have been taking place among politicians and pundits about the various aspects of economic policy of the Donald Trump administration, ranging from across-the-board tax cuts to pulling out of NAFTA. While some elements of his proposal sound familiar, such as tax cuts, the repeal of (financial) regulations, or the aggressive fiscal policy (e.g. the trillion-dollar infrastructure spending), some are fairly new to the minds of 21th century economists. The latter includes the government-led reshoring (re-relocation of production base to the US) along with the anti-free trade policy, or the revival of the dying coal industry. Also, some part of his economic promises seem to echo with progressive economists' agenda, while the other are downright reactionary. For this unfamiliarity and ambiguity, economists appear to have trouble defining what Trumponomics is, even though it is imperative to do so considering the enormous effects this administration will make for the US and the world economy. Therefore, the NSER special issue seeks to initiate rigorous discussions on the origin and implications of Trump's economic policy to facilitate common understanding of the new regime we are facing now.

To submit, email your paper to submit@newschooljournal.com or visit www.newschooljournal.com/call-for-papers

Important note: The New School Economic Review will accept papers for Volume 10 on a topic other than the Special Issue. Submission deadline is May 31st, 2017.

The NSER is a peer-reviewed, student-run economics journal that publishes original and high quality articles. We encourage diversity of subject matter and writing style covering a wide range of topics in economics. Submissions can be in the form of but not limited to, scholarly articles, commentaries, book reviews, guest editorials, and announcements. The papers will be reviewed by a committee of New School alumni. The NSER welcomes submissions from academics, practitioners and students of all levels seeking to broaden and strengthen the foundational structure of the study of economic systems. The NSER editorial board reserves the right to suggest both minor and substantive revisions to accepted works. Finally, following the standard practices of North American scholarly journals, the NSER is not in a position to offer payments for accepted and published manuscripts.

Food for thought from a Calabrian childhood—An interview with Grazia Ietto-Gillies



[Editor's note: Grazia Ietto-Gillies has been a major supporter of the World Economics Association since its inception. She has enthusiastically encouraged alternative thinking and brought to the WEA the ideas of many Italian and other economists. Might this be in part a result of her childhood, growing up in wartime southern Italy and post-war Rome? This interview arose from the recent publication of her memoir, By the Olive Groves: A Calabrian Childhood. This entertaining book written with humour, affection and a sharp social eye is developed around the following main themes. The effect that coming from this small town in Calabria had on her later life; the displacement effect of moving through different geographies, cultures and societies; and food, lovely Mediterranean food from the recipes of Grazia's mother. The latter is a worthwhile dimension for economists and non economists: while we enjoy a healthy dish we can muse about the sociological and cultural importance of food!]

Q1. You are known for your writings on economics. How come you have now published a literary work? What led you to it?

A1. I can tell you about the triggers. Up to age ten I lived in small town on the Aspromonte mountain of Southern Calabria in what was then – and still is – one of the least developed areas of Italy, ridden with economic and social problems. My family then moved to Rome where I continued my studies. From there I moved on to study at the MIT and later Cambridge UK and to research and academic jobs. Eventually in 1971 I settled in London where I have lived since, working as an academic economist and, in my spare time, taking an increasing interest in international literature. The trigger for starting records of episodes in my early life in Calabria were two specific and significant episodes in my life: the birth of my son Marco in 1975 and the sudden death of my father a few months later. I began having flashbacks and being invaded by visual and aural episodes in my early life which gave me the urge to record them in scribbled notes.

Q2. You talk of displacement effect in the introduction to your book. Can you tell us more?

A2. In my view, the fact that I moved through different societies and geographies caused a displacement – geographical, cultural, social displacement – which led to the flashbacks mentioned above. In the middle of an activity – be it domestic or professional or social – I would suddenly have a feeling of 'not belonging' 'what is Grazietta – my childhood nickname – doing here' and this would trigger an episode from my childhood and the *need* to record it. I think this has significance beyond my own experience. We live in an era of great movements of people across countries and societies. These feelings may be present in many people and they may well trigger creative feelings in some of them. A recent exhibition in London by a Korean artist (Do Hu Suh: *Passage/s*) highlights how displaced artists and indeed displaced people in general take with them some of the world left behind. There are many reasons why we should welcome refugees and people moving across countries: some are humanitarian, some economic but there are also cultural reasons in my view.

Q3. Are there connections between your memoir and your interest in economics and as an economist?

A3. Yes, definitely. The memoir came to life mainly as a reaction to living in such different societies: my early life in a pre-capitalist society with all its problems and advantages (for a child, if not adults). My youth in Rome during the 'miracolo economico' period: in a vibrant fast-changing economy and society. The decades of maturity in a mature – I would also say decadent – international economy. It was partly this contrast that led me to write about this part of my life. In fact, when I originally thought of transforming my many scribbled notes into a book I went through the possibility of structuring it as a book about living in the three types of societies. Or a book about women in the three types of society. Eventually I settled for a memoir about my childhood in which these issues come out indirectly rather than directly.

Q4. Do you think that this life trajectory has influenced your economics work?

A4. Yes, it did. When I first moved to London I was struck by the differences in economic environment: large companies in manufacturing, distribution or services; supermarkets; and banking; efficient public sector (they were actually replying to my letters, something unheard of in Italy!) a wonderful and efficient health service. I began to compare it with what I had left behind in Italy: a large small and medium size business population – including those of relatives around me; small family shops; huge number of local small banks and yet a thriving economy developing fast. This is when I began to think of the relationship of the two economies to their international sectors and the role of so-called multinational companies in the UK economy. I soon became convinced that, if I wanted to understand what was going on in my adopted country I would have to understand the activities and effects of transnational corporations (TNCs) and

their role in the post colonial phase of capitalism and imperialism: thus started my life-long interest in TNCs.

Q5. By the time you started living in London you already had several years of study of economics and indeed had already several publications to your name. Do you think that the education you had received up to that point was useful to you in understanding economics and the economies of Britain or Italy?

A5. Some of it was. I was lucky enough in my university education at Rome La Sapienza to have two excellent teachers: Bruno de Finetti the probabilist and philosopher who was also very interested in issues of political economy. He became supervisor for my final dissertation. From him I learned about the usefulness AND limits of the use of mathematics in economics. I also picked up many methodological hints such as the usefulness of negative results ('…the most important contribution of game theory is that the analysis of Game Theory *reveals its own limitations*'). Moreover his writings confirmed to me something I felt instinctively: that value judgements are part and parcel of economics and that the distinction between normative and positive economics is meaningless and ideologically inspired. The second excellent teacher was Federico Caffè from whom I heard about Keynes and the depression of the 1930s, about economic policies and their instruments and about market economies and externalities. From a long-run perspective, most of the other lectures I attended were not very useful including those I had at the MIT (though, at the time, I greatly enjoyed those by Robert Solow, an excellent teacher).

Q6. Tell us about the monoculture society you came from.

A6. In the 1940s and 1950s the economy of the part of Calabria I came from was based mainly on olive crops and olive oil. The groves were usually part of large estates privately owned by the local gentry. The lives of the whole town depended on how good or poor the crop was. Meagre years would spell poverty not only for the few employed in the land – usually women as gatherers of olives – but also for shopkeepers and artisans of which there were many. Indeed artisans often produced high level artistic works, particularly sculpting. Many attractive works are still seen carved in the local green stone or in olive wood. But work for men was in short supply and many had to emigrate and support their families from afar. The USA, Canada, South America and Australia were early destinations in the XXth century. The post WWII years saw emigration towards the North of Europe or the Nord and Centre of Italy: Milano, Torino or Rome: The total population which had stood at c. 6000 in the post WWII years is now around 3500. This impacted on the family and society as well as on cultural developments. Delianuova had a thriving musical tradition and an excellent brass band known throughout the region. However, following the post WWII emigration it had to be disbanded for lack of musicians which resulted also in difficulties for the training of young talent. In the last ten years or so the tradition has been revived and the town now boasts one of the best youth orchestra in Italy.

Q7. You mention the work and role of women in your childhood. Would you like to tell us more about this aspect?

A7. In the memoir I have a chapter on the life of men and one on the life of women. The latter starts thus: 'In Delianuova the lives of men were hard. The lives of women were no better.' The chapter then goes on to talk about the lives of the poorest who scraped a living for their family by gathering olives from the ground from October to December. Their children followed them, living in unhealthy huts on the olive groves and missing school. The women in a better social position but not rich – to which my mother and aunts belonged – would not go out to work but had a hard time looking after the house and family when what we now take for granted was missing: from piped water to proper bathrooms let alone washing machines.

Q8. In what direction are you going to work from now on? Literary work or economics?

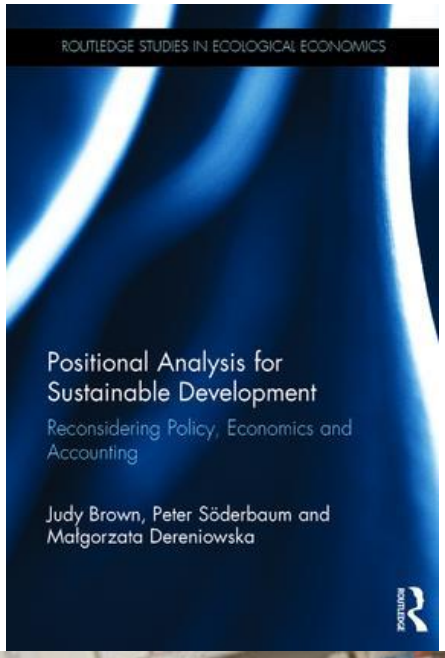
A8. I hope to be able to continue both. I am still doing economics work. I have just finished the work on FIAT with Giovanni Balcet of Turin and am still working on absorptive capacity and innovation with Marion Frenz. I have also just finished a chapter on the economics of Bruno de Finetti in the light of current developments in the economy. But I am also writing short literary pieces on various issues such as: comparing the experiences of three XIX century travellers to Calabria. Or attempting a socio-economic and historical explanation for the enormous success of the novel by Elena Ferrante which tells us the story of a girl from the Neapolitan slums who makes it up via academic success in the decades from post WWII to the 1980s.

Closing remark: Thank you, Grazia, for all your efforts for the WEA, and for sharing your thoughts on this interesting and enjoyable book.
Best wishes for the future.

Positional analysis: what it is and why economists need it

By Peter Söderbaum, Judy Brown, Małgorzata Dereniowska

What would an alternative economics and economy look like for a sustainable future? As with any normative vision, such as that of a sustainable economy and society, a variety of responses and perspectives can be legitimately sought. Out of those, for many economists, only the perspectives that result in outcomes that are (potentially) Pareto improvements are economically meaningful. But sustainability and democratic legitimization of sustainability values in some respects displays some inefficiency in terms of utility (e.g., loss of time needed to implement democratic procedures or to collectively develop a shared normative vision of sustainability), or can be judged differently depending on the process employed in arriving at a sustainable outcome. Indeed, the inherent ethical dilemma of sustainable development between economic efficiency, social equity, and environmental conservation are not practically separable. What if we turned around the question to think about an alternative vision of economics, economic analysis, and decision making approaches that makes room for plural normative criteria without predefining their ranking within decision processes, and illuminates social conflicts, instead of obscuring them with value-neutral 'representational' claims? This alternative idea underlies positional analysis (PA) that addresses both the outcome and the process, with explicit attention paid to their ethical and political content, at the level of analysis, planning, and decision making.



Positional analysis, an ethically-open tool of disaggregated analysis, has been pioneered by Peter Söderbaum. It was first presented in his Ph.D. thesis (1973) and later advanced as a component of institutional sustainability economics. Since then the approach has been further developed with applied studies mainly in the Scandinavian countries (e.g. Leskinen 1994, Edlund and Quintero 1995, Mafunda and Navrud 1995; for more information see also the Appendix in Brown et al. 2017).

PA is part of an alternative conceptual framework or paradigm in economics from that of neoclassical theory, resting on a different social ontology and macroeconomics. As an alternative to Homo oeconomicus as a representation of an economic agent, a "political economic person" (PEP) is assumed, whereas profit-maximizing firms are replaced by the conception of "political economic organizations" (PEOs). Markets are understood in terms of relationships and exchanges between PEPs and PEOs and decision-making is a matter of a "matching" process between the ideological orientation of an actor as decision-maker and the expected multidimensional "impact-profile" of each alternative of choice considered.

The purpose of positional analysis is one of illuminating an issue with respect to different ideological orientations and alternatives of choice with their impact profiles. Multidimensional thinking concerning impacts means that the trade-off philosophy of Cost-Benefit Analysis (where all kinds of impacts can be traded against each other) is abandoned in favor of careful study of various kinds of inertia (irreversibility, path-dependence, lock-in effect, and commitment) in non-monetary terms. Decision-trees in positional terms that differ from decision-trees in traditional game theory can be used to illustrate irreversible impacts.

Positional Analysis is an attempt to respond to a need for alternatives to neoclassical Cost-Benefit Analysis (CBA). Essential parts of neoclassical theory and analysis emphasize the monetary dimension. CBA still plays an important role in preparing investment decisions in infrastructure such as roads, airports or energy systems. For a long time growth in GDP-terms has been used as an indicator of performance at the macro level. At the

micro level estimates of monetary profits is similarly an accepted indicator. The story continues with environmental services understood as commodities to be priced in specific ways and with "natural capital" and other kinds of capital interpreted in monetary terms. A narrative about the "Green economy" summarizes this mainstream philosophy.

Behind these examples of "monetary reductionism" is an idea that things have to be quantified to be counted and that the best measuring rod is money. Money is a language that people understand, it is argued.

There are at least two problems with CBA and mainstream monetary approaches. Focusing so much on the monetary dimension becomes inappropriate when one realizes that our ideas about development are instead multidimensional. The UN 17 sustainability development goals (SDGs), sanctioned since 2015 as well as the previous Millennium Development Goals suggest that progress and assessment of investment projects should be handled in multidimensional terms. Impacts have to be dealt with at a disaggregated level rather than summarized in monetary terms.

A second reason to abandon CBA as a determinative approach to decision-making is that any aggregation of impacts to arrive at a single best or optimal solution must be based on a specific value or ideological orientation. And limiting oneself to one ideological orientation can hardly be compatible with democracy. It is rather an extremely technocratic approach or what in political terms can be described as dictatorship. In any society there are many voices and groups who differ with respect to ideological orientation.

Indeed, issues of democracy are relevant as we come to discuss the problem of valuation in paradigmatic terms. Economics (neoclassical or other) is always "political economics". Questions of values and ideology enter into each theoretical perspective or paradigm in numerous ways. The scholar her- or himself is a political economic person guided by an ideological orientation that impacts her scientific practices. Technocracy means increasing the power of experts while democracy suggests that we should emphasize a respect for the different ideological orientations of citizens or interested parties. There are competing ideological orientations in any society where some may emphasize markets and economic growth and others specific versions of sustainable development.

Economic analysis, including sustainability assessment, then needs to be compatible with a definition of economics as "multidimensional management of limited resources in a democratic society". Non-monetary impacts are as "economic" as monetary or financial ones. The analyst has to consider more than one ideological orientation and conclusions will be conditional in relation to each ideological orientation considered. Ideological orientation A may then point to one ranking order of alternatives that differs from the ranking of ideological orientation B. In this way ideological orientations other than those built on economic growth and 'net value added' market philosophy can be considered. This will open the door for specific interpretations of sustainable development and more broadly ideological orientations other than the one built into CBA.

In the cases of CO_2 pollution from transportation or land-use changes where agricultural land is transformed for housing purposes we can for practical purposes refer to irreversible changes. The financial cost of buying the land from farmers is certainly of interest but politicians or other decision-makers should also be made aware of the fact that land is irreversibly transformed for new purposes. They may still choose to implement their construction plans but should know what they are doing.

While CBA is a case of one-dimensional quantitative optimization, the concept of ideological orientation makes it easier to also consider qualitative aspects and visual patterns. The ideological orientation of an actor is more like a world-view and means-end relationship. The concept goes against the somewhat naïve idea that to become meaningful things should be clearly quantifiable. Ideological orientation is furthermore something to be investigated in each case. Alternatives of choice and ideological orientations that clearly differ from each other (rather than being close to each other) should be considered. PA does not claim value neutrality and does not delegate the ethical components to the realm of separable philosophy and politics, but instead allows for the integration of factual and ethical analyses.

In economics, value-neutrality in any final sense does not exist. As argued by Gunnar Myrdal "values are always with us" (1978) when advocating a specific conceptual framework and even when using PA to illuminate an issue. But we can respect specific conventions about how to measure things (such as the number of hectares exploited for housing purposes between two points in time). When using PA "many-sidedness" is furthermore a criterion that is compatible with democracy, the idea being to make manipulation by actors more difficult.

The theoretical framework of PA can be seen as part of a larger body of work aimed at broadening out and opening up forms of appraisal and decision-making. In other words, it is also a broader planning and decision making approach founded on a holistic conception of economics, systems thinking and conflict analysis. PA addresses the stakes that arise at the interface between science and policy, and society, and it assumes a model of such interface based on concepts of analytic integrity,

extended responsibility of stakeholders, and political accountability. On this account, the role of an analyst is that of facilitator, whereas decision makers (however widely defined) are held accountable for the choice of political alternative. The role of a scientist is to provide input that illuminates a decision situation, and not to reduce its relevant dimensions. Already the process of defining an appropriate information basis is based on inter- and transdisciplinary methods by engaging at various stages with stakeholders who will be impacted by decisions.

PA aligns with participatory research methods and a dialogic approach to democratic decision making. The reference to a democratic society suggests that no lasting and absolute consensus can be assumed about any single correct course of action, ideology or ethics for all citizens. Instead of seeing the impossibility of continuous unanimity as an obstacle to deliberation, PA points to alternative social choice procedures for deciding in situations of disagreement under uncertainty and risk. It can be applied to existing sustainability assessment tools (SATs) to foster democratic engagement in participatory settings, and developing new forms of appraisal that help to open up, rather than close down, discussion and debate over sustainability issues.

While the theoretical perspective advocated here can be described as institutional economics in the Kapp-Myrdal tradition (where K. William Kapp is probably the first environmental economist with his book from 1950), it should be noted that the Kapp-Myrdal perspective is here presented as part of a pluralist philosophy. "Paradigm coexistence" is replacing the "paradigm-shift" idea that for a long time has legitimized the neoclassical monopoly position at many university departments of economics.

The elements of a pluralist foundation of PA are presented in the book *Positional analysis. Reconsidering policy, economics and accounting* (Brown et al. 2017), which is a result of an interdisciplinary dialogue between an economist, an accountant, and a philosopher. Our hope is to open up and to broaden the discussion at the level of perspectives in order to successfully address current unsustainable trends. In doing so, we reconsider the role of economics as a conceptual framework and roadmap, accepting a degree of complexity that is important in addressing sustainability.

There is a strong correlation between the complexity and multidimensional character of the environmental, social, and economic problems of sustainability, on the one hand, and the need for a pluralism of perspectives, on the other hand. As political philosopher John Dryzek notes, "the more complex a situation, the larger is the number of plausible perspectives upon it" (2005, 9). Democracy, as an arena of the contestation among divergent perspectives, calls for opening up and broadening dialogical practices in sustainability research, revealing the importance of clearly articulating: (i) societal perceptions and values behind environmental metrics and indicators, (ii) the non-monetary aspects along with monetary ones, (iii) both the shared goals and conflicts among normative and ideological orientations of all stakeholders involved in joint deliberations. By doing so, positional analysis promotes critical reflection and ideologically open discussion on sustainability issues.

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CFP, WEA Conference "Economic Philosophy: Complexities in Economics"

Discussion Forum: 2st October – 30th November, 2017

Leaders: John B. Davis and Wade Hands

Conference web page: http://economicphilosophy2017.weaconferences.net/

There is considerable interest in recent economics in the idea of complexity. There are also many different ideas about what complexity involves, making the subject of complexity itself a complex matter! Thus the plural form – complexities in economics – is purposefully suggested in order that this inaugural conference in Economic Philosophy accommodates:

- the diversity of accounts and conceptions of complexity itself
- how the nature and content of economics is complex
- the complex history of economics
- different approaches to introducing complexity into economics
- the complex relation between the sociology of economics and its content
- the complexity of economic philosophy as an interdisciplinary subject
- the complex interplay between normative and descriptive pluralism

To produce an integrated conference fostering communication between the many ways that people think about complexity, papers contributed to the conference should begin with a brief opening section stating their

- Methodological and/or philosophical assumptions;
- Point of entry in relation to the ***Theoretical Background Statement***.

This will provide the basis for the organization of the conference sessions, and help frame the papers' treatment of complexity for the conference participants.

A partial, non-exclusive list of topics includes: computational complexity; cognition and bounded rationality; nonlinearities and disequilibria; ontological and epistemological pluralism; agent-based modeling and complex adaptive behavior; emergence, novelty, and evolution; heterogeneous agents and expectations; reflexivity and feedback loops; emergence; out of equilibrium and chaotic dynamics; big data; multiple identities; abduction and simulation; complexity across different levels; bubbles and related phenomena; climate change economics and complexity.

Please send papers with abstracts and keywords to John Davis (john.davis@mu.edu) and Wade Hands (hands@ups.edu) by August 15th 2017.

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A couple of writers giving novel perspectives

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Salvatore Babones: https://salvatorebabones.com/ Read his Global Asia Newsletter, (see here for a discussion of the question, does N Korea really have a nuclear bomb?)

Economic Thought 6(1)

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