ISSN 2049-3274

Volume 5, Issue 1

February 2015

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:

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The WEA has launched a digital-age book publishing project, **WEA Books**. Henceforth, as well as supporting the WEA, **your voluntary annual membership fee entitles you to download e-books in PDF, EPUB and MOBI formats for free**. When your membership payment has been processed you will receive a confirmation email which will contain a voucher code enabling you free downloads of WEA books here For example, the standard membership fee of $50 entitles you to **7** book downloads These vouchers will be valid for one year from the date of your contribution. We anticipate publishing 40 books in the first year. Already, after only 10 days, the 10 books listed below have been submitted and accepted for publication and will be in the WEA Bookshop shortly.

Robert R Locke, *Appreciating Mental Capital: What and Who Economists Should Also Study*
Asad Zaman, *Statistical Foundations for Econometric Techniques*
Jorge Buzaglo, *Nuevos paradigmas, desarrollo económico y dinámica social*
Steve Keen, *Developing an economics for the post-crisis world*
Michael Hudson, *Finance as War*
Shimshon Bichler and **Jonathan Nitzan,** *?????????????????????*
Eric Zuesse, *Overwhelmed by corruption: Why economics failed and how to fix it*
Paul D. Egan and Philip Soos, *Bubble Economics*
C. T. Kurien, *Wealth and Illfare: An Expedition into Real Life Economics*
Richard Smith, *Green Capitalism: The God That Failed*

You may **pay your membership fee here**, either with a credit card or directly through a PayPal account.

How and why to publish your book with WEA Books

An open letter to economics student groups

Well done, your concerns about the economics curriculum are getting attention. There are also many practicing economists who have concerns about the current emphasis and direction of economics as a discipline.

As in any such situation, the process of change can be crucial in determining the outcome. Often many different initiatives are called for. There is one initiative which may be effective in the short term and also instrumental in shaping developments in the long term. I am referring to the World Economics Association's Textbook Commentaries Project.

The project involves the development of an online platform containing brief commentaries which can be used right now in existing and new economics courses. This growing collection is designed to increase critical understanding of economics approaches and awareness of alternative perspectives. The commentaries are each short and stand-alone, so can be easily be incorporated into existing courses without greatly increasing the workload. They do generate an awareness of the concerns about various approaches and the diversity of thought that exists, even if no longer included in the standard curriculum. Many commentaries draw directly on alternative literature by recognised experts in the field. It is important that students be made aware of these sources, if only to put their own knowledge in a wider context. Additional pages also highlight other accessible material (books and online teaching resources).

How can you participate?

First, you can use the material yourselves. The commentaries can be helpful discussion points in tutorials or links can be posted in a course discussion forum. Second, you can promote the platform through your networks. Remember, commentaries can be relevant for a wide range of courses, and it only takes one person on a course to make the platform known to many students. Third, you can submit comments on the commentaries. Fourth, you can help us to further develop the material. Among other things, we would welcome suggestions for improvement of existing material and for additional material.

For more details, see here and here.

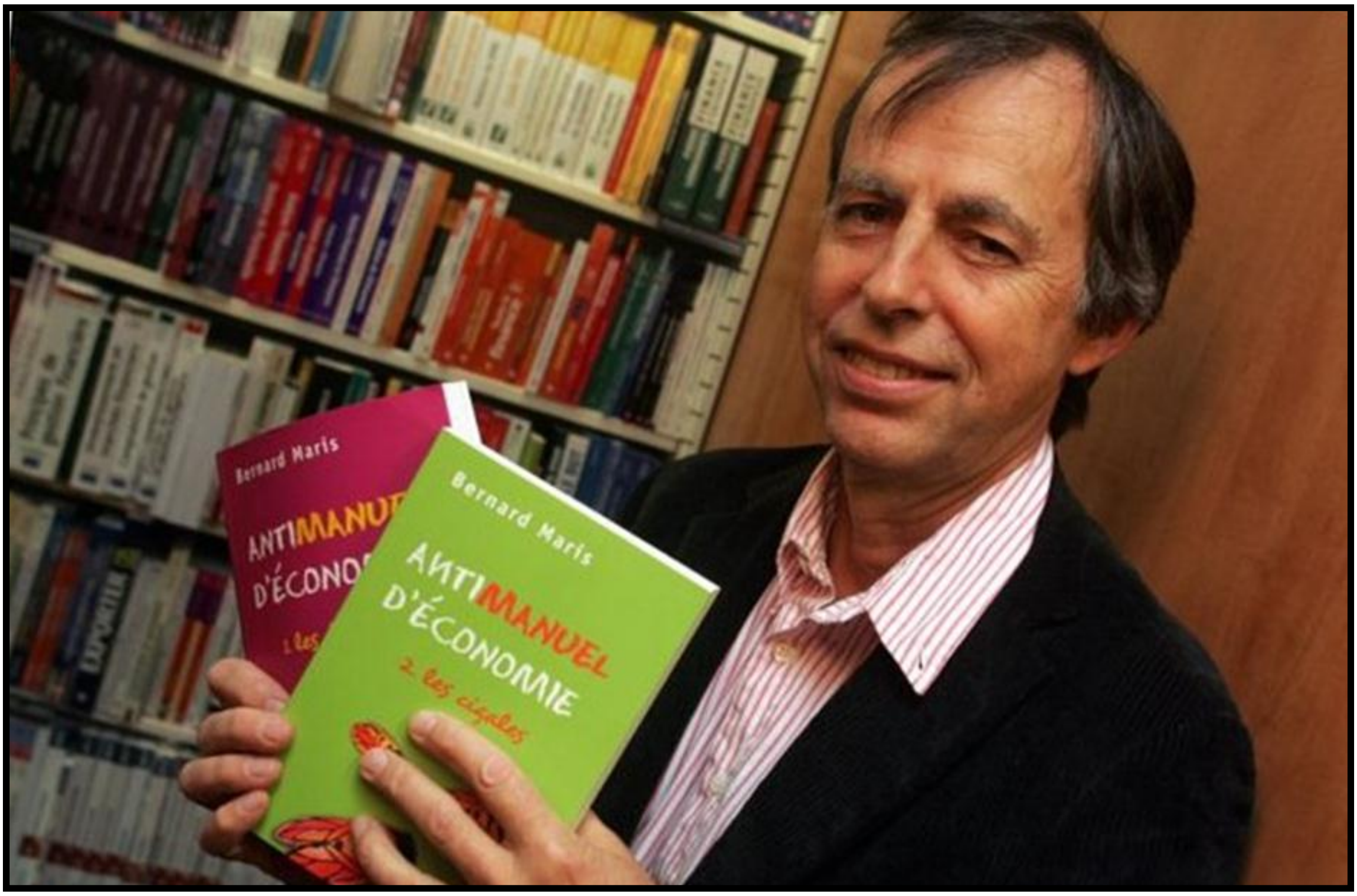
If you wish to provide input or to receive occasional updates on the project, send an email to: Stuart Birks, k.s.birks@massey.ac.nz

Best wishes,

Stuart

The Legacy of Economist Bernard Maris

By Karim Errouaki



I was shocked to learn that Bernard Maris had been murdered at a meeting of the editors of *Charlie Hebdo* in Paris on January 7th 2015. He died at his desk; killed by the fanaticism that he regularly denounced. Mario Pianta (2015)[2] wrote:

> in what kind of convulsion of history do Islamic extremists at war with western power manage to kill Bernard Maris, one of the voices who denounced western power?

Which ideological blindness prevents them from understanding the internal conflicts of capitalism? Obviously, for those who want to erase freedom of expression, there are no differences that matter between western 'infidels.' Likewise, for the new European fascism, all Muslim citizens and immigrants are potential terrorists. We must put ourselves in the shoes –that's what tolerance is all about– of the millions of human beings, all equal in dignity, who live in inhuman conditions. Promises to improve their lives, made by the more prosperous countries, have almost always been unfulfilled. Years of neglect, exclusion, humiliation, and abandonment by the rest of the world, have fostered feelings of frustration, hostility, resentment, and radicalization that rise to the point where there seems to be no possible solution. It is then that violent reactions sometimes explode.

Can we prevent potential *Charlie Hebdo* Paris 1/7-like attacks? For France and its people, and even the whole world, there seems to be no other answers to this question: 1/7-like attacks must be prevented. One might say: We will remove terrorists by taking actions against terrorism. Shortly after the Paris attack French Prime Minister Manuel Valls declared:

> a war against terrorism, against jihadism, against radical Islam, against everything that is aimed at breaking fraternity, freedom, solidarity.[3]

French thinker Baudrillard (2001)[4] has long argued that:

> Terror against terror — this is no longer an ideological notion. We have gone well beyond ideology and politics. The energy that nourishes terror, no ideology, no cause, not even an Islamic one, can explain. The terrorists are not aiming simply to transform the world. Like the heretics of previous times, they aim to radicalize the world through sacrifice, whereas the system aims to convert it into money through force.

Furthermore, American thinker Noam Chomsky (2015)[5], has observed that:

> … one would naturally ask how France upholds freedom of expression and the sacred principles of fraternity, freedom, solidarity. For example, is it through the Gayssot Law, repeatedly implemented, which effectively grants the state the right to determine Historical Truth and punish deviation from its edicts? By expelling miserable descendants of Holo-

caust survivors (Roma) to bitter persecution in Eastern Europe? By the deplorable treatment of North African immigrants in the banlieues of Paris where the Charlie Hebdo terrorists became jihadis? When the courageous journal Charlie Hebdo fired the cartoonist Siné on grounds that a comment of his was deemed to have anti-Semitic connotations? Many more questions quickly arise.

Former Director General of UNESCO Federico Mayor Zaragoza has long argued that respecting freedom of expression without limitations is not incompatible with comprehending and even sharing the indignation prompted by certain imprudent forms of manifesting that freedom. When freedom of expression is not accompanied by an appropriate dose of sensitivity to others and self-contention, there is a risk that the reactions of the aggrieved may be disproportionate and enraged. The solution never lies in censorship, but rather in cool-headed dialogue and, when warranted, the intervention of the courts of justice. But now it is imperative that all countries, on both sides, make an urgent call for dialogue and conciliation.

Tribute to Bernard Maris[6]

Bernard Maris, born in Toulouse, was 68 years old. He was the son of Spanish Republicans who emigrated to France and a typical product of this 'republican elitism' which some beautiful souls are presently deriding. After graduating from Sciences Po Toulouse in 1968, Bernard Maris earned a doctorate in economics at the University of Toulouse I in 1975 with a thesis entitled *"The Personal Distribution of Income: A Theoretical Approach to Balanced Growth"*. In September 1994 he earned his Full Professorship at Sciences Po Toulouse.

Bernard Maris was an economist and a member of the governing board of the Bank of France, professor at the Institute of European studies of the University of Paris-VIII, a former University of Iowa professor, and journalist for the publication *Charlie Hebdo*, where he wrote a weekly column, under the pseudonym of 'Uncle Bernard' - a column in which he explained the mysteries of finance. In a profile of victims published Wednesday evening, the Los Angeles Times reported Bernard Maris was a "noted Keynesian and political maverick," who was widely read and appeared frequently on French television and radio to debate economics and politics. The Paris-based Organization for Economic Cooperation and Development (OECD) reported that:

> [Bernard Maris] had a wonderful talent for explaining complex notions in simple language… In his newspaper, television and radio work, he argued for a world that was more just… Like his friends and colleagues, Bernard Maris fought against inequality, injustice and oppression. The world is a sadder place without the mockery of brave, clever, funny, people like them.

The governor of the Bank of France Christian Noyer observed that:

> [I]t is a cowardly and barbaric attack against the freedom of the press and those who stand for it. People with convictions including our friend and colleague Bernard Maris were killed in it. Bernard Maris was a man of heart, culture and great tolerance. He will be sorely missed.

Bernard was a delightful man of great dignity, culture, and tolerance. He was an old-style French intellectual, a scholar of Keynes, and a public figure. He had been active in Attac France and was a friend of Michel Houellebecq, the French writer whose new controversial novel called "*Submission"* imagines a Muslim president for France in 2022. Bernard admired Houellebecq, even paying tribute to the author in a book called "Houellebecq Economist" (2014). He clashed regularly with mainstream, French business journalists. He worked to denounce the 'fury of capitalism.' Similarly, in the Islamic world - in the Middle East as in Europe - the key conflict he saw as an internal one - the clash between opposing ideas on society and politics, even more than on religion.

He was the author of the remarkable "Antimanual of Economics" (2 Vol., 2003, 2006) and of an important collective work showing his interest in social sciences, *"To Govern through Fear" (*2007). He was awarded the Prize of 'best economist' of 1995 given by *Le Nouvel Économiste*, and published several important books. The extent of Bernard Maris's knowledge was not limited to economics. His grasp of history, and his insights into various social sciences struck anybody who read him. Bernard took Adam Smith's lead in viewing economics as a 'moral science' with close ties to the full span of social sciences. Nothing was more foreign to him than the mystery of *Walras*' *pure economics* that somehow inspired a whole tradition of economists who shine as much by their formalized reasoning as by their unrealistic deductions. Bernard Maris was waiting impatiently for a transformation in economic thought, distanced from the private playground of self-styled mathematicians disguised as economists.

Appointed in 2011 to the General Counsel of the Bank of France, Bernard Maris had already clearly expressed his doubts concerning the survival of the Eurozone. In early 2014 he explained why he was forthwith favorable to a dissolution of the Eurozone and to a return to national currencies. He argued that there will be a new financial crisis, that the Eurozone will burst, that Europe will balkanize – it is already balkanized. Nevertheless a number of events that arose during the last ten years were not predictable. The financial crisis: could it really have been foreseen? His position about this subject has evolved with time. Many are convinced that his positions concerning the coming Greek crisis would have been important.

His influence on generations of students has been considerable. He was, and will remain, a model of a citizen economist, like Keynes, who was his great inspiration. He shared with other prominent economists an impatience for mainstream, fundamentalist ideas and an antipathy for power. Ultimately his ideas and his work were to expose ignorance, intolerance, and violence and to move France, and the rest of the world, toward peace.

A Culture of Peace as an Ethical and Political Model

Violence can never be justified. The senseless death of Bernard Maris brings us back to our duty to oppose injustice, and first and foremost, those produced by our countries; our power; our consumption. His death brings us back to a commitment to political debate and may help us to look ahead as he did. He thought that the future was beyond markets and commodities, in a sharing economy with meaningful jobs, cultural commons, and social solidarity. Instead of a 'market economy' or a 'war economy,' we need an economy that would enable us to implement the Millennium Objectives.

Pierre Bourdieu has long argued that cognitive symbolic structures such as neo-liberal economic theories can be translated into global financial and technological exploitative structures. He asserted that a neo-liberal utopia embedded in dominant economic theory is a program for the destruction of collective and social structures. The embodiment of neo-liberal utopia/theory into economic and political practices and systems are examples of how symbolic violence can turn into economic violence, which can also turn into physical violence.

Federico Mayor Zaragoza has also long argued that the "war economy" must give way to a great "global contract for development." And let no one say that this is impossible!

Footnotes

1 Karim Errouaki holds a Ph.D. in Economics from the New School for Social Research (New York). He has taught and lectured in many parts of the world, including New York, Washington, Boston, Montreal, Sherbrook, Vancouver, London, Brussels, Paris, Madrid, Mexico, and Sao Paolo, among others. He is coauthor with Edward J. Nell of *Rational Econometric Man* (London, Elgar, 2013),with Edward J. Nell and Federico Mayor Zaragoza of *Reinventing Globalization after the Crash* (2014), and with Edward J. *Nell of Hard Drugs & Easy Money* (forthcoming, 2015). He is a former Special Advisor to UN Secretary General Dr. Boutros Boutros Ghali and to Director General of UNESCO Dr. Federico Mayor Zaragoza. He is currently Senior Research Fellow at the *Foundation for the Culture of Peace* (Autonomous University of Madrid) and Special Advisor to Director General of CAFRAD, Pan-African Intergovernmental Organization.

2 See https://www.opendemocracy.net/can-europe-make-it/mario-pianta/bernard-maris-fury-of-capitalism-and-fury-of-terrorism

3 See http://edition.cnn.com/2015/01/19/opinion/charlie-hebdo-noam-chomsky/

4 See http://thehiawathatriad.org/home/wp-content/uploads/2009/11/Baudrillard.pdf

5 See http://edition.cnn.com/2015/01/19/opinion/charlie-hebdo-noam-chomsky/

6 See also http://www.publicseminar.org/2015/01/a-tribute-to-economist-bernard-maris-sept-23-1946-jan-7 2015/#.VLpWkUv4vwI

'New Economic Thinking - A better way forward!'

In memoriam Frederik S. Lee (1949 – 2014)

2nd World Keynes Conference, Pamukkale University, Denizli/Turkey 09.- 13. September 2015

Important Dates: March 31, 2015 - Deadline for Abstract Submission; April, 2015 - Notification of Accepted Abstracts; June 15, 2015 - Conference Registration Deadline; July 15, 2015 - Deadline for Submitting Full Papers; September 9, 2015 - Opening Plenary Session and Reception

INET Young Scholars initiative Workshops

Workshops for PhD students and young researchers.

1. YSI Workshop Paris @ 2015 INET Annual Conference, *April 6-10, 2015*

The Economics of Inequality, Facundo Alveredo, CONICET and Paris School of Economics

Post-Keynesian Economics, Marc Lavoie, University of Ottawa

More info and application details here: http://ineteconomics.org/ysi/events/paris-workshop-2015-annual-conference

2. YSI Workshop Rome @ 2015 ESHET Conference, *May 12-13, 2015*

Economic Stagnation: Causes and Way Out. A View from the History of Economic Analysis

Heinz Kurz, University of Graz

Money and General Equilibrium: An Analytical History of an Unsolvable Question

Pascal Bridel, University of Lausanne - Centre Walras-Pareto

More info and application details here: http://ineteconomics.org/ysi/events/rome-workshop-2015

3. YSI-IMK Workshop Berlin, *May 21-23, 2015*

Inequality: Theory, Data, Policy, Questions, Samuel Bowles, Santa Fe Institute

The Econometrics of Imperfect Knowledge, Katarina Juselius, University of Copenhagen

More info and application details here: http://ineteconomics.org/ysi/events/berlin-workshop-2015

The Philosophy-Economics Network

Doing economics always requires making philosophical choices. Although this aspect is as old as economics itself, it has been particularly highlighted in the recent debates on the status of economics and the scope of its subject. On this line, along with the growing interest in topics at the intersection of economics and philosophy, there is a demand for a platform in which these two disciplines can more actively and effectively interact. The *Philosophy-Economics Network* aims to fill this gap. The key idea is to contribute to the establishment of an active network among scholars working in these fields. The main objective of the *Philosophy-Economics Network* is to promote and facilitate interactions between philosophy and economics on *contemporary* issues, and to circulate relevant information. We would like to invite *World Economics Association* members to join the network and to foster with us an interdisciplinary exchange.

This vision and mission can be called, in line with Joan Robinson, "economic philosophy." Although there have always been links and interactions between economics and philosophy, there exists a growing interest to constitute economic philosophy as an emerging field of research. Indeed, economics always involves making choices that are not only methodological, but also epistemological and ontological. Very often these aspects are not directly questioned by economists. Economic philosophy focuses specifically on these topics, since discussing them is a way to both criticize and to deepen economic theory and its implications. Thus, the specificity of economic philosophy is that it is not so much a discourse on, as a discourse within economics, it is an internal reflexivity of economics. In order to be able to really tackle all these specific questions, it is fruitful to blend the approaches of philosophy and economics (although certainly a broader need for a multidisciplinary communication and collaboration is not limited to these two disciplines).

In order to provide some framework for interaction, three major axes of interaction between philosophy and economics can be identified: (a) moral and political philosophy and normative economics, (b) philosophy of sciences and economic methodology, (c) history of philosophy and history of economic thought. However, independently of the chosen perspective (ethical, epistemological, or historical) it is the coexistence of these two disciplines that is, according to us, a necessary condition for interactions between them.

The *Philosophy-Economics Network* fosters its vision and mission by means of creating a platform for an exchange of information, organizing biannual conferences on *Economic Philosophy*, extending the community of scholars, and encouraging interaction. The goals of the network and its website are to:

- gather and share information in the international community interested in economic philosophy,
- raise and facilitate discussions on questions of common interest,
- identify and promote the institutions and programs that foster the dialogue between economists and philosophers.

A short history of the Philosophy-Economics Network

The idea of creating the *Philosophy-Economics Network* was born during a round table debate about the "future of economic philosophy" during the first *Economic Philosophy International Conference* in June 2012 in France, organized by Sciences Po Lille and the journal *Cahiers d'Economie Politique/Papers in Political Economy*.

Due to the efforts of Claude Gamel (Aix-Marseille University), Jean-Sébastien Gharbi (Aix-Marseille University), and Patrick Mardellat (Sciences Po Lille), in November 2012 the Network has been launched (at the beginning only in French language). In early January 2013 the Network website was launched (also in French language), and in the course of a month the English version of the website was published. Subsequently, the managerial team began an expansion of the network by inviting scholars from all over Europe, and hopefully bringing together the international community of scholars interested in economic philosophy from all over the world.

In just over two years, the Network has grown to over 400 members and continues to expand. The second conference of '*Economic Philosophy*' (which was held from October 9th to 10th 2014 in Strasbourg at BETA, Strasbourg University) with over 100 participants confirmed a growing interest in philosophy-economics interactions, which we wish to expand even further by inviting the members of the *World Economics Association* to join with us in building the Network.

Membership: The *Philosophy-Economics Network* is not an association, and does not require an annual membership fee or annual renewal of the membership. You register only once, and you can also withdraw your membership at any time (you just have to send an email to secretariat@philo-eco.eu). The idea is that the list of our members reflects a genuine community of people interested in interactions between philosophy and economics. The names of the members of the network are published on the website.

The main vehicle for exchanging information and initiating debates is the Network's website (philo-eco.eu). In order to provide the most recent news, we are currently looking for people who are interested in helping us to update and circulate information about events, publications, workshops and conferences, etc., in economic philosophy. Even small contributions will be a big and important help. If you are interested in participating, do not hesitate to contact us (secretariat@philo-eco.eu).

We hope to build this active community of scholars with you.

Jean-Sébastien Gharbi and Malgorzata Dereniowska
(both at Greqam, Aix-Marseille University)

Review: The illusion of value-free economics

By Peter Söderbaum

Review of Tanja von Egan-Krieger *Die Illusion wertfreier Ökonomie. Eine Untersuchung der Normativität heterodoxer Theorien*, Campus Verlag, Frankfurt 2014 (*The illusion of value-free economics: An examination of the normativity of heterodox theories*)

There are many kinds of heterodox economics. Why is this so? Many of us heterodox economists like to think of differences in relation to the mainstream as scientific differences. This is certainly part of the story but the focus in Tanja von Egan-Krieger's book is as much on differences in value orientation or rather ideological orientation.

Von Egan-Krieger does not cover all heterodox schools of thought in her analysis. Her emphasis is on feminist economics, old institutional economics and ecological economics. The terminology used suggests that there is an ideological element involved in the engagement or commitment of those who advocate specific theoretical perspectives. Feminist economics suggests that there is a concern for the position of women in the contemporary economy, a concern which is not well considered by mainstream advocates. Similarly, ecological economics is for many of us as much an ideological as scientific reaction against mainstream attempts to deal with environmental or sustainability issues, for example climate change.

But Tanja von Egan-Krieger rightly has observed that there are mainstream attempts as well, to cover the above mentioned fields and concerns. Household economics with Gary Becker, New institutional economics with Oliver Williamson and environmental economics with Joachim Weimann and Ulrich Hampicke as two of its representatives in the German speaking world. Also these extensions of neoclassical theory are critically commented on by von Egan-Krieger.

In the first part of the book the author points to discursive ethics as her frame of reference. She also constructs a scheme of analysis in commenting upon and criticizing the various schools of thought. This "raster" or template is then applied to orthodox economics as well as the different heterodox schools. To make her analysis manageable Egan-Krieger has selected a limited number of texts to represent the heterodox schools. Adelheid Biesecker is representing the feminist school, Marc Tool and Geoffrey Hodgson are chosen for old institutional economics and finally Herman Daly and the present reviewer as typical among ecological economists.

A first thesis of the author, as made clear already in the title of the book, is that there is no value-free economics. Neither orthodox economics, nor heterodox schools are value-free. We should rather investigate the "normativity" of each school of thought and discuss it openly. From this follows that neoclassical economics should rightly be regarded as one variety of "political economics" among other varieties. It was a mistake by the emerging group of neoclassical economists to abandon the term political economics about 1870. (It is equally a mistake to reserve the term political economics exclusively for Marxist economics.) If economics is political economics, then economists have to move away from technocracy to respect normal imperatives of democracy. This suggests that it is not compatible with democracy to give a monopoly to one single paradigm (with connected ideological orientation). A degree of pluralism then becomes the natural state of affairs.

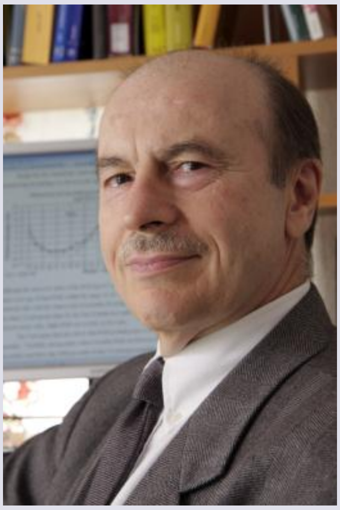
The overview presented by Tanja von Egan-Krieger is clarifying in many ways. If ideology is involved, then we should not be afraid of the existence of many schools of thought. In each of the fields discussed there are tensions between neoclassical versions and perspectives where neoclassical theory is kept at a distance. When I first heard Oliver Williamson present his so called "new institutional economics" at the Department of Economics, Lund University, I made the remark that it was confusing to present his version of economics as "institutional". There already existed a school of institutional economics which differs considerably from Williamson's neoclassical story about transaction costs. Williamson did not reply to this comment.

In a short review, it is not possible to do justice to all parts of this excellent study. Tanja von Egan-Krieger is herself a political economic person with specific value or ideological orientation. But in her comparative analysis, she has respected ideas of democracy by listening carefully to many voices. And to make it easier for people outside the German speaking community to listen to her voice, an English translation of the book would be desirable.

Peter Söderbaum
Professor emeritus, ecological economics,
Mälardalen University, School of Economics, Society and Technology, Västerås campus, Sweden

The Virtuous Invisible Hand of Alan Blinder

By John Komlos



Alan Blinder's review of Jeffrey Madrick's *Seven Bad Ideas. How Mainstream Economists Have Damaged America and the World* (Knopf, 2014) [1] is critical of Madrick's characterization of the role of economists in the financial meltdown of 2008. Madrick suggests that their role was "central", while Blinder claims that only conservative economists contributed and contribution was limited to a "bit". I think that Madrick's characterization is much closer to the truth and so does Joseph Stiglitz who said in a lecture: "I have to blame my colleagues in the economics profession. Not all economists got it wrong; but a lot of them did and they provided arguments that politicians used, people in the industry used for stripping it [regulation] away…. The basic argument was a very simple one, a variant of Adam Smith that markets, unfettered markets always lead to efficient outcomes…. they [regulators] were just doing what they said economic theory said you ought to be doing." [2]

Thus, Blinder—an influential mainstream centrist economist at Princeton University—has turned a blind eye to the dominant spirit of our times. The ascendency of this market fetishist world view can be traced back to the immense influence of Milton Friedman's concerted effort to discredit government's legitimate role in the economy in his influential PBS series "Free to Choose" broadcast in 1980, aired again in 1990, and accompanied by his best-selling book of the same title. Friedman may well have been "far to the right" as Blinder suggests, but he nonetheless had immense influence also on the center and made even liberals such as Bill Clinton endorse the Financial Services Modernization Act of 1999—which repealed Glass-Steagall Act of 1933. At that time Clinton's Council of Economic Advisors was chaired by non-other than a liberal economist by the name of Janet Yellen. There is no denying that the almost religious faith in the self-regulating mechanism of the market was promoted not only by conservative types such as Alan Greenspan and Phil Gramm but many liberal economists as well and thus this world view came to dominate the *Zeitgeist* on Main Street.

In fact, the main message taught to millions of economics students year in and year out due to the global dominance of a limited number of (essentially US) textbooks is that regulation of the free market is, in the main, not only superfluous but decreases efficiency, stifles investments and innovation, and is therefore detrimental to economic growth. Certainly, there are some moments devoted to addressing the exceptions to this generalization but they are treated as epiphenomenon and as Madrick and Stiglitz emphasize, the takeaway is that the government is a boogeyman that stifles markets and the entrepreneurial spirit. Without such a chorus of economists singing the praises of *laissez faire,* as though markets descended straight from heaven, the decades' long process of deregulation would have been unthinkable. It was this process of deregulation that gnawed away at the stability of the financial system created under FDR and ended what Paul Krugman calls "boring banking". Blinder should really watch again the film *Inside Job* which outlined so well the succor economists of all persuasions—and not only conservative ones—provided to the deregulation hype–a condition *sin quo non* of the fragility of the financial system and of the Meltdown of 2008.

Not only conservative economists taught and practiced these principles. It is fair to say that Larry Summers is a liberal economist; yet he eagerly aided and abetted Alan Greenspan in running Brooksley Born out of D.C. after she dared to defy them and attempted, albeit unsuccessfully, to begin to regulate derivatives in 1998. There were those, such as Hyman Minsky, who warned of the inherent instability of the financial sector unless the government maintained its constant vigilance. However, they were ridiculed and even ostracized by most everyone in the profession including Blinder's colleague, Ben Bernanke who is not known as a staunch conservative. [3] Bernanke disdainfully dismissed such warnings by writing, for instance, that, "Hyman Minsky (1977) and Charles Kindleberger (1978) have in several places argued for the inherent instability of the financial system, but in doing so have had to depart from the assumption of rational economic behavior." [4] In other words, there is no need to worry about the ideas of people as bizarre as that…. Thus, it seems to me that it is fair to infer that the virtues of deregulation were widely accepted. Consequently, the deep-seated belief that Wall Street—guided by sophisticated quants from the Ivy League—can and should take care of itself without government meddling in its affairs was widespread among economists of various political persuasion. In other words, Blinder is dead wrong to suggest that liberal economists were not supporting the deregulation hype on the basis of the invisible hand metaphor.

That is not to say that economists influence all policy in Congress. Blinder gives a number of examples to the contrary, but that is hardly Madrick's main point. Rather, Madrick suggests that there are a number of crucial principles which are widely held and taught by economists. These principles have put their stamp on both popular culture and the *Weltanschauung* of the policy elite. However, they are both incorrect and hazardous to the health of the nation. Among these is the deep-seated but pernicious belief in the efficient workings of the invisible hand, a metaphor that can be traced back to Adam Smith. Yet, ironically, Smith used the metaphor *en passant* only once in *The Wealth of Nations*.

The metaphor is used today in order to imply that the actions of selfish individuals will ultimately and inadvertently benefit society. However, Greenspan and the circa thousand economists working for the Fed simply forgot that the invisible hand does not work well at all with imperfect information. I think that no one would argue today that Dick Fuld's or Angelo Mozilo's invisible hands benefited society; yet the metaphor lives on—in and out of classrooms in spite of Joseph Stiglitz's repeated warnings that the metaphor is no more than that and should not be taken seriously: "the reason the invisible hand often seemed invisible was that it was not there.... Markets by themselves do not lead to economic efficiency." [5]

Yet, Blinder challenges Madrick's characterization of the invisible hand by suggesting that "Throughout recorded history, there has never been a serious practical alternative to free competitive markets as a mechanism for delivering the right goods and services to the right people at the lowest possible costs. So it is essential that students learn about the virtues of the invisible hand in their first economics course." But what about those for whom the free market does not deliver enough of the "right goods and services" to meet even their basic needs? Blinder's mentality is precisely what Madrick is arguing against, inasmuch as this is the wrong way to teach economics.

"Free competitive markets" have not existed for very long at any time anywhere, except on blackboards, because they are not stable forms of social organization. As importantly, certainly have absolutely nothing to do with today's real existing economic system dominated by giant oligopolies and too big to fail financial conglomerates with immense influence in the halls of Congress. In contrast to the markets in Smith's time, the global marketplace today is rampant with systemic risk, opportunistic behavior, and asymmetric information that enables the strong to take advantage of the weak.

Blinder's description of the invisible hand as virtuous in this context is in itself a value judgment. It would not be supported by Madrick, nor by the inhabitants of some neighborhoods in the South Bronx—with a median income of $8,700—not per month, but per year. [6] In fact, Madrick argues that we should be instilling in our students from the outset the point that markets that are not well regulated are dangerous. Without sufficient countervailing power the invisible hand becomes an invisible fist that cruelly keeps a substantial portion of the population from a decent life. So Blinder's virtuous invisible hand should by no means be the default model taught to Princeton undergraduates; instead we need to stress that only with adequate oversight will markets provide equitable outcomes in a stable economy. Perhaps it would be best to forget about the invisible hand metaphor altogether; after all, as Stiglitz suggests it is an outdated metaphor for our time.

[1] Alan Blinder, "What's the Matter with Economics?" *New York Review of Books*, December 18, 2014.

[2] Joseph Stiglitz Lecture "Freefall" at the Commonwealth Club of California, February 22, 2010. http://fora.tv/2010/02/22/Joseph_Stiglitz_Freefall Accessed December 18, 2014.

[3] John Komlos, *What Every Economics Student Needs to Know and Doesn't Get in the Usual Principles Text* (New York: M.E. Sharpe, 2014).

[4] Ben S. Bernanke, "Nonmonetary Effects of the Financial Crisis in the Propagation of the Great Depression," *American Economic Review*, June 1983, pp. 257-276; here p. 258.

[5] Joseph Stiglitz, "Doctor of Honoris Causa Ceremony Speech," University of the Basque Country, Bilbao, Spain, May 23, 2006. See also his Nobel Prize lecture: Joseph Stiglitz, "Information and the Change in the Paradigm in Economics," Stockholm University, Aula Magna, December 8, 2001.

[6] Arun Venugopal, "Census Pinpoints City's Wealthiest, Poorest Neighborhoods" WNYC News Thursday, December 08, 2011 http://www.wnyc.org/story/174508-blog-census-locates-citys-wealthiest-and-poorest-

Call for Papers International initiative for Promoting Political Economy

The 6th IIPPE Annual Conference will take place at the University of Leeds, UK, 9-11 September 2015.

Rethinking Economics: Pluralism, Interdisciplinarity and Activism - The Sixth Annual Conference in Political Economy aims at fostering a reflection on positive alternatives to the mainstream by examining political economy from the complementary angles of pluralism, interdisciplinarity and activism.

More details here

Interview on innovation with Peter Swann

Peter Swann was formerly Professor (and now Emeritus Professor) of Industrial Economics at Nottingham University Business School. Most of his research has been about the economics of innovation. Here he answers some questions from Stuart Birks

1. Why do you think innovation is an important topic for economic analysis?

It's a good question. If you had asked me this when studying the economics of innovation for my PhD, I would probably have said that I don't really know if it is an important topic or not, but I am very interested in it. In retrospect, it was just a *happy accident* that my research came to focus on the economics of innovation. I didn't appreciate at the time how important this field would be.

A few years later (say, mid- to late-1980s) however, I would have given a completely different answer. By then, it was clear to me that this really was an exceptionally important topic which had been surprisingly neglected by economists in the twentieth century. Solow's important study from the 1950s had established that a large proportion of economic growth in the US could be attributed to technical change rather than to growth in the use of capital and labour (Solow, 1957). Economic histories by David Landes (2003), and others, had shown just how important innovation was in the process of industrialization. And Chris Freeman's pioneering empirical work had shown us just how important innovation was in some of the industries with the highest growth rates (Freeman, 1982).

By then, also, I had started to look back to some of the classic works in economics (Adam Smith, Karl Marx, J.S. Mill and others) and found that innovation was prominent in all of these. And, of course, Joseph Schumpeter (1942) had put innovation at the centre of his analysis of capitalism. So at that stage, the question was not so much, "why do I think innovation is an important topic for economic analysis?", but rather, "why did so many economists in the twentieth century think that innovation was *not* an important topic for economic analysis?" Of course by the late 1980s, the economics of innovation had taken off in earnest as an exciting new field within industrial economics.

Indeed, I remember attending a seminar towards the end of my PhD studies when a prominent theorist from one of the world's greatest universities gave a theoretical paper on the economics of innovation. He prefaced his talk with the observation that if you were to look at the leading economics literature of that time, you could be forgiven for thinking that economics and innovation had almost nothing to do with each other. I remember this remark clearly because it really was a rather shocking observation, but it was indeed an accurate statement about the economics literature of that time.

Now, however, my answer would be quite different again. Over the last 15-20 years or so, I became preoccupied with a more cautious assessment of innovation. Have we overestimated the benign effects of innovation? Are the benefits of innovation starting to show diminishing returns? Are the returns to the innovator much greater than the value to society as a whole? And, can innovation do damage in some cases?

Joseph Schumpeter (1942) had already given us the answer. Any student of the economics of innovation will have come across his famous description of innovation as, "a perennial gale of creative destruction". Yes, innovation is destructive as well as creative, though with luck the creative effects are greater than the destructive. But as I started to examine various case studies of the destructive side of innovation, I saw that these can be substantial (Swann, 2014). Schumpeter would not have been surprised in the least, but when I have shared the message of these case studies with many people working on the economics of innovation, they react with bewilderment and even a little frustration. Their response seems to imply that I am being irresponsible to cast doubt on something that is so important for economic growth.

I don't think that is irresponsible at all. Indeed, I think it is essential that economists don't get carried away with their own rhetoric. So my answer today to your question would be this: it is important to analyse and understand the economics of innovation so that we can form a clear and realistic account of the good (and bad) things that it can do.

2. How would you view the mainstream economics approach to innovation?

I really need to break this question into two parts. (2.1) How would you *describe* the mainstream approach to the economics of innovation? And (2.2) what do you *think* of the mainstream approach to the economics of innovation? Let us start with (2.1).

Twenty years ago, I think it would have been fair to say that *much* of mainstream economics treated innovation as something that just enhances productivity. The main research question was therefore: to what extent does innovation enhance productivity? As for research methods, mainstream applied research on the economics of innovation was dominated by econometric studies – as was most mainstream applied research in economics.

We should remember, however, that the mainstream economics of innovation (like any other discipline) is always evolving. We see signs that the mainstream will, after some time, adopt ideas from heterodox economics and even from other social sciences. This diffusion of ideas is helped by several 'ambassadors' who belong to one community but also associate with the other.

Today, I would describe the mainstream approach in a different way. The theoretical perspective is broader than it was twenty years ago. Nevertheless, mainstream economists still have a more constrained and limited theoretical perspective on what innovation does to the economy than you will find amongst heterodox economists. Related to this, mainstream economists still seem to consider a narrower range of research questions about innovation than heterodox economists. Thanks to the gradual diffusion of ideas from heterodoxy into the mainstream, the range of questions considered by the mainstream does grow over time. But so too does the range of questions considered by heterodox economists. I think it is fair to say that in this respect, at least, the mainstream is often quite a few years behind the heterodox community.

Some readers may ask: can you actually give some evidence for your assertions about the comparative range of research questions in the mainstream and in the heterodoxy? Yes I can. The Community Innovation Survey (CIS) is a survey about innovation carried out in all the member states of the EU. Traditionally, the UK CIS has included a large number of questions, and for this reason, response rates were probably lower than they could have been for a shorter survey. Some of the government economists and statisticians who designed the survey asked researchers for their views about the range of questions to be covered. The responses are instructive. Mainstream econometricians typically wanted CIS to be more 'econometrics-friendly', with just a few questions on the key issues of concern to the mainstream, a higher response rate and a richer set of panel data. Heterodox economists, in comparison, were mostly happy with the large number of questions because this made it possible for them to consider a wide variety of questions.

Now I can turn to question (2.2): what do I think of the mainstream approach to innovation. Let me start with theoretical frameworks and research questions. The short answer is that I have at times found these rather limiting and frustrating. This was especially true when most mainstream economists seemed only to be interested in the effects of innovations on productivity. That is a natural question to ask about process innovations, perhaps, but I was really more interested in product innovation. Up to a point, you can fit product innovations into this framework if you are prepared to stretch what we mean by *increased productivity*. But I think this limited perspective was unhelpful because it focused only on *one* of the things that innovation can do, and ignored many other things that innovation can do. While the mainstream has now moved on from an exclusive focus on the productivity effects of innovation, I still find that the lag between heterodox work and the mainstream is frustrating. I find that I want to discuss questions that the mainstream simply does not consider.

What, finally, do I think of the research methods used by the mainstream? This is something I have already discussed at length (Swann, 2006) so I won't repeat myself. But let me correct one misunderstanding about that book. Some have accused me of being very anti-econometrics, but that is quite wrong. As that book makes clear, I am *not* anti-econometrics, but I am *anti-monopoly*. Econometrics holds a massive 'market share' in mainstream applied work, a near monopoly, and most other applied techniques have been completely marginalised. That is what I object to! I am convinced that econometrics has a place amongst the portfolio of research techniques we use, but it should be a much more modest position than it holds at present.

3. How might a cross-disciplinary approach improve understanding?

I have two things to say about this. The first is an obvious point, perhaps, but is very often overlooked.

While Adam Smith extolled the virtues of the division of labour in the *Wealth of Nations*, he also talked about its vices (see the discussion on division of labour in Book V Chapter I). The main virtue is the way the division of labour enhances productivity, while the main vice is that people whose work involves endless repetition of similar tasks develop a very limited perspective on the world.

If we are to reap the benefits of the division of labour, somebody – at least – must recombine the fruits of each labourer's work. In a manufacturing process, that recombination is ensured by the assembly of a physical product for sale. But in the research world, there is no assurance that the recombination will take place. Indeed, I can only think of a few scholars who indulge in this recombination activity. Career advancement primarily depends on excellence within your narrow discipline, and there is very little incentive to work at recombination.

Without that recombination, economists work in 'splendid' isolation. Not everyone thinks that is a good idea. Hayek, for example, believed that, "the economist who is only an economist is likely to become a nuisance if not a positive danger." (Hayek, 1967)

The second way in which a cross-disciplinary approach can improve understanding is really an extrapolation of what we learned above about the gains from encouraging a heterodox research approach. As I said before, the heterodox community has a less restrictive framework in which to think about the economics of innovation and can therefore ask a broader range of research questions. A truly cross-disciplinary approach can take this process even further still.

I would identify four areas in particular where I have found cross-disciplinary work especially valuable to me. These are:

a) The sociology of consumption
b) Engineering economics
c) The geography of innovation
d) The psychology of creativity

When you learn about the sociology of consumption - for example, Bourdieu's work on distinction (Bourdieu, 1984) - you start to realise that the mainstream economic theory of consumption and demand is a very special case. It is not *wrong* – because there are cases where people do genuinely behave in the same sort of way as that theory suggests. But you start to realise that there is a great deal more that influences consumption. In the context of the economics of innovation, the sociology of consumption opened my eyes to a whole host of other factors that could influence the likely market success of a product innovation.

By engineering economics I mean the sorts of economic principles governing technological change that emerge from scientific and engineering analysis. A leading example of this is the work around Moore's Law (concerning the rate of growth of computing power per semiconductor chip). This scientific and engineering analysis allows us to make some very precise predictions about the costs of producing computer chips, and how that falls over time. Compared to what any other method can offer, engineering economics is something of a revelation – though it can only be used in a limited range of contexts.

When I did some work on geographical patters of innovation twenty or more years ago, economic geography was starting to emerge as a hybrid discipline in its own right. It has now developed in to a healthy hybrid discipline. I can't say whether the dialogue between economists and geographers is yet as well developed as it should be, but the momentum is there.

Finally, I have found it fascinating to compare and contrast the psychology of creativity with the economics of innovation. In some ways, the two complement each other, but in other ways they are clearly in tension. That makes for a truly fascinating dynamic which has not, as I see it, been properly explored yet.

I'm sure that readers could cite many other examples.

4. How would you suggest that we frame the issue of innovation? And what is your approach to the analysis of innovation?

I think that the ideal 'frame' for the topic of innovation should be as loose-fitting as possible. A tight framework may contort our data to conform with a bad theory, because it leaves no opportunity for the data to 'rebel'. So here I am at one with Sherlock Holmes – the great (fictional) detective: "It is a capital mistake to theorize before you have all the evidence. It biases the judgment." (Doyle, 1887)

Turning to your second question, I would describe my approach to the economics of innovation in three key steps.

a) First, we need to move on beyond Friedman's test – as set out in his *Methodology of Positive Economics*.

Friedman (1953) argued that the test of any theory or model should be the accuracy of its predictions and *not* the realism of its assumptions. Like so many of the principles that have guided mainstream economics, this test is not *wrong* as such, but it is based on a strong assumption. It assumes, implicitly if not explicitly, that our interest in the model is limited to the specific data used to test it and the specific context that gave rise to those data. That may be true for some econometricians, but it is not true for all economists – especially those who want to use the model for policy purposes.

When you use models for policy purposes, it is common to ask: what happens if we make radical changes to some of the variables in a way that has not happened before. A model based on false assumptions may predict a particular set of data well. It may even perform well outside that sample with another set of data from a similar context. But it cannot work well over an unrestricted domain. Sooner or later, a model based on false assumptions will make poor predictions.

My concern about Friedman's test, as it stands, is that it is used by econometricians to neutralise criticism from heterodox economists who use other research methods that contradict econometric results. As I have argued at length elsewhere (Swann, 2006), this means that economists make too many Type II errors – that is, they fail to reject false theories - and these errors can be very costly. I would prefer to replace the Friedman test with a tougher test. If a model predicts well **and** is based on realistic assumptions, then it is a good model. Otherwise, it is a bad model.

b) Second, we need to loosen the grip of mainstream theory and mainstream assumptions on our view of innovation.

I sometimes think that trying to understand all aspects of the economics of innovation within the constraints of the neoclassical framework is a bit like trying to play tennis in a straight-jacket. I think this perfectly sums up the frustrations I have felt in trying to analyse innovation within an over-restrictive framework.

As I look back over some of the key advances in the economics of innovation, it seems to me that each of these loosens one of the assumptions of the existing mainstream approach. So, for example, an important step was the work of several authors to loosen the framework so that it could properly incorporate product innovations. Nelson and Winter (1982) released the economics of innovation from the restrictive static framework of the mainstream and launched the field of evolutionary economics. Von Hippel (1988) developed the idea that user knowledge was one of the most important sources of information for innovation, and then later (Hippel, 2005) considered the idea that users could actually play an active role in driving the direction of innovation. And so on.

My recent work (Swann, 2014) has taken a few more steps to loosen the grip of mainstream thinking. I questioned the idea that innovation was generally socially benign and studied in detail the destructive side of innovation. And I dropped the assumption that innovation is primarily a business activity and started to look at 'common innovation' – innovation by ordinary people, families, clubs and local communities to enhance their well-being.

c) Third, we need to use a wide variety of applied research techniques.

In earlier work (Swann, 2006) I described at length the case for using a wide variety of applied research techniques. I can summarise the arguments very simply as follows. All these different techniques have their strengths and all have their weaknesses. The weaknesses of one technique can often be addressed by using another technique. A research study that uses many techniques should therefore be able to address many weaknesses. There is no universal solvent or universal technique that is the best to answer all economic questions.

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Textbook commentary: Complexity, the Ideal "Market" and the Real-World Market

By Wolfram Elsner, Torsten Heinrich and Henning Schwardt

Part of the WEA Textbook Commentaries Project

Complexity (micro-)economics implies that **a real-world market economy will have to be conceptualized as a complex phenomenon, embedded in a set of mechanisms and entities that basically are its counter-principles, such as bureaucracies (hierarchy), networks, jointly learned (informal) social rules and institutions, and the state.** Only all of these together give life, sense, meaning, and workability to a spontaneous, decentralized mechanism that we are used to calling a "market," while both limiting and enabling the market to work at all, when otherwise it might not even come into being.

It is not that a decentralized economic system would not be adequate per se. On the contrary, decentralization may be one of the requirements for an economic system to deal with complexity, which, however, in turn, may itself stem from fragmentation and individualization. But **assuming isolated selfishly maximizing individual agents, all being of one kind, is certainly not the answer to real-world direct interdependence and related complexity**. Coordinating real-world agents and simplifying their often intricate decision problems, so that they become capable of and inclined to long-run learning, investing, innovating, or sometimes acting at all, might require a trinity of:

- coordination through jointly learned institutionalized cooperative interaction to solve ubiquitous social-dilemma and collective-good problems (informal institutions);
- discursive deliberation and agreed upon collective action through formal organization, namely, properly legitimized and formed public action (organization, planning, or the state);
- decentralization with some spontaneous individualist reaction of agents to price changes (markets).

Therefore, a new understanding of the economy as a directly interdependent and complex system, where agents have different strategic options and mixed, and often intricate incentives to act, has been developed. Where agents are directly interdependent, they have to recurrently directly interact and learn from this experience, if they like it or not—uncertain as they are. In complex systems, effective coordination, thus, is all but obvious, trivial, simple to achieve, or self-stabilizing. Only real time, history, process, and recurrent interaction with learning and behavioural innovation will provide the frame for generating solutions to the complex coordination problem, involving perhaps, but not necessarily, reduced systemic complexity. This will also give room for search, innovation, joint learning, the creation of collective and shared information, cumulative process, and long-run development. Behavioural consequences of rationality may be completely different under such different settings, with learned and recognized interdependence and long-run perspectives (futurity). But there is no guarantee at all in complex structures and resulting evolutionary processes that an effective or instrumental coordination, i.e., coordination that serves problem solving, will actually emerge—or be stable.

[Adapted from pp.xiii-viv of Elsner, W., Heinrich, T., & Schwardt, H. (2015). The microeconomics of complex economies : evolutionary, institutional, neoclassical, and complexity perspectives. Amsterdam ; Boston: Academic Press (here at Elsevier, here at Amazon).

News on the 2015 WEA conferences front

By Maria Alejandra Madi

The WEA Conferences format designed by Edward Fullbrook and Grazia Ietto-Gillies makes full use of the digital technologies in the pursuit of the commitments included in the World Economics Association Manifesto: plurality; competence; reality and relevance; diversity; openness; outreach; ethical conduct; global democracy. The Online Conferences seek to increase the relevance, breadth and depth of economic thought, considering: (a) the variety of theoretical perspectives; (b) the range of human activities and issues which fall within the broad domain of economics; and (c) the study of the world's diverse economies.

The **Greece conference** has just ended last December. Many thanks to Yannis Dafermos, Marika Frangakis and Christos Tsironis for organizing it. There have been several excellent papers. It should be noted that some papers which have no or few comments still had a considerable number of hits and downloads which shows interest in them.

We must also highlight that last December, a book from a conference on **The economics curriculum: towards a radical reformation** was published (details here). The conference was led by Maria Alejandra Madi, Jack Reardon, David Wheat and Halyun Zhao and took place in May-June 2013. The volume is, appropriately, the first in the WEA series in collaboration with College Publications. We hope that the volume will make a contribution to the debate towards changing the curriculum and towards changing attitudes in mainstream economics. Indeed, the problems and issues around the economics curriculum are among the most pressing ones in the profession. Moreover, their ramifications spread throughout economies and societies.

Future plans include a conference on **Rethinking Bretton Woods for the 21st century** that will be organized by the distinguished Profs Oscar Ugarteche and Alicia Puyana from Mexico. Work is in progress and it will certainly be scheduled in the first semester of 2015.

Besides, Prof. Grazia Ietto-Gillies has already announced a conference on **The nuclear industry after Fukushima** led by Profs Ken-Ichi Oshima and Chikako Nakayama. Work is also in progress but the dates have not been fixed yet.

One more conference is under discussion on **The debt crisis** that will be led by the distinguished professor Victor Becker from the University of Buenos Aires. It is still at early stages.

In 2014, WEA members may have noted that we have lengthened the Discussion Forum period for our conferences. We noticed that many conference papers continued to have a substantial number of hits well after the closing period of the original 6 weeks Forum. This prompted us to change our strategy and allow a longer period for people to think and actively participate through their comments. We really benefitted from many of the open comments that the 2014 conferences attracted and we would like to thank all the contributors to the debates.

Online conferences brought deeper changes. The new ability to track downloads and other uses of the online content have raised important questions about the new approaches to the dissemination and discussion of research in economics. Thus, the WEA attempt reflects the current challenges that are being faced by academics, professionals and students around the world.

In the recent past, the papers of the conferences have been downloaded by many more people than usually attend sessions of location conferences, resulting in more interaction within the scholarly and professional community. This success has come about because the WEA fills a gap in the international community of economists: the absence of a professional organization which is both broadly international and pluralist.

Indeed, I am delighted with the opportunity to lead the organization of the WEA Conferences. It has been my privilege to work closely with Grazia Ietto-Gillies since 2013. I have enjoyed the opportunity to watch and learn from her knowledge and experience. She has given to me friendly encouragement and support throughout the organization of a couple of conferences and the development of the book *The economics curriculum: towards a radical reformulation.* Her frequent valuable insights will be always appreciated. I would really like to express my deep gratitude to Grazia.

Looking forward, we hope the future WEA Conferences could be an opportunity to continue the path for increasing networking within the international community of economists as an essential aspect of the online experience.

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