

World Economics Association Newsletter

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.

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Economics in Society: The Ethical Dimension

Some selected extracts from papers in group 1 of the WEA online conference

Riccardo Baldissone: "The actual operation of exchanging contracts requires institutions for legal enforcements, for monitoring, for audit and accounting, and behavioural ethics. Smith knew it well, but his neoliberal epigones prefer to let the contracting actors perform in a social vacuum. In the abstract atmosphere of the neoliberal wasteland, abstract individuals unfettered by social ties perform abstract economical acts with the only motivation of self-interest."

Stuart Birks: "the variables chosen, their definitions and associated data, play an important role in shaping the perspectives that are taken and hence the questions posed and the answers found."
"Any claim that theoretical findings are facts on which real world decisions can be based directly is rhetoric, unsupported by logic."

George DeMartino: "Are economists ethically warranted in exaggerating their expertise in order to expand their influence in the world in order to bring about what they take to be good economic outcomes?"
"[L]eading economists have implicitly applied a decision rule in their work—the decision rule of maxi-max...If [so], then it ought not be surprising that in the name of social welfare the profession has committed professional atrocities, attended by gross violations of human rights and substantial economic suffering and even death, all the while purporting to do what's best for others."

Sheila Dow: "[T]he content of methodology, theory and policy advice already reflects a set of values even before we address the ethical issues which arise from the practical matters of publication and policy advice. There is therefore a real danger that a detailed code of ethics which specifies rules will in fact reinforce an expectation of behaviour (if unconstrained) along the lines of rational economic man."

Peter Earl: "In the modern environment, there is often little room to make the kinds of investments needed to teach [Real World Economics] rather than teach simply by following conventional textbooks."

Alan Freeman: "The root problem lies...in the *adverse selection* procedures which economics treats as 'normal'. These in fact select, not for quality, but for conformity. The standard corrective proposed by most wings of heterodox economics do not address this, in that they merely propose the substitution of a new orthodoxy for the old orthodoxy."

Tom Walker: "[W]hen... counterfeit claims disparage, discredit and seek to exclude legitimate opinion and analysis from policy debates, they undermine the foundations not only of academic discourse but of credit, economic exchange and distribution."

"The amount of noise made over economic and social change is determined, not by the extent and importance of the changes that actually occur, but by the reaction of contemporary opinion to the problem."

Trevelyan G M (1948) English Social History, London: The Reprint Society, p.218.

Editorial: Ideal, or warts-and-all?

by Stuart Birks, k.s.birks@massey.ac.nz

Much economic thinking focuses on a concept of what is thought of as an ideal, commonly perfect competition. This is useful in that it gives a basis for judging if something is good or bad, and if a policy change might result in an improvement. However, the confidence and the authority resulting from a belief in this foundation may be misplaced. Not only may the supposed ideal be far from the most desirable position, or stage on a path, for a society, but also, even if truly ideal, it may lead us to see society through rose-coloured glasses, giving a false view of the issues we are dealing with. It suggests that we have an economic system which is fundamentally sound, but happens to have a few failings that need to be addressed.

Economics is not alone in this, and many professions wish to present an impression, if not of infallibility, at least of competence. For economics at the present time, however, the GFC has increased the willingness to look critically at some of our dominant perspectives. The February issue of this Newsletter described an initiative (NESS) that recognises a weakness in looking primarily at equilibria, a focus "fails to capture the economic realities".

There are other realities besides disequilibria which may be overlooked in much economic theory. There may be important political, social and legal influences. The spread of information (or misinformation) through the media and the operation of groups with their own perceptions of the environment in which they operate both serve to influence behaviour. There is then an alternative way that we could look at the economy, perhaps described as "from the ground up, or alternatively a "warts-and-all" view. The reality is that there is a wide range of shortcomings in a large number of areas. Economic models on their own, do not encompass all these factors.

At the least, an alternative perspective might give us

some useful insights. If you always look through one lens, you only see one viewpoint, and it would be wrong to believe that this is all we have to do to analyse an issue. We are missing a lot out by doing so, and we should not assume away key aspects of a problem before we start the analysis. To quote Rodrik (2007, p. 3):

"...the tendency of many economists to offer advice based on simple rules of thumb, regardless of context...is a derogation, rather than a proper application of neoclassical economic principles."

One interpretation of Plato's allegory of the cave would be that the shadows are our models and theories, in which case he is suggesting that we should look beyond them for a more nuanced understanding of our environment. We can see similar points raised by Hayek in 1974 and by Keynes in a work originally published in 1937:

"I prefer true but imperfect knowledge, even if it leaves much indetermined and unpredictable, to a pretence of exact knowledge that is likely to be false." (Hayek, 1974)

"[I]n ordinary discourse, where we are not blindly manipulating but know all the time what we are doing and what the words mean, we can keep 'at the back of our heads' the necessary reserves and qualifications and the adjustments which we shall have to make later on." (Keynes, 1973, pp. 297-298)

If we do not teach ifs and buts of theory, we should at least qualify its applicability.

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First edition of the World Economics Journal coming soon (updated 18 April 2012)

The editors of the World Economics Journal are about to make their decision on which of the papers that have been displayed on the article review site the longest, will be published in the inaugural issue of the journal. The more recent papers will be considered for the next issue. As the community is using the opportunity offered by the new journal with enthusiasm, editors can choose from a large and diverse set of submissions and have a significant number of insightful comments on these papers to take into consideration. Readers, invited reviewers and editors have posted about 50 comments and reviews. At the time of writing, the choice set for the inaugural issue has been narrowed down to eight papers. Members are welcome to leave comments on the papers at <http://wejdiscussion.worldeconomicsassociation.org/>.

Authors are invited to respond.

We are planning to appoint a number of associate editors, whose main role will be to give authoritative judgement on papers within their area of expertise. Please let us know if you are interested at wejeditor@worldeconomicsassociation.org. Mathematical and formal expertise is particularly welcome.

Journal editors:

Norbert Häring
John T Harvey
Andong Zhu
Jayati Ghosh
John Weeks

More journal details at:

<http://worldeconomicsassociation.org/Journals/WEJ/WEJ.html>

WEA Conference Call: *Sustainability*

Sustainability

Towards sustainable cities after Fukushima: a review of environmental strategies

All over the world sustainable development is a hot issue. The unclear skies gradually filling up with particles and pollutants draw the attention of environmental protection groups, politicians and the wider public. After the 311th nuclear problem exposed in Japan, many Hong Kong residents raise their safety concern about the nuclear power plant in Daya Bay. Some European countries' governments are reconsidering their energy strategies.

This conference aims to bring together updated research papers and comments on the many facets of the *Sustainability* issue from experts in many countries and continents. The Leader, Dr Rita Yi Man Li is the author of "*Building Our Sustainable Cities*" (2011). She has published many papers and served as the editorial board members of 16 international journals. Her research focuses mainly on sustainable development in the built environment. She lectures in the Department of Economics and Finance, Hong Kong Shue Yan University.

Many localities and countries, such as Hong Kong, Japan, Germany, China, the US and the UK rely on nuclear power stations to generate the electricity needed by their economies. Nuclear power stations emit less greenhouse gases and pollutants compared with traditional energy production methods particularly those based on oil energy. Besides, after the initial high set-up costs, electricity can be generated in a relative cheap way. Nevertheless, a private think tank estimates that the accident at the Fukushima Daiichi nuclear plant would cost Japan 250 billion dollars over the coming decade (NHK World, 2011). People are becoming aware of the huge hidden social costs of nuclear power. Therefore, many people in different countries call for the abolition of nuclear power. Meanwhile strong concerns continue to be expressed about the environmental effects of our reliance on oil-based energy. Potential energy-saving via improved thermal performance of buildings and by district heating system efficiency improvements are two of the possible ways to reduce the energy use and the environmental destruction problem (Li, 2011).

This is an appropriate time to reconsider the issue of energy in terms of: the range of alternatives; their costs and

benefits; the effects of various alternatives on the relevant stakeholders; and possible strategies for sustainable development. Sustainability has many dimensions and we welcome contributions in the following areas, though others will be considered if the papers warrant them. We also welcome contributions from many countries as this would help an analysis of the comparative situation and of different perspectives.

- Cost benefit analysis on the usage of green energy
- Sustainable firms and business
- Sustainable construction and real estate
- Environmental law and economics
- Private property rights and green environment
- Global sustainable policies
- Strategies for building sustainable cities
- Sustainability issue and policies in different countries

All submissions will be screened for relevance and suitability of content, after which they will be posted to a dedicated WEA Discussion Forum for debate.

<http://sustainabilityconference2012.worlddeconomicsassociation.org>

The debate will take the form of an extended, text-based, online exchange and commentary over a period of four weeks, after which the papers and comments will be lodged within the WEA archives. We aim to publish conference proceedings or book volume if the contributions warrant it.

All WEA members interested in these issues are encouraged to register and participate in the conference. The participation can be as author of a paper, commentator, or attendee.

Conference timetable:

Deadline for submission of papers 28th May

Discussion Forum period 18th June- 15th July

Send contributions to: Dr Rita Yi Man Li,

ritarec1@yahoo.com.hk

References

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PERMA and Positive Psychology

By Stuart Birks k.s.birks@massey.ac.nz

While economists have been challenging the positivist approach, some psychologists have been developing Positive Psychology. Economists might wish to consider how their concerns might apply here.

There is another dimension of interest to economists, however. One of the academics driving this initiative is Martin Seligman. He has further expanded his happiness analysis to form a well-being theory that considers five, rather than the original three, key components, hence the term PERMA. This stands for:

- **Positive emotion** (Of which happiness and life satisfaction are all aspects)
- **Engagement**

- **Relationships**
- **Meaning and purpose**
- **Accomplishment**

This reminds me of a comment at an economics conference. Roughly, "Psychologists use about 50 variables to specify happiness, whereas economists select one happiness variable to include in their regressions".

For more details, see:

<http://www.authentichappiness.sas.upenn.edu/newsletter.aspx?id=1533>

[Thanks are due to "staveren" for highlighting PERMA in his [comment at the WEA Ethics online conference.](#)]

Detribalising Economics *by Rob Garnett r.garnett@tcu.edu*



In “Why Pluralism?” (2011), Stuart Birks calls for “greater discussion, deliberation, and cross-fertilization of ideas” among schools of economic thought as an antidote to each school’s autarkic tendency to “see itself as owning the ‘truth’ for its area.” As a philosophical postscript, I want to underscore the catholic reach of Birks’s remarks -- his genial reminder, properly addressed to all

economists, of the minimal requirements for academic inquiry.

The case for academic pluralism in economics is motivated by the ubiquity of “myside bias” (Klein 2011). Whether methodological, ideological, paradigmatic, or all of the above, such groupthink fuels intellectual segregation and bigotry. It turns schools into echo chambers, sealed off from the critical feedback loops that check hubris and propel scholarly progress.

Pluralists know that “The causes of faction cannot be removed . . . Relief is only to be sought in the means of containing its effects” (Hamilton, Madison, and Jay [1788] 2001, 45). So even as they celebrate paradigmatic diversity, they insist that scholars observe two liberal precepts:

1. academic discourse is a commons, no ‘area’ of which can be owned by any school; and
2. within these spaces of inquiry, scholars bear certain ethical duties as academic citizens.

Academic pluralism is the duty to practice “methodological awareness and toleration” (Backhouse 2001, 163) and “to constantly [seek] to learn from those who [do] not share [one’s] ideological or methodological perspective” (Boettke 2004, 379). It is “academic” because it coincides with the epistemological and ethical norms of modern academic freedom (American Association of University Professors 1940). It is “pluralist” because it entails a commitment to conduct one’s scholarly business in a non-sectarian manner.

Could a critical mass of economists ever be persuaded to enact these scholarly virtues? Yes! But admirers of these virtues must be prepared to teach by example. When Warren Samuels passed away in last August, he

was eulogized as a first-rate scholar who advanced pluralism by enacting it consistently over his long career. As the Austrian economist Peter Boettke recalls:

Prior to meeting Warren, I think it would be accurate to say that I divided the world neatly into those who are stupid, those who are evil, and those who are smart and good enough to agree with me. . . . Warren destroyed that simple intellectual picture of the world. . . . He didn’t overturn my intellectual commitments . . . but he made [me] more self-critical and less self-satisfied, and hopefully a better scholar [and] teacher (Boettke 2011).

The pluralism Warren Samuels personified can be achieved by most economic scholars, teachers, and students to a reasonable degree. If we want economics to regain its standing as a serious and humane social science, we must find more ways to activate these dormant capabilities.

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{Editor’s note: Readers may also be interested in Garnett, R. F. (Ed.). (1999). *What do economists know?* London: Routledge}

A pluralist dilemma...

“Hush, Don’t ask any questions. It is always best on these occasions to do what the mob do.”

“But suppose there are two mobs?” suggested Mr Snodgrass.

“Shout with the largest,” replied Mr Pickwick.

[Charles Dickens, from *The Posthumous Papers of the Pickwick Club*.]

Dear Colleagues,

The Japan Society of Political Economy organized Fukushima Symposium on the Earthquake and Nuclear Disaster with three academic associations on 24 and 25 March 2012. I attach joint declaration of Fukushima symposium participants.

The JSPE will hold its 60th annual conference on The Great East Japan Earthquake and the Nuclear Disaster, and Research Agenda of Political Economy on October 6 (Saturday) and 7 (Sunday), 2012, at Ehime University, Matsuyama, Japan. (For more information see its website. http://www.jspe.gr.jp/drupal/en_cfp2012)

Joint Declaration of Fukushima Symposium Participants

To the victims of the East Japan Earthquake and Tsunami, and those who have suffered damage from the accident at the TEPCO Fukushima Nuclear Reactor #1! To our fellow Japanese and fellow citizens of the world!

Here in the city of Fukushima, which still now lives under the threat of radioactive pollution, in March 2012, almost a year to the day since the earthquake and nuclear accident, we the members of five organizations of professional economists have convened this joint meeting. We have done so out of our desire to recover our original conviction that Social science is not only a matter of treating abstract models but also springs from the travail and concerns of real, living people.

On our first day, we heard the appeals of the mayor of a local city, of an activist of farmers' movement battling with radiation damage, of a musician launching a new citizens' movement, and from scholars acting on the basis of their local ties. Having done so, we have renewed our understanding that initiatives for reconstruction are emerging from the residents and local governments of affected regions, scholars with local ties, and citizens elsewhere acting in solidarity with them. However, there were also statements by the Fukushima residents in attendance that the trust among them in science and scientists was being lost. We take these points with utmost seriousness.

This morning, we welcomed Professor Hirowatari Seigo, formerly president of the Japan Science Council, and he was joined by representatives of four of our organizations in a discussion of how social scientists ought to be engaged with the issues raised by this unprecedented disaster. We were unanimous in agreeing that social science has the duty to strive for the sustainability of local livelihoods and the natural environment, and to contribute to the formulation of recovery policies and an economic system that respects residents' local autonomy and sovereignty over issues affecting their daily life and livelihood. We also affirmed that for this purpose, the further development and deepening of social science is essential.

In the afternoon, thanks to the presence of Suzuki Hiroshi, who has devoted himself to establishing Fukushima Prefecture's Vision for Reconstruction; of Shimizu Shūji, who organized a group from Fukushima Prefecture and elsewhere for a study of conditions at Chernobyl; and of Miranda Schreurs, who has played a major role in reestablishing the policy of denuclearization in Germany, we saw clearly how local movements link up with global movements.

Through our two days of discussion, we have recog-

nized the following 3 points as urgent tasks in dealing with the earthquake and nuclear accident:

1. achieving a reconstruction policy based on local residents that safeguards local self-government and autonomy
2. clarifying responsibility for the nuclear accident and the accompanying radiation, and providing prompt and fair compensation of victims, in particular sparing no expense to safeguard the health of children, on whom the future depends
3. moving toward a regional policy and environmental/energy policy based on safety of life and livelihood, in particular moving rapidly away from sources of electric power that rely on highly dangerous atomic energy, and engaging with the task of reconstructing the basis of the regional economy that accompanies this shift

We believe that the pursuit of these urgent tasks is connected to the following 3 broader and longer-term challenges:

1. constructing a sustainable economic system that sets an appropriate public framework for the profit-driven market economy
2. reconstructing local government and national sovereignty in terms other than that of control of localities and domination of their residents through policies set by the central government
3. building up a moral sense of mutual cooperation and solidarity at the regional, national and global levels

In the belief that the urgent and longer-term tasks described above demand the further development and deepening of Japanese social science, we pledge to fulfill our responsibility as scholars by carrying out our research activities in solidarity with the victims of the earthquake and nuclear accident, who are striving amid their sufferings to overcome the difficulties they face.

Fukushima Symposium on the Earthquake and Nuclear
Disaster, in Unanimity
March 25, 2012

Note: This symposium was organized by the joint committee of the following four academic associations, The Japan Society of Political Economy/The Japan Association of Economic Geographers/The Japan Association for Regional Economic Studies/The Institute for Fundamental Political Economy, and supported by the following academic institutions, Political Economy and Economic History Society/The Union of National Economic Association of Japan/Fukushima Future Center for Regional Revitalization/Fukushima University.

Doubtful significance by G M Peter Swann gmpswann@yahoo.co.uk

In the February issue of this newsletter, Steve Keen (2012) makes some very good points about the use of mathematics in economics. Perhaps we should say that the problem is not so much the use of mathematics as the *abuse* of mathematics.

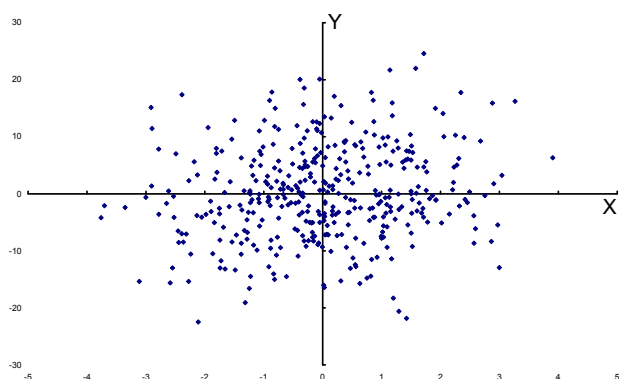
A particular issue that worries me is when econometricians make liberal use of assumptions, without realising how strong these are.

Consider the following example. First, you are shown a regression summary of the relationship between Y and X, estimated from 402 observations. The conventional t-statistic for the coefficient on X is 3.0. How would you react to that?

Most economists would remark that $t = 3.0$ implies significance at the 1% level, which is a strong confirmation of the relationship. Indeed, many researchers mark significance at the 1% level with three stars!

Second, consider the scatter diagram below. This also shows two variables Y and X, and is also based on 402 observations. What does this say about the relationship between Y and X?

Figure 1



I have shown this diagram to several colleagues and students, and typical reactions are either that there is no relationship, or that the relationship could be almost anything.

But the surprising fact is that the data in Figure 1 are *exactly the same* data as used to estimate the regression summary described earlier. How can such an amorphous scatter of points represent a statistically significant relationship? It is the result of a standard assumption of OLS regression: that the explanatory variable(s) X is/are *independent* of the noise term u .

So long as this independence assumption is true, we can estimate the relationship with surprising precision. To see this, rewrite the conventional t-statistic as, $t = \psi\sqrt{N-k}$, where ψ is a signal to noise ratio (describing

the clarity of the scatter-plot) and $N-k$ is the number of degrees of freedom (Swann, 2012). This formula can be used for bivariate and multivariate models.

In Figure 1, ψ is 0.15, which is quite low, but $N-k = 400$, which is large enough to make $t = 3.0$. More generally, even if the signal to noise ratio is very low, so that the relationship between Y and X is imperceptible from a scatter-plot, we can *always* estimate a significant t-statistic – so long as we have a large enough number of observations, and so long as the independence assumption is true. But there is something doubtful about this ‘significance’.

Is the independence assumption justified? In a context where data are noisy, where rough proxy variables are used, where endogeneity is pervasive, and so on, it does seem an exceptionally strong assumption.

What happens if we relax the independence assumption? When the signal to noise ratio is very low, the estimated relationship depends entirely on the assumption that replaces it. Swann (2012) shows that the relationship in Figure 1 could indeed be almost anything – depending on what we assume about the noise variable(s).

Some have suggested that this is not a problem in practice, because signal to noise ratios are usually large enough to avoid this difficulty. But, on the contrary, some evidence suggests the problem is generally *worse* than indicated by Figure 1.

Swann (2012) examined 100 econometric studies taken from 20 leading economics journals, yielding a sample of 2220 parameter estimates and the corresponding signal to noise ratios. Focussing on the parameter estimates that are significant (at the 5% level or better), we find that almost 80% of those have a signal to noise ratio *even lower* than that in Figure 1.

In summary, it appears that the problem of ‘doubtful significance’ is pervasive. The great majority of ‘significant relationships’ in this sample would be imperceptible from the corresponding scatter-plot. The ‘significance’ indicated by a high t-statistic derives from the large number of observations and the (very strong) independence assumption.

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[Editor’s note: If you are interested in this topic, you may also wish to read D.A. Hollanders, “Five methodological fallacies in applied econometrics”, *real-world economics review*, issue no. 57, 6 September 2011, pp. 115-126, <http://www.paecon.net/PAEReview/issue57/Hollanders57.pdf>]

Conflicting pressures on academics in Australian universities

By John Lodewijks J.Lodewijks@uws.edu.au

The relative decline in government funding of Australian universities has forced those institutions to become more entrepreneurial in obtaining funding. This and increased student numbers may have led to a fall in the quality of education and a reduction in assessment standards. Productivity improvements and cost efficiencies are constantly expected in an environment characterised by the increased commercialisation and managerialism of universities. The rapid expansion in university enrolments places extra pressure on university infrastructure, management and an ageing academic staff profile. Vigorous recruitment campaigns are needed to moderate the expected further increases in student-staff ratios. The collective effects of these pressures appear to be taking their toll in the workplace where 'restructuring' always seems to be on the agenda.

Academics face increased accountability for the volume and quality of research outcomes (Excellence in Research for Australia, Round 1) as well as quality learning outcomes (the Australian Universities Quality Agency and now the Tertiary Education Quality and Standards Agency). Educational theorists, who advocate the explicit recognition of the learning process, and university administrators, who must appear to be proactive in educational development within their institutions, are pressuring staff to change the way they teach. The changes involve criterion-based assessment, curriculum design and quality assurance. Academics are required to do assessment mapping and scaffold learning outcomes throughout programs and courses and relate these to graduate attributes. In turn course outcomes need to be externally benchmarked to discipline academic standards. One would expect that, if these approaches to teaching were effective, students themselves would insist upon their adoption. However, the pressure from them is quite different. They are more concerned about teacher characteristics and managing time pressures of study plus part-time work.

The onus seems to fall completely on academic staff when it comes to achieving quality outcomes. In truth, when it comes to learning outcomes there is only so much even the most dedicated and well-meaning staff member can do in an environment where students are spending less time on the campus and more hours in paid employment and where their studies are being increasingly compartmentalized in a hectic schedule of non-study activities. Moreover the attitudes and motivations of students often appear antithetical to traditional concepts of scholarship (note the incidence of plagiarism) and the scholarly purpose of universities to broaden one's mind and to explore ideas in a critical and creative way. Many students seem solely employment focused and view a university education as a paper-chase at minimalist effort and with modest targets where bare passes are satisfactory.

Academics perceive that the students they are teaching have changed. They lament falling standards and declining

attendances in lectures. Blended learning approaches are increasingly foisted on staff, and it is not at all clear that it saves any time or effort on the part of the academic. Anecdotal evidence exists that it consumes more time than traditional chalk and talk in the pre-electronic age. Many academic staff appear perplexed about the new student landscape and the extra demands being placed on them in a continually changing learning environment. The additional students often lack basic literacy and numeracy skills so that their preparation to enter higher education is deficient. The additional pressure on academics undermines rather than enhances the quality of core services that academics can offer students: the teaching of discipline-based content.

The presently evolving situation is *unsustainable*. The quality of university education is being eroded on multiple fronts. From the student perspective it is being eroded because students' motivation to learn is being significantly undermined. Students must work to be able to afford a university education and this work is mostly in casual, unskilled employment that adds little to their intellectual development. As a consequence, students are withdrawing from face-to-face engagement with their classes and with the university environment more broadly except for experiences they perceive (correctly or incorrectly) to enhance their 'work-readiness'. This reduction in engagement is reducing the development of the intellectual skills they once would have been able to take into the workforce. From the perspective of academics, the acutely conflicting demands on academic time, already limited more by sheer physical capacity rather than any sense of what is a fair workload, is undermining the quality of what academics can deliver in the class room.

The cumulative nature of pressures being placed on academics is considerable. So what can be done? At one level it is a matter of resources and funding. A related aspect is the shifting of the cost of higher education from the state (and taxpayers) to students. The solution then is more generous funding that leads to more academic positions, lower student-staff ratios and more tailored support for students that have literacy or numeracy skill deficiencies. That will ease some of the pressures, but the prospects of this outcome occurring are not high.

[Editors note: A fuller and most entertaining discussion of these issues appears in Lodewijks, John (2011) *'The Elephant in the Room: Conflicting Demands on Academics in Australian Higher Education'* *Australasian Journal of Economics Education*, 8(1), pp.17-40]

"One would expect that, if these approaches to teaching were effective, students themselves would insist upon their adoption. However, the pressure from them is quite different. They are more concerned about teacher characteristics and managing time pressures of study plus part-time work."

WEA Conferences

As I write this article the first WEA conference (*Economics and Society. The Ethical Dimension*) is underway. By the time the Newsletter is published the Discussion Forum on this conference will be closed. In our view the conference is being successful because it has attracted many papers of which 25 have been accepted and it had many attendees: circa 300 have registered for the conference. We are particularly pleased to see contributions from many countries and regions of the world reflecting the WEA membership and our aim of inclusivity.

I am very grateful to all the authors of papers and to all the commentators. Participation in the Discussion Forum is very important not only for the success of the conference but also for the development of research. I continue to encourage you – our members – to participate with comments/reviewers to the papers posted in the Discussion Forums of our journals and conferences.

On the organizational side, the credit for this success goes to the two Leaders – Alan Freeman and Peter Radford – and to two members of the Conference Organizing Committee (COC) who worked steadily behind the scenes: Ilker Aslan and Marian Cloers. I am very grateful to all of them.

While Alan and Peter will draw lessons on the ethics of the economics profession, I and other members of the COC are drawing organizational lessons for our future conferences. I welcome your views on how you as member – be it author or commentator or attendee of this first conference - have experienced it with suggestions for improvements on future conferences.

Plans are well underway for our conference on **Sustainability** on which the Call and timetable are presented by a separate article in this Newsletter. The conference Leader is Rita Yi Man Li who is an expert in the field and whose book on the subject was mentioned in

Newsletter 2(1). Please register for this conference and participate with papers and later with comments or simply as attendee.

One of WEA's biggest assets is having members in so many countries and regions. We want to exploit this feature for the benefit of all our members by organizing a series of **conferences on regional economic issues**. The idea is to organize a conference for either a region or a major country dealing with: the economy and the economics of the region/country. And when we talk about the economy and indeed economics – the paradigms used in teaching and research – the policies and politics aspects cannot be too far behind; so we expect them to play a role.

We shall start this series with a **Conference on Latin America** to be organized by Juan Carlos Moreno Brid and Alicia Puyana. I am exploring other countries and regions and I invite you, our members, to come forward with ideas and suggestions for leaderships. Other conferences currently being planned are the following:

Rethinking financial markets; Leader: David Westbrook

Economic indicators; Leader: Merijn Knibbe

Please participate in our conferences as author or commentator and attendee. Also contact me with ideas for regional conferences as well as other topics and with suggestions for leaderships. I would also like to have your comments on the organization and wider issues.

Grazia Ietto-Gillies, Chair of the Conference Organizing Committee ietogg@lsbu.ac.uk

Book review...

Sophus A. Reinert, ***Translating Empire: Emulation and the Origins of Political Economy***, Harvard University Press, Cambridge, Mass. and London, 2011.

Reviewed by Norbert Häring n.haering@vhb.de

This is one of the most original books that I have read in recent years. Reinert charts translations of economics texts from the start of the 16th to the middle of the 19th century to convey several forgotten truths. One is that the history of economic thought did not start with Adam Smith. When Adam Smith entered the scene in the 18th century, Britain had long established her position as the industrial leader and other nations had been busy for decades trying to emulate her success. Britain for her part had achieved her own success by emulating the economic structure of wealthy regions like Burgundy and Venice by shrewd protectionist policies.

Reinert, who is a professor at Harvard Business School, shows who was trying to learn from whom by tracing the pathways of economic texts through the

different European languages. A special focus is on the translations of the Bristol merchant John Cary's *Essay on the State of England* from 1695. Cary's work, which described the protectionist and interventionist policies which enabled Britain to achieve its status as a leading industrial power was adopted in France, Italy, Germany and Scandinavia. Much later, it delivered a blueprint for



Norbert Häring

the industrialization of the New World after it had achieved independence from its colonial master. His 150 pages ballooned to more than a thousand in the French translation and more than 1500 pages in Italian. The French edition axed the most severe Francophobe sections and expanded on the survey of English commerce and policy with recourse to later English writers. The Italian one added an analysis of economic change inspired by the rises and falls of Italy's economic power. The German one was the last in the sequence of translations of Carey's immensely influential, but largely forgotten, book.

The promotion of the ideas of Adam Smith, David Ricardo and other free traders' teachings comes across as a campaign of conscious counter-emulation, to distract Europeans from the real issues of relative military power and promotion of manufacturing industry. Just as the British preached economic policies that were

different from the ones they had successfully used themselves, it was not safe for anybody to rely on the British preaching of liberty, as Reinert shows with the example of the Republic of Naples. The republic was erected by students of Genovesi, a translator of Cary's work. Britain helped the royalists to defeat the republic and Admiral Nelson had hundreds of the republicans killed.

Reinert's book draws a picture of a different economic axis to today's crumbling and increasingly irrelevant right-left axis; economic activism building and securing a strong productive structure vs. a faith in Fortuna and the powers of markets alone. As late as in the 1930s both the political left and the political right were in favour of strong policies influencing national economic structures. The context in which these policies were established seems to return, but Europe can certainly do a better job than last time!

New Book - a conversation with the author

Transnational Corporations and International Production, 2nd Edn, by Grazia Ietto-Gillies, Edward Elgar, 2012.

Q: Why did you write a book on this theme, and why produce a second edition?

A: I moved to Britain from Italy in the early 1970s and was struck by the structural differences between the two economies. I decided that I needed more understanding of the behaviour of foreign *companies investing in Britain and of British companies investing abroad. This led to the study of the twin problems of de-industrialization and domination by transnationals (TNCs). I was influenced by my Italian economics upbringing, favouring history of ideas and pluralistic approaches.

There was, and still is, a large gap between readers of conventional economics – whether neoclassical or heterodox - and those interested in general international business literature as found mainly in Business Schools. This suggested a need for a book that embraced both political economy and international business. The first edition was published in 2005 and was well received, with sales to a world-wide market. It is now time for a new edition, and this came out in February 2012.

Q: What distinguishes transnational corporations from other producers?

A: My view of the matter is that TNCs are different from uninational companies (UNCs) because they have a wider range of strategies at their disposal. It is the existence of nation-states with their different regulatory regimes that generates scope for additional strategies. This is also the reason why we need specific studies and theories of the TNC over and above those of the firm in general.

Q: Why didn't you take a mainstream economics approach?

A: The internalization approach – rooted in Coasian

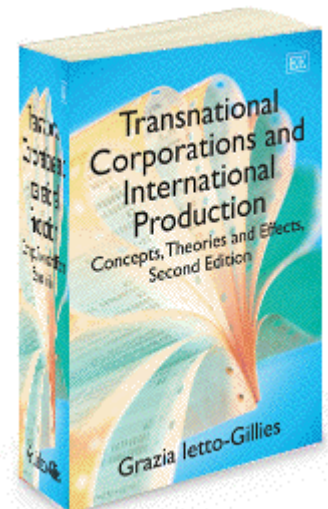
analysis - to the TNCs goes back to mid-70s.

However, the neoclassical approach to the TNCs has had a big boost in the last 25 years thanks to the so-called New Trade Theories approach to the TNCs (which I discuss in chapter 12). Their approach is basically 'efficientist': decisions by TNCs are driven by maximization principles and search for efficiency.

My approach is that large firms in oligopolistic markets are driven by strategic goals and that TNCs differ from other firms in that they have more strategies open to them. In this sense I look at the management/strategy literature. But there is a political economy twist in my approach.

Q: Can you say something briefly about your own theory as included in the book?

A: My own approach to the explanation of TNCs' activities and behaviour (see Chapter 14) is rooted in the following. (a) TNCs are strategy driven; (b) transnationality allows them scope for additional strategies (compared to UNCs) and to additional benefits; (c) a strategic approach begs the question of: strategies towards whom? More conventional approaches to this question concentrate on strategies towards rivals. I stress also strategies towards: labour governments and suppliers. Transnationality gives companies extra bargaining power towards these actors. It is in this respect that my theory becomes rooted in conflict and political economy.



WEA Membership Report

In February when I took over management of the membership database, I discovered that approximately 350 members had signed up more than once, so that instead of having 7,300 members as I had reported, we had only 6,950.

But for the past six weeks I have been conducting a membership drive. I have sent hundreds of emails, each directed to particular groups of contacts. As of this morning (5 April) the membership is **9,072**. The drive will continue for a few more weeks, by which time I am hopeful that WEA membership will reach 9,400.

The geographical distribution of WEA membership is impressive, as shown by the list below of countries with 100 or more members:

| | | |
|---------------------|-----------------|--------------------|
| United States 1,164 | India 618 | United Kingdom 602 |
| Germany 519 | Australia 513 | Ethiopia 443 |
| Canada 378 | Italy 364 | France 232 |
| Argentina 255 | Mexico 170 | Spain 164 |
| Turkey 157 | New Zealand 146 | Portugal 141 |
| Switzerland 105 | China 104 | Austria 100 |

Can **you** help to recruit more members for the WEA? **Yes.** Emailing promotional material to any of your networks, small or large, or posting it on websites are the best ways. Here is some copy that you could adapt and use.

Edward Fullbrook

The **World Economics Association (WEA)** was launched on May 16, 2011. Already it has over 9,000 members and is the world's second largest association of economists. This phenomenal success has come about because the WEA fills a huge gap in the international community of economists -- the absence of a professional organization which is truly international and pluralist.

[WEA Manifesto](#)

[Founding Members](#)

[Executive Committee](#)

Membership is free and includes access to three quarterly online journals:

[World Economics Journal](#) (first issue expected in May)

[Economic Thought](#) (first issue scheduled for 15 June)

[Real World Economics Review](#) (click to see current issue)

Papers proposed for these journals are open for discussion and review before publication.

[WEJ Paper Review](#)

[ET Paper Review](#)

Five online conferences have been scheduled

[Economics in Society: The Ethical Dimension](#) (in session)

[Sustainability](#) (call for papers)

Rethinking Financial Markets

Economic indicators

Latin America: the economy and economics

Joining the World Economics Association is **free** and takes one minute. In addition to economists, scholars in related fields are welcome. To join click [here](#)

WEA online conference—Rethinking Financial Markets

Rethinking Financial Markets: Social Capitalism, Economies of Money, and Custodial Regulation

October 1-31, 2012

Introduction

The World Economics Association seeks to foster collective reconsideration of the social role of finance, and consequently, the regulation of financial markets.

To that end, the WEA announces an upcoming electronic conference, *Rethinking Financial Markets*. This conference will explore consequences and possibilities of three general suppositions.

1. *Social Capitalism*: a great deal of social life has been capitalized. Individuals and institutions in all reaches of society are directly dependent on the functioning of capital markets. As a corollary, financial market regulation should be understood as constitutive of core social processes, rather than the correction of the "failure" of some natural market.

2. *Economies of Money*: Developments including the securitization of assets, the expansion of credit markets, and the proliferation of markets in derivative instruments financial markets are larger than traditional markets in goods and services. The discipline of finance should be rethought to account for the mercurial sea of liquidity that characterizes "economies of money."

3. *Custodial Regulation*: the practice of financial regulation should shift focus, from fostering the formation and allocation of capital, to maintaining the stability of the

institutions, now all perforce monetary institutions, on which contemporary social life depends, hence "custodial regulation."

These developments have consequences both for political economy writ large, and for the construction of specific markets. If financial regulation were understood to be the construction of financial markets on which society could rely, how would (or should) policy, regulation and business practice look different?

As with other WEA conferences, contributors will participate in the conference primarily through a dedicated website. The conference website will be established, and its address announced, shortly.

One aim of this conference is to foster discussion among participants, to make this exchange more like a conversation, and less like a bulletin board, which is not always easy in an electronic context. To that end, and specifically to provide shared reference points for discussion, a hub for many spokes, contributors are urged to read the conference *problematique*, which will be available on the website. The *problematique* discusses in more detail the conception of the conference, and the topics listed in the call for papers.

Call for Papers

The World Economic Association solicits submissions of papers addressing the need to rethink financial markets in the current economy. What have we learned from the recent and ongoing crises, and what may be

done under current conditions?

In order to keep discussion as focused and concrete as possible, submissions are solicited under the following general rubrics. These rubrics should be regarded as strongly suggested but not mandatory, i.e., papers that do not fall neatly under a single rubric will be considered.

1. Recent history and the art of the possible
2. Fiscal and monetary policy
3. Tax, capital formation, and inequality
4. Financial instruments
5. Financial markets (exchanges)
6. Financial institutions
7. Custodial relations
8. Labor markets and social capitalism

In keeping with the goal of fostering exchange across perspectives, papers may be relatively short, and clarity and accessibility of thought are strongly desired. Papers are expected to be between 2,500 and 10,000 words, although longer and/or more technical papers will also be considered.

Conference Timetable

Submissions may be made via [the conference website beginning on June 1, 2012](#).

The deadline for submissions will be **September 1, 2012**.

All accepted papers will be published on the conference website. Papers will be posted and available for public comment on **October 1, 2012**. In the spirit of collective discussion, contributors are expected to respond to comments.

On **October 31, 2012**, the discussion period will come to an end, and papers and comments will be archived.

Rethinking Financial Markets will be announced throughout the WEA family of publications, and in other professional venues.

– David A. Westbrook*

dwestbro@buffalo.edu, Floyd H. & Hilda L. Hurst Faculty Scholar and Professor of Law, State University of New York (SUNY) at Buffalo

Progressive economists meet in Buenos Aires *By John Weeks johnweeks@jweeks.org*

These days progressive and pluralistic economists typically find themselves relegated to the margin of theoretical and policy debates. Explicitly to change this, the Universidad Nacional de Quilmes hosted an extraordinary gathering of internationally known heterodox economists to discuss and debate issues of theory and policy, during 20-23 March 2012 (*Jornada de Economía Política UNQ del Congreso de Economistas Heterodoxos*).

Those invited to lecture and meet with students and other interested parties were Edward Nell, Anwar Shaikh and Lance Taylor (all of the New School University, New York); Costas Lapavistas and John Weeks (School of Oriental & African Studies, University of London); Cyrus Bina (University of Minnesota, Morris); Sergio Cesaratto (University of Sienna), Mark Lavoie (University of Ottawa); and Makoto Itoh (University of Tokyo).

Some of most important aspects of the week were the discussions among those invited about central issues in economic theory, including growth, exchange rate determination, the endogeneity of money, and value theory. This interaction among post-Keynesian, structuralist and Marxian economists demonstrated the extent to which there is commonality among the heterodox, as well as tolerance and openness to superficially opposing views.

The conference coincided with a major event in the economic management of the Argentine economy, a new law setting the framework for the central bank (*La Ley Organica*, signed into law by President Cristina Krichner on the last day of the conference). In what must be the most enlightened central bank law in the Western Hemisphere (and much of the rest of the

world), the new framework instructs the Central Bank of Argentina along with the traditional function of inflation management to facilitate economic growth and foster a more equitable distribution of income, the latter through influencing the structure of public and private investment. The new framework was designed by one of world's only female central bank governors, Mercedes Marco del Pont. Several of the invited lecturers appeared on national television to explain and endorse the Central Bank's counter-cyclical role.

Since the return to government of the Partido Justicialista ("Peronist") in 2003, the Argentine economy has grown at an annual rate of over seven percent, with inflation slightly below ten percent. This can be compared with the disastrous collapse of the economy during 1998-2002, provoked by the ill-advised neoliberal currency board regime. The new law, which among other things eliminates the rigidities of the currency board, should facilitate rational economic management.

In addition to the three intensive days of lectures on macroeconomics, monetary analysis, international trade theory, and the current crisis, the university press will translate several books by the visitors into Spanish. This translation project will provide the largest organized, structured collection of heterodox analysis from outside Spanish America available to students studying economics in the region. Most of the 27 lectures by the nine scholars are available in pdf form, and there is a Blu-Ray with the videos of all the lectures (in English except for those by Weeks, which are in Spanish).

Those interested contact John Weeks, johnweeks@jweeks.org.

Contact the Association

Journal editors:

RWER: Edward Fullbrook
fullbrook@worldeconomicsassociation.org

Economic Thought:
ETEditor@worldeconomicsassociation.org

World Economics Journal:
WEJEditor@worldeconomicsassociation.org

Conferences:

Chair of Conference Organizing Committee:
conferences@worldeconomicsassociation.org

Newsletter editor:

Stuart Birks k.s.birks@massey.ac.nz

Marginal cost pricing

For those not too happy with the heavy mainstream emphasis on marginal cost pricing, take a look at a short summary of alternatives in the first 4 pages of Nichols, M., Pavlov, O., & Radzicki, M. J. (2006). The Circular and Cumulative Structure of Administered Pricing. *Journal of Economic Issues*, 40(2), 517-526. The alternatives draw on observation of actual pricing decisions, so they are more indicative of what does happen, rather than some unclear mix of what is and what should be. One alternative is mark-up pricing, which makes sense if only because of the share of the market price that is claimed by distribution, rather than going to the product manufacturer.

For a text which describes mainstream economics, then adds on numerous alternative perspectives, see Earl, P. E., & Wakeley, T. (2005). *Business economics: a contemporary approach*. Maidenhead: McGraw-Hill Education.

Upcoming deadlines!

The Future of Evaluation in Modern Societies
 14-15 June 2012, Saarbrücken, Germany
<http://futureofevaluation.ceval.de>

How to bring joy into economics: Revisiting
Tibor Scitovsky (1910-2002)
 26-27 June, Gaeta, Italy
<http://www.convegni.unicas.it/Scitovsky>

14th International Joseph A Schumpeter
Society Conference
 Brisbane, Australia, 2-5 July 2012
<http://www.aomevents.com/ISS2012>

Political Economy and the Outlook for Capitalism
 AHE, FAPE, IIPPE, Paris, 5-8 July 2012
<http://www.assoekonomiepolitique.org/political-economy-outlook-for-capitalism/>

International Conference on Structural
Economic Dynamics
 3-5 September, 2012
 Meiji University, Tokyo, Japan
<http://www.kisc.meiji.ac.jp/~confyagi/September2012.html>

Keynote Speaker: Prof. Luigi Lodovico Pasinetti
 (Universita Cattolica del Sacro Cuore)
 Deadline of Abstracts: May 31, 2012
 Abstracts should be sent to:
confyagi@kisc.meiji.ac.jp

To contact the organizer, email Prof. Takashi Yagi
 (Meiji University), yagi8@kisc.meiji.ac.jp

USM-AUT International Conference (UAIC) 2012 -
Sustainable Economic Development: Poli-
cies and Strategies
 November 17th-18th, Malaysia
<http://web.usm.my/uaic2012/>

The World Economics Association Newsletter is published in the UK by the World Economics Association.

And note also...

Review of Radical Political Economics, call for papers, special issue on **full employment**, deadline 30 September 2012
<http://www.urpe.org/rpe/Announcements/CallForPapers/CFPSpecialIssueFullEmployment.htm>

Contributions wanted...

Are you interested in contributing to the WEA Newsletter?

We are looking to cover a broad range of perspectives and recognise that experiences and issues vary around the world. Submissions are welcome that illustrate this diversity and indicate possibilities. This includes discussion on the experiences of smaller countries and less publicised areas.

The difference between real world phenomena and theoretical representations is also important, as are methodological and cross-disciplinary observations. Other topics of interest include the significance of definitional issues and available data in framing discussion, and alternative perspectives that may merit more attention than currently achieved.

In general, we welcome short pieces (approx 500 words) highlighting one or two specific points of interest as illustrated in this and past issues.

Also of particular interest are:

Reports summarising the topics covered in country-specific economics/policy blogs (priority issues, aspects being emphasised, policy approaches considered);

Country specific "media watch" on economic issues. What are the public being told? Who are the spokespeople? Is a diversity of views being presented? Is there any investigative reporting or in-depth analysis?