

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.

Inside this issue:

Editorial: Theory as framing <i>Stuart Birks</i>	<u>2</u>
Update on WEA Conferences	<u>2</u>
Conference: Sustainability	<u>3</u>
Worries about models	<u>3</u>
WEJ name now to WER	<u>4</u>
<i>Economic Thought</i> —journal update	<u>4</u>
Positive linking—networks <i>Paul Ormerod</i>	<u>5</u>
Different perspectives on a changing world	<u>5</u>
Renewal of economics as a social science	<u>6</u>
The GFC and complex social repercussions	<u>7</u>
Confessions of a pluralist textbook author <i>Peter Earl</i>	<u>8</u>
WEA Ethics conference	<u>9</u>
Another road for Europe	<u>9</u>
Rio+20/UNDP-IPC	<u>9</u>
Green Economics Conference	<u>9</u>
WEA update <i>Edward Fullbrook</i>	<u>10</u>
The importance of rhetoric <i>Stuart Birks</i>	<u>10</u>
WEA Conference—Rethinking financial markets	<u>11</u>
Hodgson's "Neglected Problem"	<u>12</u>
Contacts and announcements	<u>12</u>

Economics in Society: The Ethical Dimension

More selected extracts from papers in the WEA online conference

Manuel Branco: The Subprime Crash is above all the dramatic and global expression of the incapacity of markets to meet human rights...the demonstration of the counterproductive effects of the neglect of human rights by the market and by economics itself"

Victoria Chick: "It takes self-confidence to dismiss keeping up with the Joneses and base ones self-esteem on other values"

Angelo Fusari: "in the presence of heavy inequalities in personal wealth and income distribution, the equality in dignity is largely jeopardized"

Christian Kellermann, Sebastian Dullien and Hansjörg Herr: "the market is a good servant, but a bad master of any society. It must be given clear tasks, clear rules and clear limits in order to provide for the basis and frame for the project of a Good Society."

Juan Carlos Moreno-Brid and Martín Puchet Anyul: "The Hippocratic dictum applied to economic policy making and regulation implies that State's intervention on matters related to production of goods and services, distribution, saving, investment and financial intermediation should, first and foremost, avoid causing harm to the population."

Avner Offer: "[S]elfishness and the invisible hand constitute a bad model of reality. Like other bad models, and because they are bad models, they provide a licence to inflict pain...Economics today appears to be trapped in a blind alley: the doctrines of efficient markets and the policy norms they endorsed, have failed repeatedly and badly."

Elena Sapir: "[A m]arket economy is a socio-economic system with its specific institutions, norms, values, and relations that are **beyond economic processes and relations in their narrow sense.**" "**a multidimensional theoretical model of the world economic space – a geo-economic atlas...** integrates geo-economic, geo-information, geopolitical, geo-cultural, ethnonational, and confessional spheres."

Howard Aylesworth: "there is no indicator to measure the full economic cost of the impact of human activity on the environment"

Geoff Davies: "What about the performance of free-market economies? It turns out that, even by their favoured measure, the rate of growth of GDP, performance has been retarded relative to that in the post-war decades, during which governments more actively managed economies, quite apart from the recent financial market collapse."

"If by ill-advised measures you free men from the responsibility of their acts, they could still be taught by theory—but no longer by experience. And I am not certain that instruction that is not reinforced and backed by experience is not more dangerous than ignorance itself."

Frédéric Bastiat (~1850)

P.68 at: http://idahoinman.com/the_law/frederic_bastiat-the_law.pdf

Editorial: Theory as framing by Stuart Birks, k.s.birks@massey.ac.nz

With an audience such as the readership of the WEA Newsletter, it goes without saying that diverse approaches to economics are to be preferred over a single theoretical perspective or research technique. That does not fully resolve the issue, however. Both in teaching and application of economics, many alternative frames can be applied.

This suggests that we could do the obvious and include alternative theoretical perspectives. Examples of differing levels of diversity for teaching economics can be found in Mearman, A. (2007) *Teaching heterodox economics concepts*

<http://www.economicnetwork.ac.uk/handbook/printable/heterodox.pdf>.

There is another dimension that could be added, however. Something could be said about the **process** of developing and adopting theories. Any theoretical perspective or research technique involves the selection of information and assumptions about structures and relationships. In other words, it involves **framing**.

Framing affects what we see, the questions that are raised and the answers that result. A broader approach would be to present all theories and techniques in the context of framing, with selection and simplification resulting in pared down, analogous representations. These, it is hoped, give some insights into the real world. However, they are not the real

world, and they prevent some things from being seen.

One possible example is the approach to the global financial crisis. Perhaps as a result of mainstream economic theory, or maybe even western thought, there has been an emphasis on structure and the role of governments in shaping this structure. This is not only static and mechanistic, but also dichotomous. Governments set various parameters, then numerous individuals or organizations in the private sector independently (Lawson would say atomistically) follow their own self-interest to yield a desired outcome for society. This rules out the possibility of guided or co-ordinate private sector behavior.

Stimulus packages did not give the desired results in the short term because individuals responded with debt-reduction and other conservative behaviour. Sustained stimulus policies give problems for governments, and individual financial viability is increasingly threatened by delayed recovery.

Should our models have considered changed private sector behavior? More pertinently, might other options emerge if we take a less constrained view of the private sector? Could there be co-ordinated private sector responses, perhaps?

We are more likely to recognize the limitations of theory if we accept that it comes from a process of framing and analogy.

Update on WEA Conferences

Our first conference, *Economics in Society: the Ethical Dimension* is now over and the two leaders – Alan Freeman and Peter Radford – are considering how to take it forward. The conference was a success and I want to thank all those of you who helped us make it so: particularly the authors of papers and the commentators. I also take this opportunity to thank Alan and Peter as well as Marion Cloers and Ilker Aslan for their support. There were problems, particularly software hitches during the conference and I apologize to all the participants for these. The problems are being sorted out by our software expert Jake McMurchie.

A second conference - on sustainability – was at a fairly advanced stage of planning when the leader – who originally volunteered to organize it – withdrew because of work pressures. We are very lucky in having now Peter Soderbaum, a well known expert in the field, to organize a conference on *Sustainable Development*. Peter will be aided by Malgorzata Derienowska. The Conference Call will soon be available on line and the key dates are: Deadline for papers 1st September 2012 and Discussion Forum 24th September to 21st October.

David Westbrook with co-leaders Nick Krafft and Richard Whelan are organizing a conference on *Rethinking Financial Markets*. The key dates are: deadline for submission of papers: September 1st; Discussion Forum:

October 1st to October 31st. The conference call is ready and it will soon be posted online. Please look out for these two conferences and register so that you can participate as attendee, author or commentator.

Further plans include the following. A series of conferences on **Regional issues** where we hope to touch on the economy, economics and the economics curriculum as well as on related political and social issues. We shall start with Latin America, a conference to be led by Alicia Puyana and Juan Carlos Moreno. It will probably be scheduled towards the end of 2012. Discussions are underway for another Regional Conference in 2013 focusing on Arab Countries and led by Ali Kadri.

For 2013 we are also planning a conference on **economic indicators** led by Merijn Knibbe known to most of you through his interesting blogs for the RWER.

I and the other current members of the Conference Organization Committee (COC), Ilker Aslan and Alan Freeman, would be grateful for your ideas and proposals for more region or country conferences as well as for conferences on other themes.

Grazia Ietto-Gillies,
Chair COC
ietogg@lsbu.ac.uk

Conference: Sustainability— Missing points in the development dialogue

Present development trends are largely unsustainable both in the social and ecological domains. In addition to financial crises, humanity has to deal with crises on the non-monetary side. In attempts to deal with these issues UN conferences have been held beginning in Stockholm 1972, continuing in Rio de Janeiro 1992 and Johannesburg 2002. Now in June this year, a so called Rio+20 conference is arranged, for a second time in Rio.

Although there is a substantial progress in dealing with sustainability challenges, there are also equally substantial limits within the development dialogue. Economics plays an important role in the development dialogue and in the mental maps of influential actors. However, since the dominant paradigm is defined by only neoclassical economics, the danger exists of excluding important and valid input and perspectives that lie outside of the mainstream. Something can certainly be achieved within the scope of neoclassical economics, but today alternatives to this paradigm, such as ecological economics (understood as economics for sustainable development), has also something to offer. For instance, formulating all problems and policy instruments in market and monetary terms is hardly a sufficient idea

In preparation for this year's UN conference, a panel of 22 politicians from different countries with Tarja Salonen, Finland, and Jakob Zuma, South Africa as co-chairs have prepared a report *Resilient People, Resilient Planet. A Future Worth Choosing* (2012). The seriousness of the problems faced is underlined and a large number of recommendations for action are made. However, the document is a consensus report that reflects the mainstream perspective, which may limit the kind of issues discussed. For instance, neo-liberalism as ideology or the power of transnational corporations is not scrutinized. Neither is the issue of a well-functioning democracy discussed. Only modification of the present political economic system is considered.

Sustainable development is a challenge for economists and for other social sciences at the same time. How can we contribute?

Few of us claim to have the final answers to the questions raised. But rather than avoiding issues about fundamental perspectives we have to raise them in order to broaden the dialogue through the articulation of alternative or complementary perspectives and policy advice. Thus, we will focus not just on so called "tipping points", but also for "missing points" in the sustainability

dialogue.

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 theoretical perspectives and from many countries as this would help an analysis of the comparative situation and different perspectives on ecological and other sustainability issues. From the above discussion we can single out the following fields:

1. Neoclassical economics appears to be the current main "driver" for analyses and policies on unsustainable development. What positive and negative lessons can we learn from this? What can we learn from analyses and policy recommendations from alternative perspectives.
2. How can ideological issues be clarified in the sustainability dialogue? How should we approach the normative components of sustainability?
3. How can the public and private sectors interact to bring about sustainable development?
4. How can we initiate a debate about the functioning of democracy and political-economic systems in relation to the present challenge of sustainable development?
5. Should one as an economist continue to think of "value" in monetary terms or is this "monetary reductionism" part of the problems faced in the sustainability debate?
6. Countries' case studies on sustainable development both in terms of analyses and policies.

Our **Call for papers** focuses on sustainable development as a broad field and is not limited to the kind of issues indicated above. The conference is web-based and papers can be sent via our website until September 1, 2012. A **Discussion Period** then follows between 24th September and 24th September. For details, please see <http://sustainabilityconference2012.worldeconomicsassociation.org/>.

Uppsala and Poznań, May 31 2012

Peter Söderbaum
Conference leader

Małgorzata Dereniowska
Co-leader

Reference

United Nations Secretary General's High-level Panel on Global Sustainability (2012). *Resilient People, Resilient Planet: A Future Worth Choosing*. New York: United Nations, <http://www.un.org/gsp/report>

Worries about models

There are some interesting points made in an article, ["Are Economics PhDs Learning the Wrong Thing?"](#) by Brendan Greeley, *Bloomberg Businessweek* 1 June 2012. In particular James Galbraith and Yanis Varoufakis are quoted to the effect that i) models may look very elegant, and people can take them to be providing

valuable insights into the real world, but ii) they are abstractions that can result in proponents subscribing to extreme and misleading views.

The article then questions whether PhD students have incentives to explore and experiment more widely, suggesting that they face institutional barriers.

World Economics Journal's name changed to World Economic Review

The World Economics Association and the editors have decided to change the name of WEA's prospective *World Economics Journal* to *World Economic Review*. The reason is that the publishers of the journal *World Economics* have expressed unhappiness with the closeness of the original title to their journal's name. As we want to be inclusive, not divisive, and since the concern about search engine confusion seemed to have some merit, we have decided to rename our journal. The inaugural issue of the *World Economic Review* will come out within the next few weeks. The new email-address for submissions is wereditor@worldeconomics.org, but old email addresses and website addresses will continue to work.

The articles included in the inaugural edition of the journal will cover a broad mix of theoretical and empirical subjects. Barring unforeseen events or delays with promised revisions, regions covered will include Africa, Latin America and the Arab countries. Theoretical subjects will include developmental economics, microfinance, brain psychology and the modeling of the rentier sectors.

While we have not been able to fulfill a hundred percent our pledge to let all authors know within three months whether their paper will be accepted, delays have been few and moderate with the first batch of papers. A few more such delays will happen during the extended setup-phase of the journal, but we are confident that in the medium term we will be able to inform authors on time in the large majority of cases. We are grateful to all the commentators who keep a lively debate going on the WEA paper review site at

<http://werdiscussion.worldeconomicsassociation.org/>. Together with peers' comments, the assessments of the editors will also be visible on this open review site. This procedure serves to make it as transparent as possible, on which grounds a paper has been accepted for publication or not.

To give a short, non-exhaustive preview of the inaugural edition: Robert Frenkel and Martin Rapetti examine the nature of the threat that is emanating from the appreciation of Latin American economies. They conclude that rather than external instability associated with the sudden stop phenomenon as in former times, the main threat currently is lasting deindustrialization of the affected economies. Milford Bateman and Ha-Joon Chang dissect the microfinance movement theoretically and empirically and come to the conclusion that it has been and had to be a failure as a development strategy. They trace the strong support that this strategy enjoyed to its attractiveness to the neoliberal mainstream with its individualist and anti-government bent. John Tomer explores the implications of Dual Motive Theory with the two dominant motivations, self-interest and other-interest, which our brains attempt to balance. This view is at odds with mainstream economics in which self-interest is the dominant motivation. Tomer's article works toward integrating Dual-Motive Theory with the concept of brain plasticity to explain economic behavior. You can read these and more articles in a few weeks in the first issue of the *World Economic Review* and you can take part in shaping the second issue by visiting the [article review site](#) and leaving your comments there.

Economic Thought – journal update

The editorial team of Economic Thought would like to announce the forthcoming publication of the inaugural issue of the journal, which is planned for July 2012. Having closed and archived our first open peer discussion forum, we are currently finalising our first issue which will include papers by: Sheila Dow on the financial crisis, Donald Gillies on research assessments, Geoffrey Hodgson on rational choice, Tony Lawson on ideology, Richard Van Den Berg on Richard Cantillon and Irene van Staveren on Pareto efficiency. We are grateful to all our authors and commentators for stimulating discussions on such a diverse range of topics in the philosophy, methodology and history of economics.

We would also like to encourage all members of the

WEA with an interest in areas that fall within our scope to visit the open peer discussion forum and comment on our current batch of papers. The open peer discussion forum can be found at:

<http://etdiscussion.worldeconomicsassociation.org/>.

We are also currently seeking papers in relevant areas to add to the forum. If you would like to submit a manuscript, please email the editors at:

eteditor@worldeconomicsassociation.org.

John Latsis
Alejandro Nadal
Annalisa Rosselli

International Development Economics Associates (IDEAs)

IDEAs is a large and active network. [Their website](#) is worth a visit.

Here is a [report on their conference](#), "The Global Economy in a Time of Uncertainty: Capitalist trajectories and progressive alternatives", Muttukadu, India, 24-26 January 2012.

Here is one of many interesting pieces: [Is an Asian crisis imminent?](#) C.P. Chandrasekhar

Positive linking: How networks can revolutionise the world *Paul Ormerod on his latest book*

In my first book, *Death of Economics* written in 1993, I criticised free market policy long before it became the fashionable thing to do. In *Butterfly Economics* and *Why Most Things Fail*, I extended the critique of mainstream economics.

In my new book, *Positive Linking*, I make an even more fundamental attack. I argue that we need to replace the basic unit of mainstream economics, that of the Economic Rational Person, operating in splendid isolation. In this view of the world, there is no such thing as society. The views and behaviour of others has no direct influence on how an agent makes a decision. Instead, we need to think instead of people, firms – all decision makers in fact – as operating within networks, in which their behaviour *can* be altered directly by what others do.

The financial crisis exposed brutally the mainstream view of the world. Networks played the key role in the crisis. The networks of assets and liabilities across the banking system. The networks of sentiment in financial markets. The networks across which large firms form their ‘animal spirits’ about the future when considering their investment plans. Viewed from a network perspective, many aspects of our social and economic world look completely different than they do from the conventional view of mainstream economics.

There is a fundamental problem with the assumption that individuals operate in isolation from each other, that their preferences are not affected directly by the decisions of others. The social and economic worlds of the twenty-first century are simply not like this at all.

We are far more aware than ever before of the choices, decisions, behaviours and opinions of other people. In 1900, not much more than 10 per cent of the world’s population lived in cities. Now, for the first time in human history, more than half of us live in cities, in

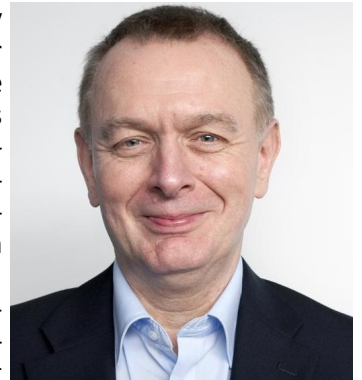
close, everyday proximity to large numbers of other people. In the last decade or so, the internet has revolutionised communications in a manner not experienced since the invention of the printing press in the mid-fifteenth century.

The assumption that people make choices in isolation, that they do not adopt different tastes or opinions simply because other people have them, is no longer sustainable. Perhaps – perhaps, and it is a big ‘perhaps’ – over a hundred years ago this might not have been a bad assumption to make. But no longer. The choices people make, their attitudes, their opinions, are influenced directly by other people.

In many ways, this makes successful policy making, whether in the public or private sectors – much harder. So much is contingent on who influences whom on a network and when. Simple causal relationships between a change in policy and any given outcome no longer exist – if they ever did!

At the same time, far more effective policy making becomes possible. It requires a fundamental change of mindset by policy makers. The positive aspects of the huge recent increase in knowledge about social and economic networks open up new possibilities for solving many long-standing problems. A lighter, smarter touch, one which exploits the positive linking aspects of our modern, networked world.

Paul Ormerod www.paulormerod.com *Positive Linking: How Networks Can Revolutionise the World* is published by Faber and Faber, London, on 4 July 2012



Different perspectives in a changing world...

David Karpf speculates, in a work-in-progress, on the nature of social science research in “internet time”. He is discussing data for communications research, but the points he makes are relevant for economics.

“This paper is an effort to offer a methodological prescription for conducting social science research that takes “Internet Time” seriously. It is rooted in methodological pluralism – the belief that social science researchers ought to be question-driven, letting the nature of their inquiry determine their methods, rather than the other way around...I argue that an expanding range of interesting and important questions cannot be answered using the best tools in our toolbox. The new media environment demands new tools and techniques.” p.3

The speed with which change occurs means that modelling based on structures being stable over time is highly problematic. While not discussing economics research, his concern about standard use of techniques and the associated rhetoric (as with our use of correlation and significance in econometrics) may hide these problems. He calls for transparency:

“transparency is an area where peer-reviewers should play an active role. Authors will always feel pressure to talk up the elegance of their methodology, burying limitations in footnotes or brief comments. If we want our interdisciplinary fields to take transparency seriously, we will need peer reviewers to call for it, and reward it, in their recommendations.” p.15

Karpf, D. A. (2011). Social Science Research Methods in Internet Time. <http://ssrn.com/abstract=1929095>

Towards a renewal of economics as a social science

103 Professors of the German-speaking World Issue Memorandum for Paradigmatic Openness and the Integration of Ethical Reflection into Economics

Berlin, 13 March 2012*

An initiative by [Ulrich Thielemann](#), [Tanja von Egan-Krieger](#) and [Sebastian Thieme](#)

Preliminary note

The memorandum primarily addresses the situation of economics as an academic discipline, including management, in the German-speaking world (that is, most prominently Germany, but also Switzerland and Austria). Hence, most of the articles mentioned below are in German. The phrases used are our own translations. The original memorandum was published on 4 April 2012. Its initial signers were 102 professors from a wide variety of academic disciplines (sociology, economics, philosophy, political science, education science, and many others). Over the course of the past three weeks, approximately 600 scholars, students, and professionals have signed the memorandum.

The ongoing financial crisis has revealed a pervasive crisis of economics as an academic discipline:

- Today, even established scholars like Thomas Straubhaar call for an «[end to economic imperialism](#)» and advocate a fundamental «renewal of [economic] theory», that is, a departure from the currently predominant core paradigm of economics, adopted as the solely legitimate scholarly perspective for addressing economic issues. It is worth noting that outside of the German academic scene there is a wider awareness of the need of a «[New Economic Thinking](#)», resting on the assumption that economics actually has [lost its paradigm](#).
- Several established scholars [concede](#) that most mainstream economists did not anticipate the financial crisis. On the contrary, many observers and some scholars regard mainstream economics as being responsible for laying the [theoretical groundwork](#) for an economic policy that caused and increased the crisis. Two core components of this theoretical groundwork are the so-called «efficient market hypothesis» and an understanding of «rationality» as represented by «homo oeconomicus».
- Moreover, it is widely held that economists legitimized policies characterized as «neoliberal», or as «[market-compliant](#)». This has led to growing disparities in income and wealth which are regarded as [another source](#) and an important dimension of the current crisis.
- Student groups call for an integration of [ethical reflection](#) as a «golden thread» of the economics curriculum in order to enable economic practitioners to act in a responsible manner.
- [Social scientists](#) from a wide variety of disciplines as well as [human resources managers](#) are concerned

that studying economics today fosters an «economization» of thinking which is regarded as highly questionable from an ethical perspective.

- For quite some time already, students of economics have been criticizing the «[disregard for concrete realities](#)» of the mainstream economic thinking they are confronted with in class. The trend towards mathematization and quantification neglects the fact that economics, at its core, is a social science, not a natural science, and needs to be regarded as part of the humanities.

These erroneous trends, widely criticized, are not just ivory-tower problems within economics as an academic discipline, but rather issues of overall significance for society at large. In a society where economic patterns of rationality pervade and economize nearly every aspect of life, a distanced and unbiased perspective is needed in order to evaluate these developments. However, the standard career paths currently dominant in academic mainstream economics prevent the development of substantially different perspectives on economic issues. In order to further their careers, young scholars today are being forced to publish articles in highly specialized scholarly journals that only take into account mainstream positions. Swiss economist Bruno S. Frey has called this deplorable practice «[academic prostitution](#)» because young scholars' intrinsic research interests are being systematically replaced by opportunism. This has led to a dogmatic encapsulation of economics as paradigmatic, innovation is systematically discriminated against. We believe that this situation is untenable because it prevents scholars from advancing knowledge.

Every discipline needs paradigmatic diversity. Currently, the predominant way of addressing economic activity lies exclusively in the domain of a single paradigm. This paradigm, albeit in different variants, is dedicated to the «advocacy of the market» (Friedrich Breyer). Economics, as an academic discipline, needs to escape this circle of paradigmatic encapsulation. Paradigmatic pluralism is urgently needed especially in times of crises, and given the current circumstances outlined above, the process of opening the discipline for fundamentally new views also needs to be initiated from [outside](#) of the ivory tower of economics.

- We, the signatories of this memorandum, therefore would like to encourage economists to foster a culture of paradigmatic openness. This includes the active encouragement of perspectives which deviate, or even fundamentally [oppose](#), mainstream economic thinking. It includes being interested in

open discourse on these different perspectives in order to foster and revive a culture of open, fair, and constructive debate. A discipline that has secluded itself from critical reflection on its paradigmatic and normative fundamentals is a «science» in name only.

- We ask the authorities of higher education who are politically responsible for maintaining its scientificity to set the course of research policy so as to ensure that paradigmatic pluralism finds its way back into economics again. This should include incentives for decreasing the reliance on publishing rankings solely based on bibliometric criteria when it comes to assessing and directing academic careers. Currently, such ratings first and foremost only guarantee [conformity](#) with the mainstream paradigm. Scientific progress and the advancement of academic insights cannot be measured based on publishing output but need to be assessed substantially and argumentatively.
- We ask the authorities of higher education responsible for setting up academic curricula to integrate heterodox and multidisciplinary views into the curricula of economics programs. This includes in particular the integration of courses which critically reflect on the ethical consequences of economic policy as well as the ethical foundations of economic theory.

conomic theory.

- We ask the institutions responsible for funding research to ensure that the allocation of research grants maintains paradigmatic pluralism and avoids academic monism. Special care needs to be taken to ensure that financial power and financial interests do not encroach on academia and undermine its paradigmatic pluralism.

Economics, by its recommendations and by the world view it conveys, [pervasively affects](#) society at large in a wide variety of ways, by and large unrecognized by «[practical men](#)», as Keynes put it. As a mature discipline and a branch of the social sciences, void of dogmatism, economists should aspire to contribute to the good life of everybody and a fair society and economy. We believe that constructive controversies on the basic and specific meaning of this assertion, carried by a culture of open-minded and fair debate, should become an ordinary part of research and teaching.

Please feel free to support the memorandum. It can be signed [here](#).

Up until now the signing website is still in German. We hope, we will have the resources for setting up an English mirror of the signing website soon.

*[*Abridged and edited translation, 20 April 2012.](#)*

The GFC and complex social repercussions

Comparative static economic analysis commonly compares two economic equilibria, such as an economy with or without a stimulus package. The comparison is between the situations where adjustments have all taken place. In particular, they do not consider the timing or paths of adjustment. *Ceteris paribus* assumptions can mean that possible behavioural changes are assumed away.

In reality, many things can change, including behaviour and perceptions. The time that it takes for adjustments to occur can be crucial in determining the effects. Some of these phenomena are explored in Ortiz A and Cummins M (2012) [When the global crisis and youth bulge collide](#) UNICEF.

Here is an extract from p.21:

“[A] widespread coping strategy linked to the jobs crisis has been selling household assets and borrowing money. In order to maintain consumption needs during periods of unemployment or reduced or erratic wages, many households have drawn down savings and sold possessions, as well as turned to friends, relatives, membership-based clubs, community groups and banks, where possible, for financial help. This behavior has been observed in a wide range of countries since 2008, including Bangladesh, Cambodia, the Central African Republic, Ghana, Kazakhstan, Kenya, Mongolia, the Philippines, Serbia and Thailand..., Armenia, Bulgaria, Latvia, Montenegro and Romania..., Nigeria..., Arme-

nia..., the Philippines... and Tonga...

...[A]s livelihood opportunities declined, many Indian households were observed taking out loans to meet minimum needs, especially for food, rent, electricity and education, as well as selling small valuables, including eating utensils. Elsewhere, Zambians sold their livestock, including goats, HIV/AIDS victims in Kenya resorted to selling food donations that they had received, and Indonesians were found to be selling livestock, poultry and gold...

While selling assets and borrowing are, indeed, important safety nets for the poor, they are also easily exhaustible: personal items cannot be sold twice, different sources of formal or informal lending quickly evaporate in prolonged crises, such as the current situation, and existing debt prevents additional borrowing and must be repaid.”

Another publication by Ortiz and Cummins, this time as editors, is [A Recovery for All: Rethinking Socio-Economic Policies for Children and Poor Households](#)

Similar effects may arise in housing markets and with businesses, etc., in developed countries. As low levels of economic activity persist, otherwise solid borrowers find it harder to meet their obligations. Further belt-tightening can result in a downward spiral, and even those with funds available become ever more cautious.

As several pluralist economists have suggested, dynamics and time paths are important.

Confessions of a pluralistic textbook author

By Peter E. Earl p.earl@uq.edu.au

There is an enormous opportunity cost involved in writing economics textbooks, even if one shares the task with someone else. The two that carry my name (*Microeconomics for Business and Marketing: Lectures, Cases and Worked Essays*, Aldershot, Edward Elgar, 1995, and *Business Economics: A Contemporary Approach*, written with Tim Wakeley, Maidenhead, McGraw-Hill UK, 2005) were each three years in the writing and, in terms of career progression, it would have been wiser to spend the six years trying to write more papers for the best-ranked heterodox economics journals. However, if things are going to have any chance of changing in the economics classroom, someone has got to write a different kind of textbook. When I started writing the first one, the research audit madness hadn't arrived and I had the supposed luxury of a full professorship. Little did I realize that I would eventually need to give up the latter to get a better academic environment, something I did shortly before the idea of the second textbook surfaced.

Thought it still sells steadily, my 1995 text was not written to make money but to show that it was possible to offer a pluralistic coverage of microeconomics without the length getting unviable and without diluting the content in order to cram more material in. This book, as its subtitle suggests, also took the radical step of including material that nowadays would normally be put on a companion website but which, in those days, was provided separately in study guides and instructors' manuals. All this was done within the size of a typical text, which shows just how much padding there normally is.

My first textbook was addressed to lecturers every bit as much as to students, for I realized that many lecturers would not be aware of quite a lot of the heterodox material I sought to integrate. This came mainly from the 'old behavioural', post-Marshallian/evolutionary literature, and from consumer research within marketing, rather than from radical political economy. Even with the coverage of mainstream economics, I was trying to show how it was possible to include material that was failing to be introduced to students in standard textbooks, such as Lancaster's characteristics-based model of demand (to which I then offered behavioural alternatives). I was also trying to help lecturers, who themselves may have been brought up on standard texts rather than original sources, to get a better picture of the evolution of microeconomic theory and how it is frequently misrepresented. Thus, for example, the book presents perfect competition in relation to Sraffa's critique, after discussing Marshall's evolutionary analysis, and goes on to explore differences between imperfect and monopolistic competition before moving on to look at non-marginalist approaches to pricing. Much of this owes a lot (as does most of what I've written) to Brian Loasby's work.

The pluralism of my 1995 book wasn't merely a ruse for getting heterodox economics into the economics classroom. Rather, I believe that there are many good insights in both mainstream and heterodox approaches

and that it has been a mistake within economics to try to offer theories without stressing their limited contextual applicability. We're all prone to do this: when I first got into Andrews's work on normal cost pricing, I found myself wanting to use it as a general framework. However, I then read John Pickering's review of Andrews and Brunner's *Studies in Pricing* in the *Economic Journal* (September 1976, pp. 621–2) in which he criticized their approach as being not sufficiently general. I realized he was right about it not being general but wrong to expect theories to have a one-size-fits-all-cases capability. In some contexts, competition is really powerful and firms may have little choice of mark-up (as per Andrews and Brunner), but in others they may well enjoy brand equity and be able to charge premium prices (as per monopolistic competition). I also looked for bridges between rival approaches. In the case of pricing, this role was served by a Schumpeterian spin on Alfred Eichner's work: today's profits enable firms to develop better products that may make it easier to keep at bay any rivals that might appear due to the profits they are currently making. Case studies and exam question post-mortems were used as means for honing up the reader's ability to analyse the extent of discretion available in a particular context.

While the first book was a prototype, to ready the market, the second book, with Tim Wakeley, was a simpler one that we expected might make us some money. Tim had used the first book in class and invited me to work with him after McGraw-Hill approached him to write a heterodox text. Both of us were involved in MBA teaching at this time and we were aware that MBA students crave tools for use in the real world and are more likely than undergraduates to speak their minds if the theory seems out of touch with reality. Our book ended up being written with that audience in mind, mostly offering micro but also with macro material, including Minsky's financial instability hypothesis. However, we suspect that its business orientation may partly account for its sales coming nowhere near the rosy forecasts of 6000 copies a year that McGraw-Hill had inferred from talking to heterodox lecturers in the UK. We set out in it to show why an entrepreneur would start a firm and then examined the challenges of growing a firm into a large corporation in the long run, comparing and contrasting mainstream and heterodox approaches along the way. To those from the left, it must seem far too much a book aimed at helping readers to accumulate capital.

I'm hoping others will soon come up with rival products, for otherwise I fear I shall succumb to the temptation to begin work on a third text in a few years' time, to approach the challenge in a somewhat different way.



WEA first online conference concludes

The WEA's first online conference, on '**Economics in Society: the Ethical Dimension**' ended on 30th April. 44 comments were posted on 25 papers. Since the conference began there have been 11,645 views, averaging 200 per day while it was in progress. Views came from 105 countries, the top 10 being the USA, Britain, Italy, Australia, New Zealand, Germany, Japan, Canada, Brazil, and India. The site is closed for comments but all material including the discussion is open to the public and can be viewed at <http://weaethicsconference.wordpress.com/>.

Papers covered four areas sparking a lively debate: '**What Constitutes Ethical Conduct for Economists**', '**Should Economics have an Ethical Content?**', '**Is Ethics Really a Positive Science?**' and '**The Theory and Practice of Ethics**'.

The WEA is now working on a special issue of online journal *Economic Thought* (<http://www.worldeconomicsassociation.org/Journals/ET/ET.html>) based on the conference papers and discussion.

Summing up the discussion, co-organizer Alan Freeman commented that "Economics, both as a discipline and as a profession, continues to have a problem with ethics and especially the ethical issues surrounding the profession's relationship with society at large. Only recently, and only after an energetic grassroots campaign, did the American Economics Association adopt any ethical principles at all. Frankly they are weak and not comparable to other professions. Unfortunately, the practices highlighted in the film *Inside Job* remain perfectly acceptable to far too many economists. Our WEA conference produced a good perspective on this and a number of other issues such as the continued intolerance in some quarters of the teaching, research, and publication of diverse ideas. It also heightened our awareness that this is only the beginning of a long debate within the profession, a debate the WEA is well positioned to contribute to and, indeed, lead."

Rio+20 Conference

20-22 June 2012, Brazil

<http://www.uncsd2012.org/>

Two themes:

- (a) [a green economy in the context of sustainable development poverty eradication;](#)
and
- (b) [the institutional framework for sustainable development.](#)

A site to explore:

International Policy Centre for Inclusive Growth
UNDP – ICP: <http://www.ipc-undp.org/>

Forum

Another Road for Europe
European Parliament, Brussels
June 28, 2012, 9.00 -18.30

Radical economists, political and social scientists throughout Europe are pressing for effective non neo-liberal solutions in Europe, for the benefit of Europe and of the world. There are a series of initiatives which are going to take place in the next few weeks and WEA members are encouraged to participate on line.

On 28th June there will be a one day International Forum at the European Parliament in Brussels to discuss the current crisis. Some 50 international speakers are expected. The appeal by our colleagues starts with the following statement.

"Europe is in crisis because it has been hijacked by neoliberalism and finance. In the last twenty years - with a persistent democratic deficit - the meaning of the European Union has increasingly been reduced to a narrow view of the single market and the single currency, leading to liberalisations and speculative bubbles, loss of rights and the explosion of inequalities.

This is not the Europe that was imagined decades ago as a space of economic and political integration free from war. This is not the Europe that was built through economic and social progress, the extension of democracy and welfare rights.

This European project is now in danger."

WEA members can read more and sign the appeal at: www.anotherroadforeurope.org

International 7th Annual Green Economics Conference

Green Economy: Reform and renaissance of economics and its methodology
Green Economics-the solutions for the 21st century.
Green Economy: Rethinking Growth: RIO+20

**19th-21st July, 2012, Mansfield College,
University of Oxford**

Green ideas and methodologies, international experts in the field, academics and green business leaders.
Launching new books and reporting from RIO+20.
Preparing for a delegation to
COP 18, November 2012, Qatar.

More details at:

<http://52365456.de.strato-hosting.eu/tmp/main2012.pdf>,
or email greeneconomicsevents@yahoo.co.uk

WEA update—A message from Edward Fullbrook to the Founding Members

Dear Founding Member,

It was a year ago today that the World Economics Association was launched with the emailing of the letter which you and 140 others signed.

That was the start of a good year for beginning to build an institutional foundation for the reform of economics and the economics profession. The WEA now has 9,936 members, widely dispersed around the globe and with all continents well represented. Although IT difficulties have delayed the launch of the WEA's two new journals (*World Economics Journal* and *Economic Thought*) their strong first issues are now set to be published next month. The fourth issue of the WEA's lively 12-page bi-monthly newsletter will also appear in June. The WEA's inaugural online conference (Economics in Society: The Ethical Dimension) was successfully held in March, its second ([Rethinking Financial Markets](#)) will begin soon, and three more are scheduled.

Following the appearance of the first issues of the new journals, there will begin a drive to raise funds from the membership and hopefully also from one or

more foundations. Money is needed to hire people to do some of the work now being done by volunteers. Moreover, as the WEA grows and expands its activities, the workload will also increase.

Already the World Economics Association is the world's second largest professional association of economists. Another 8,500 members will make it the largest. One estimates that the WEA is on course to gain that position within 18 to 24 months.

Hopefully a year from now, with funding in place, with the three journals established, with the conferences as part of the profession's calendar, with the newsletter a focal point of discussion and with a significantly expanded membership, elections of WEA officers and board members can be held.

Meanwhile my fellow organizers Peter Radford, Grazia Letto-Gillies, Norbert Häring, Vicki Harris and Valerie Radford and I thank you again for joining us in this undertaking.

Edward Fullbrook
17th May 2012

The importance of rhetoric

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

Rhetoric has a long history of more than 2,400 years. The terms ethos, logos and pathos, dating back to the time of Aristotle, are still used today. There is a famous collection of lecture notes, Smith A (1963) *Lectures of rhetoric and belles lettres: delivered in the University of Glasgow by Adam Smith, reported by a student in 1762-63*, London: Nelson. Smith talked of judicial eloquence (related to law and disputes) and deliberative eloquence (on matters of policy).

It is hard to see how economists can exclude the role of rhetoric when analysing issues related to policy and the application of law.

In the interests of plurality, and drawing on outside sources, a readily accessible book is Leith, S. (2011). *You Talkin' To Me?: Rhetoric from Aristotle to Obama*. London: Profile Books. It makes several pertinent points.

"What is democracy but the idea that the art of persuasion should be formally enshrined at the centre of the political process? What is law but a way of giving words formal strength in the world, and what is the law court but a place where the art of persuasion gives shape to civil society? And what, in any society where one person or group exercises power over another – which is to say any society at all – is the instrument of that power but words?" (p.10)

Words have impact for many reasons, including their ability to frame issues, and the way their meaning can be shaped to convey a particular impression. In fact, the more we consider rhetorical aspects, the larger their influence appears to be on economics itself. Leith writes:

"Your arguments will tend to prosper if they are founded on the common assumptions of your audience; or, in special cases, if the audience is minded to defer to your authority." (p.48)

Economists, speaking the language of economics, are implicitly framing issues according to their concepts and theories. Given that mainstream economics focuses on an ideal of perfect competition, Leith makes another relevant point about Aristotle:

"He saw that the world was compromised and imperfect, and that we don't live among abstract forms, but among people." (p.261)

So perhaps the mainstream approach to economics misses important subtleties of the real world. This can distort our perception. A typical example is our use of classification, a central component of analysis. We talk of consumers and producers, products and markets, industries, labour, and population categories such as social class, ethnicity, age and gender.

Another non-economist has written a book on introverts and extroverts (Cain, S., 2012, *Quiet: the power of introverts in a world that can't stop talking*. New York: Crown Publishers). She uses an economics-related example to make a point, referring to the origins of the GFC:

"[I]t became fashionable to speculate whether we'd have been better off with more women and fewer men—or less testosterone—on Wall Street" (p.162)

This speculation follows from a gender-based view of society, but Cain, using another categorisation, contin-

ues by suggesting an alternative:

"[M]aybe we should also ask what might have happened with a few more introverts at the helm—and a lot less dopamine."

She focused on psychological factors affecting people's desire for reward and willingness to take risks. She also acknowledges that she is relying on evidence of differences in behaviour *on average* by members of selected groups, so she is only putting forward an alternative theory, simplified framing, analogous structure that might give some partial insight into the real world.

Given such constraints in our reasoning, we should not be fooled by debates as to which of two theories is "right" - itself a rhetorical trick of simplifying an issue into one of two alternatives. We should recognise that neither theory is likely to fully describe reality.

Language plays a large part in shaping our perceptions and the conclusions we reach. This is a major determinant of opinions and behaviour, and an aspect of framing which is central to our analyses. It is a good reason to be cautious about the extent of our understanding of the economy and the world.

WEA Online Conference - Rethinking Financial Markets: Social Capitalism, Economies of Money, and Custodial Regulation October 1-31, 2012

Now the crisis in Europe makes the centrality of finance to modern life – and the well-being of humans in modern societies – painfully clear. Almost as obviously, traditional thinking about how finance should be used to constitute humane yet sound economies is woefully inadequate. So how to reframe finance to make it more responsive to contemporary circumstances?

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*: The securitization of assets, the expansion of credit markets, and the proliferation of markets in derivative instruments, and other developments have created financial markets that are larger than traditional markets in goods and services. It no longer makes sense to think of financial markets in terms of the efficient allocation of scarce capital, or intermediation between savers and entrepreneurs. Instead, 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."

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?

Contributors are urged to read the conference *problematic*. The *problematic* discusses in more detail

the conception of the conference, and the topics listed in the call for papers.

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 web-site](#). 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

Contact the Association

Journal editors:

RWER: Edward Fullbrook

fullbrook@worldeconomicsassociation.org

Economic Thought:

ETEditor@worldeconomicsassociation.org

World Economic Review:

wereitor@worldeconomicsassociation.org

Conferences:

Chair of Conference Organizing Committee:

conferences@worldeconomicsassociation.org

Newsletter editor:

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

Hodgson's "Neglected Problem"

"[T]here are different types of socio-economic system, in historical time and geographic space...The problem of historical specificity starts from a recognition of significant underlying differences between different objects of analysis. One theory may not fit all." P.23

And more than that:

"Human society is 'a patterned mess'. General frameworks of ideas may help us discern the pattern, but something more is required to deal with the messy details."

Hodgson, G. M. (2001). *How economics forgot history: the problem of historical specificity in social science*. New York: Routledge

More upcoming deadlines!

How to bring joy into economics:
Revisiting Tibor Skitovsky (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>

2012 Australasian Teaching Economics
Conference (ATEC)
2-3 July, 2012
Gold Coast, Queensland, AUSTRALIA
Keynote Speaker - Professor Deirdre McCloskey
www.atec.conferenceonline.com.au
[Programme here](#)

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

USM-AUT International Conference 2012
Sustainable Economic Development:
Policies and Strategies,
Malaysia, 17-18 November
<http://web.usm.my/uaic2012/>

Keynes Society Japan second annual meeting
Tokyo, 23-24 November 2012
Abstract deadline 30 June
<http://keynes-society.blog.so-net.ne.jp/2012-05-03>

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

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

Web sites of possible interest...

Institute for New Economic Thinking

<http://ineteconomics.org/>

New Economic Perspectives

<http://neweconomicperspectives.org/>

International Development Economics Associates (IDEAs)

<http://www.networkideas.org/default.htm>

New Economics Foundation

<http://www.neweconomics.org/>

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?

Email offers on these or other areas to Stuart Birks,
k.s.birks@massey.ac.nz