

WEA Commentaries*

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

* Formerly the World Economics Association Newsletter

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Newsletter Change of Name

From Issue 7 No.1 the newsletter will be renamed **WEA Commentaries**.

This more accurately reflects the nature of the publication.

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Shifting the economic system onto a sustainable path By [Graeme Maxton](#)

[Editor's note: Graeme Maxton and Jorgen Randers are the authors of ***Reinventing Prosperity: Managing Economic Growth to Reduce Unemployment, Inequality and Climate Change***, (Greystone, 2016). The German Edition is ***Ein Prozent ist genug*** (One percent is enough) (oekoem Verlag, 2016). Graeme Maxton is the currently Secretary General of the Club of Rome. Jorgen Randers is one of the original authors of *The Limits to Growth* (1972) and Professor emeritus at the BI Norwegian Business School]

For most of the last 30 years there has been strong economic growth in the rich world and yet unemployment has remained stubbornly high while the gap between rich and poor has widened. According to traditional economic thinking this should not have happened. High rates of growth should have created lots of new jobs, for a largely stable population, and spread wealth around more evenly, especially as it was supplemented by more open trade and less market regulation, two other economic foundations praised by traditional economists for their beneficial impacts. Instead, average standards of living have stagnated or declined in much of the OECD and only the rich have become richer.

Because the problems of unemployment and inequality have affected such a comparatively large percentage of the population, and absorbed so much political effort, they have made it much harder for humanity to address its big environmental challenges, such as climate change. This is partly because many politicians and business people think that any substantive response to the ecological problems will make the economic situation worse. That is, they think that the steps needed to reduce energy-related emissions and slow the pace of climate change will bring slower economic growth, further job losses and even wider inequality, at least for a while. As a result, economic policies remain predominately focused on the promotion of further GDP growth and greater market liberalization.

Yet continuing on the current path makes no sense, because the ever-widening gap between rich and poor that it causes will eventually undermine social stability. The existing path will also ruin the planet for future generations. If emissions continue to rise as they are currently doing, the level of CO₂ in the atmosphere will reach 450ppm by around 2035 which will make a 2°C increase in average global temperatures compared to pre-industrial times a certainty by 2050. Among many other consequences, this will spark runaway climate change, which the vast majority of scientists say would be impossible to stop and which would eventually have catastrophic consequences for the majority of living things.

So there is a need for alternative economic thinking, and a change to the current ideology.

In the past, attempts to encourage a transition to a more sustainable economic system have failed largely because they have appealed to people's good consciences, to their desire to ensure a better life for their grandchildren. They have involved asking people to make a short term sacrifice - to reduce consumption and emissions, in effect - for a long term and largely unquantified benefit, most of which will accrue to others, that is, the next generation and nature. This has not been an appealing message for the majority, whose interests are greatly focused on their immediate problems, including unemployment and inequality, and so it has failed.

For any sustainable policy to be acceptable then, it needs to provide a benefit to the democratic majority in the short term, because that is what motivates most people.

A new approach should also avoid making the current problems worse in the interim, to overcome the other major stumbling block.

In a new book, *Reinventing Prosperity*, written by Jorgen Randers and me, we provide 13 politically feasible proposals to achieve this transition in the rich world. (We think that the approach needs to be different in the poor world, as the challenges there are different.)

In formulating these proposals, our goal has been a future where average living standards are higher than today and the pace of climate change is greatly slowed. We believe that by combining our ideas—by grafting them onto the current economic system—it is possible to steer the world toward a better future. Almost all of our proposals will need to be implemented gradually, over many years, to give the economic system, businesses and society time to adjust.

13 proposals to shift the economic system onto a sustainable path in the rich world

1. Shorten the length of the work year

Every year a certain amount of work is done in an economy. Typically, only part of the workforce is fully employed in doing this work, while many others are employed part-time when they would like to work more. There is also a large number of people who are unemployed. This problem exists not because the economies of the rich world need to grow more, but because work, incomes and wealth are so unevenly shared. If the GDP of the OECD is divided by the population, as a simple proxy for average income and economic value per head, there is already more than enough output for everyone. Logically then, if the work can be shared more evenly,

those employed full-time could work less, giving others the chance to work more. With a little jiggling, everyone can have enough work, and sufficient income to live comfortably, without there being any economic growth at all. The way to achieve this is to increase the amount of paid vacation time each year, by around two days a year, over 20 years.

For this idea to work best, vacation time needs to be compulsory and self-employment discouraged.

Norway, Germany and other European countries have already applied this policy systematically since 1960. The citizens of these countries have a work year (1,600 hours a year) which is much shorter than that of US workers (2,000 hours). Incomes in these countries remain high, vacations are longer, productivity is good – and well-being has risen.

2. Raise the retirement age

To raise the compulsory retirement age and boost the size of the workforce at a time when there are already too few jobs in the rich world, and when robotisation threatens to increase the number of unemployed even further, might seem counterintuitive. Yet, combined with our other proposals to shorten the work year (proposal 1) and provide a basic income for those who need it (proposal 13), raising the retirement age makes sense. If the elderly want to work and look after themselves, and not become a drain on the welfare system or their families, this should be encouraged. It means others can work less, because they will not have dependents to care for, and governments can spend less than they otherwise might on healthcare and welfare.

3. Re-define paid work to include home-carers.

Some essential work done in the economy currently goes unpaid while some of exactly the same work is paid. This is an anomaly that society can easily correct and simultaneously boost the size of the workforce, increase GDP and redistribute income. In this case, we are talking about the home-care sector, where millions of (mostly) women spend their days looking after children and the elderly. They mirror what happens in the rest of the economy, in schools, kindergartens, hospitals and care-homes, only the work they do at home is unpaid while those employed elsewhere are paid. So our third proposal is for the state to pay all those who provide care at home, to recognize the valuable work they do and bring millions of people into the economy.

This proposal would also help soften the impact of ageing populations in many rich world countries. Today, many families find themselves stuck in a situation where they have to care—without pay—for their ailing parents. If this work was properly remunerated it would reduce the pressure on the public health system, not only by requiring fewer places in nursing homes, but also be-

cause it is often cheaper and better to care for the elderly in their homes.

4. Increase welfare payments.

Our next proposal is for governments to increase welfare payments. This would quickly reduce inequality and social tension, and with it the growth of political extremism. This is essential for another reason though, because many millions of people will need a proper safety net if there is to be a transition to a healthier and less polluting economic system. Positioned correctly, companies should welcome the idea of higher welfare payments too, because it will boost consumption in the short term, and make it easier for them to boost efficiency through mechanization by reducing backlash from those being made redundant. Businesses would need to pay higher taxes on their earnings to cover the cost of this, of course, and also to share the rewards of greater robotisation more evenly. This proposal would also result in a long term decline in total consumption (and so the human ecological footprint) as incomes were spread more evenly.

5. Tax corporations more

Increasing corporation taxes is not just about raising funds for the state to redistribute. It gradually changes the structure of the economy. It increases demand for public services (those things that governments buy with their increased tax revenue) and a lowers demand for investment goods (those things that rich individuals and corporations buy with their excess liquidity). This leads to higher consumption growth in the short term, but lower consumption growth in the long term—because of the lower rate of addition of new productive capacity. During the transition there may be a temporary increase in unemployment and smaller business profits, but not in the long run: higher taxes simply change the balance of the economy.

If governments are wise enough to use part of the increased tax income to pay for the production of collective goods, such as improved energy efficiency, reduced emissions of greenhouse gases, and a cleaner environment, the tax increase could not only maintain GDP and jobs, but also lead to a reduction in the production and consumption of physical goods that increase the human ecological footprint. Increasing business taxes provides the opportunity to gradually increase the time-horizon of the banking and finance sector too, reducing the substantial risk it currently presents to economic stability by accentuating and amplifying short-term fluctuations.

6. Expand the use of green stimulus packages

Non-profitable collective activities, such as increasing the capacity to generate renewable energy or reduce inequality through higher welfare payments, can be paid for through higher taxes or they can be financed by

printing money. Cranking up the printing presses has the advantage of spreading the cost across society in the form of slightly higher inflation. The idea should also find political support, because it would create a number of interesting new jobs.

The "green stimulus packages" adopted by some rich nations after the 2008 financial crisis can serve as a model. At the time, these failed to have the reflationary impact that was expected because the money was not given to those who needed it - the poor and unemployed - but to the rich. The rich proved unable to find enough investment opportunities because there was so little unsatisfied demand, and so they used the money instead to drive up the cost of other assets (real estate, shares, etc.). Unemployment remained high and GDP growth anemic.

We propose that QE continues, in other words, but that the money is invested in an energy transition and in actively reducing the gap between rich and poor.

7. Tax fossil fuels and return the proceeds in equal amounts to all citizens

Our next proposal is to adopt, in a slightly different format, James Hansen's idea of taxing fossil fuels and distributing the income equally among adult citizens. This benefits the majority, the poor and those with lower energy consumption, while encouraging a shift to clean energy.

The tax would be levied at the coal face, oil well, or gas pipeline entry point (or at the port of import) and returned to the people equally in monthly pay cheques. This would make coal, oil and gas more expensive, and accelerate the transition to renewable and energy efficient activity. The dividend cheque received by the majority of people would also be larger than the extra cost of energy, since most people use less than the average. So the policy will benefit most people and also be redistributive. The majority would have an immediate short term cash advantage and everyone would have an incentive to use less dirty energy. As fossil energy use declined, the tax could be increased to maintain the flow of revenue or applied to other undesirable activities.

Iran has used this method to reduce its subsidies on fossil fuels. To gain popular support for the measure the government started by sending cheques to all households one month before they cut the subsidy.

8. Shift taxes from employment to emissions and resource use

If we are to stop climate change and still have expanding economies, growth needs to become "green", in the strictest sense, meaning it should decrease the ecological footprint.

One way to achieve this transition is for externalities to be charged back to businesses using Pigovian taxes. Com-

panies then pay the full costs for what they produce, as classical economics says they should, and governments have a source of revenue to assist in dealing with the negative effects of pollution. Of course almost everything that is consumed would then cost more, and so the policy will need to be implemented gradually. Demand for many items would also gradually decline, though GDP need not as it is a measure of value not volume. Companies would then find it more profitable for goods to be repairable and recyclable, and to last longer, reducing the human ecological footprint. The sales revenue and profitability of companies need not necessarily decline either, if prices increase to reflect added costs.

Contrary to popular belief, switching to a green economy could also create millions of jobs, many of which would be more satisfying jobs than those that exist today, with more people employed to repair, redesign and recondition products, rather than working on the drudgery of a production line.

9. Increase death taxes

The next proposal is that the unfair transfer of wealth to those lucky enough to be born to rich parents should gradually be phased out. The state can then devote the proceeds according to agreed social priorities rather than leaving the choices to wealthy individuals.

10. Encourage unionization to boost incomes and reduce exploitation

For many people, this proposal will seem heretical because there is today a widespread belief that the greatest human achievements of the last 100 or so years are the result of innovations by a relatively small number of enterprising individuals. When it comes to democracy, freedom, improved human rights and higher average standards of living, health and education, however, most of the important gains have been the result of large and organized groups of people demanding change - first in the work place, to make it safer and to reduce exploitation, and then in wider society, to demand a greater say in the political process, equal rights for women and less discrimination generally. Much of this was achieved with the explicit and essential support of trade unions. More of that sort of thinking will make the transition to a sustainable economic system easier.

11. Restrict trade where necessary

Trade policies should in future be designed for the benefit of the majority. Today, free trade and open markets have become accepted as essential pillars of a healthy economic system, even though the policy is mostly to the benefit of big companies. It allows them to shift manufacturing overseas and then re-import whatever is produced, tariff free. So the next proposal is for governments and society to think a little harder about trade, and to act on the basis of wider social interests, jobs and

well-being. By imposing tariffs on products that damage the environment, a progressive country can also encourage others to do the same.

12. Encourage smaller families

While the world has improved its energy and resource efficiency dramatically in the last 30 years, these gains have been more than offset by the near-doubling in the number of people, with the result that the total human ecological footprint has continued to rise. Humanity lives today as there were 1.6 planet Earths, something which is only sustainable for a short time.

Fixing this problem is hard and without some sort of famine, war or pestilence on a near-global scale, the number of people in the world will continue to grow for many decades, and with it the pace of ecological damage. It often appears as if the only steps that can be taken to reduce the rate of population growth are to improve levels of education, especially of women, encourage wealth distribution from the rich world to the poor world, increase urbanization and provide easily available contraception. This is certainly what we advocate in the poor world.

A new proposal for the rich world is to reward families that have one child only, or none. We propose a financial bonus of \$80,000 to be paid to every woman in the rich world with fewer than two children on her fiftieth birthday. This will help strengthen the status of women and further increase their influence over the crucial decision of family size.

We do not pretend that such an idea will be easy to implement, or indeed easy to accept. We accept, too, that there are all sorts of practical problems, such as how societies should reward singles, same-sex couples, the infertile, those who adopt children, and couples who have twins, triplets, or more when they planned for just one child. What we are trying to encourage is a change in mind-set—and for the rich world to lead by example, because a child born in the US or Europe creates as much as 30x more ecological havoc than one born in the poor world.

13. Introduce a guaranteed livable income for those who need it

Many of the previous proposals move the rich world closer to having a universal basic income. However, providing a basic income for everyone today is likely to be politically divisive, especially in those countries most wedded to the current economic model. So our last proposal is only to provide a basic income, at about one third of the national average, to the sick, the elderly and the unemployed. We also know this is possible without a revolt from the rich because something like it already exists.

A rich nation generates economic value per person of around \$40,000 a year (in 2005 USD terms) and so it is theoretically possible to pay each citizen a decent income. Unfortunately, such a dramatic redistribution is not feasible. It would require imposing high taxes on those earning more than \$40,000 a year and negative taxes on those earning less, as well as direct payments to those without an income.

Unfortunately, the current income distribution in the rich world, while skewed, is not skewed enough to achieve this. The Palma Ratio (the share of income received by the richest 10% divided by the share of income received by the poorest 40%) ranges from 2.5 in poor countries to 1 in the OECD. This means that even reducing the income of the top 10% by a quarter would only increase the income of the poorest 40% by 25%. So, redistribution can only be used to increase the incomes of a minority, and not for all.

Back-of-the-envelope calculations show what is possible.

In Nordic countries, around 27% of the population (POP) are dependent (pensioners 15%, disabled 6%, sick 3%, unemployed 3%), and all receive around \$15,000 a year. So the total transfer is $27\% \times \text{POP} \times \$15,000$ out of the total national income of $100\% \times \text{POP} \times \$40,000$. In other words, around 10% of the total is taken from those who work and given to those who, for some reason or other, do not.

So it appears to be financially and practically possible (at least in homogeneous societies) to pay a guaranteed income equal to 40% of the GDP per person to 30% of the population. If \$15,000 a year can be regarded as “livable” in societies where the average GDP is \$40,000 a year, then it is possible to pay a livable minimum income to a third of the population—without going broke, inciting the rich to move abroad, or sparking a tax revolt. But that is probably the limit of what can be achieved.

We have provided much more extensive analysis on each proposal in our book as well as a range of additional reading.

To many people, these proposals will seem an idealized list that has absolutely no chance of being accepted by those in power—by which we mean financiers, the rich, and big corporations, not elected politicians. Many will also be resisted by those who fear losing their jobs or paying more tax. But we have deliberately offered proposals that we believe have a chance of being politically accepted. This is because each of our proposals, with a couple of exceptions, provides an immediate benefit to most people. They should appeal to the democratic majority, which in much of the world still carries enough weight to push through change—although we acknowledge that this is likely to take time and be diffi-

Fieldwork and model building in economics— Part 2¹ By [Karim Errouaki](#)²

[Editor's note: Part 1 is in Issue 6-6 [HERE](#)]

Fieldwork, Conceptual Analysis in Economics

Part I argued that fieldwork means finding out what people actually do, how they actually think and behave, and what they mean when they say something. Part II will be devoted to the examination of fieldwork in economics. The main thesis of the note is that to understand and sometimes even to discover the truths of reason, it is necessary to investigate the world, and especially, perhaps, to investigate investigating. Our approach is a striking parallel to Marschak's call for interviews with businessmen in order to clarify specification of the investment function.

Fieldwork in Economics

Nell (1998) argued that fieldwork has not been widely discussed or widely employed in economics – but it has been there right from the beginning. Adam Smith visited a pin factory, and observed it closely. This led him to explain how the division of labour worked. But, in general, economists have not done much fieldwork.

In view of the importance of Adam Smith's example, why are economists reluctant to give prominence to fieldwork? There are exceptions: the intuitionists did it; and much industrial organization is based on fieldwork, as is a good deal of labour economics (Andrews, 1949; Bewley, 1999; Blinder, 1998; Commons, 1968; Edwards, 1979; Florence, 1972). Work on the 'informal economy' provides a good contemporary example (Portes et al., 1989). Surveys of consumer confidence (Oxford surveys, conference board, NBER/Sloan Foundation, INSEE) reflect fieldwork, but most so-called empirical work today is based on number-crunching (Nell, 1998, p. 101; Nell and Errouaki, 2013, Ch. 10).

More recently, Swann (2008, p. ix) proposed a new direction and a new attitude to applied economics, what he calls "*vernacular knowledge of the economy, knowledge of the economy gathered by ordinary people from their everyday interactions with markets.*" He argued that "such vernacular knowledge may sit uncomfortably with the formal models of economists [...] But no wise economist should discard the vernacular, because it offers insights that can never be found in formal analysis alone."

Fieldwork calls for participation: to know the meaning of a social practice, it is necessary to experience it in some way. It may be possible to gain an understanding imaginatively, or through discussions with participants; and it is certainly not necessary to participate in every aspect. But participation ensures that the observer directly experiences the social practice and can check the meaning and appreciate the nuances by asking other participants. The object is to get beneath the surface, to contrast actual behaviour with the 'official' view, and to relate language and description to behaviour (McCloskey, 1985). It draws on the method of 'Verstehen', a method that economists

tend to regard with suspicion although it was central to the work of the German historical school. Indeed, this suspicion seems unwarranted; there is widespread appreciation for realism among economists – at least those who reject Friedman's extreme position. Even Blaug (see Nell, 1998, Chs. 3 and 4) refers with approval to realism, for example in his comments on Hicks, who regarded it as central. Yet 'realism' can be verified only by fieldwork.

Without fieldwork, our numbers and therefore our statistics will give us a distorted picture of the world. Without fieldwork, we cannot know the operating rules in our economic institutions, or the true motivations of agents.

Mayer (1993) gives the example of time inconsistency theory, in which a game theoretic analysis demonstrates the case for a rule-based rather than a discretionary monetary policy. In this approach, the central bank is assumed to generate inflation in order to trick agents into overestimating their real wages and therefore work effort. As Mayer points out (*ibid.*, pp.64–5), the statistical evidence suggests strongly that Fed policy has been anti-inflationary during most of its existence. The only exceptions were during wartime. This could be supported even more strongly by reading the records of meetings of the board of governors and the open market committee. Further, even if the Fed had an inflationary bias, the reason for this bias might be quite different than that assumed by time inconsistency theory. That theory rests on an attribution of intentions to an institution, the Fed, an attribution made without considering the available evidence, or doing the fieldwork necessary to gather and evaluate new or better evidence.

A different but even more extreme case is provided by Lucas's (in)famous claim that:

'involuntary unemployment is not a fact or phenomenon which it is the task of theorists to explain. It is a theoretical construct which Keynes introduced in the hope that it would be helpful in discovering a correct explanation for a genuine phenomenon: large-scale fluctuations in measured, total employment' (Lucas, 1987, p. 354; see also the commentary in Rosenberg, 1992, pp. 77–8).

Even minimal fieldwork will establish that 'involuntary unemployment', in the normal sense of the term, is a fact,



and, moreover, one in need of explanation. Further (historical) fieldwork will show that the character of employment in leading industrial countries changed from before 1914 to after 1945. The legal, regulatory and institutional arrangements changed.

The books by Alan Blinder (1998) and Truman Bewley (1999) are good illustrations of smart fieldwork in economics that Nell has advocated since the publication of his (1998) book. Blinder of Princeton University and his graduate students visited 200 American companies to find out why managers are slow to raise and lower prices. However, Bewley's (1999) study grew from small beginnings. Seeking inspiration for theoretical models of wage rigidity, in 1992 he arranged a few interviews with businesspeople.

Susan Helper (2000) thinks that fieldwork allows exploration of areas with little pre-existing data or theory. Indeed, she wrote:

I started my dissertation research thinking I would look at automakers' make/buy decisions. But when I started interviewing and reading trade journals, I realized that important changes – not reflected in the existing literature – were occurring on the 'buy' side. US automakers were moving from adversarial deals to 'voice' relationships in which they worked with suppliers to improve performance.

(See

<http://www.nber.org/sloan/helper.html>)

Helper (2000) observes that, because of fears about the unreliability of field methods, some economists get ideas from the field but do not discuss their fieldwork in their published articles. But understanding the setting can help explain differences in findings between cases by making clear the mechanism by which variables are linked.

Furthermore, Udry (2003, p. 1) noted that development economics has benefited from a rich tradition of field research. Within this broad tradition there is a huge variety of methods, from short qualitative studies to large-scale surveys:

Typically, empirical work in economics relies on existing data. However, it is becoming more common in development economics to complement existing data with relatively short, often less structured visits to the field site in order to clarify aspects of the data, to better define the economic environment, or to collect limited amounts of complementary data.

The NBER Project on Industrial Technology and Productivity was begun in 1994 with funding from the Alfred P. Sloan Foundation. It has three intertwined objectives. First, it seeks to foster research on the fundamental determinants of productivity improvement. Second, it encourages economists studying these issues to supplement their traditional theoretical and empirical research methods with direct observation of business firms and conversations with managers and workers. Finally, the project provides a framework for communication among econo-

mists, researchers from other academic disciplines, and policy-makers.

These are recent studies, but recognition of the need for this sort of work goes back a long way, to Jevons, Marshall, and to the founders of econometrics, namely, Frisch, Leontief, Marschak, and Tinbergen.

Conceptual Analysis and Fieldwork

Neoclassical models analyse behaviour in specific ways. Instead of drawing on fieldwork to define motivation and set the problems of choice in well-described institutional context, agents are considered abstractly and presumed to be rational and to choose freely. This, then, leads to models that exhibit a particular kind of market behaviour, which we can call a 'stimulus-response' pattern.

Nell and Errouaki (2013, Ch.1) argued that these models are strongly behavioural, paying little attention to structure. The context of action is abstract; the questions concern what an agent, usually a 'household' or a 'firm', would normally do, acting under the influence of an assumed motivation and calculating rationally, when presented with various stimuli. It is assumed that the actions in response to stimuli are successful – a harmless assumption when it is households making purchases, but question-begging when it is investors introducing a new technology. Given the behavioural assumptions, reaction patterns to such hypothetical stimuli are constructed, and from these sets market functions are aggregated. Equilibrium market positions are then determined by solving the market equations on the hypothesis that behaviour will be adjusted as stimuli move, until the markets are cleared.

The conclusions of a rational choice model have an extraordinary power. They represent what ought to be done in the given conditions – not what should be done morally, but rationally. The model tells us the right, proper, sensible, best thing to do in the circumstances. Agents in the given conditions who do not act in accordance with the model may be considered foolish.

There is an important difference in focus here compared to neoclassical thinking. Both are concerned with intangibles, but the latter's concern is with states of mind that are properly ascribed to individuals, whereas structural models relate to features of institutions. This calls for a focus on roles, duties, and norms rather than preferences, wants, and desires.

Nell and Errouaki (2013, Ch. 10, p. 358) argued that:

"the methodology of scientific economics adopted the traditional empiricist's view of the mind as the passive recipient of sense impressions, organized by definitions and analytic truths. Sense data provided the basis of our understanding of the external world, the building blocks out of which the edifice of knowledge was constructed. These were classified and manipulated by means of analytic truths, such as those of mathematics, forming the building blocks into patterns and

structures which pictured the world – that is, were isomorphic to it.”

They went on to argue that sense data were passively recorded; the structures were built to conform to external reality – the structure of knowledge, even the logical structure of propositions, mimicked the structure of the world. Knowledge was recorded, it was not created. Nell and Errouaki (2013, Ch. 5) argued that in the picture of the economy sketched by neoclassical theory, the minds of economic agents play no role. They (ibid, Ch. 1) also argued that the formulae follow from the axioms of rationality – the axioms, in turn, are taken as given. This vision of the passive mind, however, is no longer acceptable philosophically. The underlying theory of perception has been shown to be inadequate. In economics, in particular, truths of reason provide us with a map of the relationships between agents and the material world – in economic terms, between rational choice and production.

The argument is twofold. First, conceptual truths provide a basic framework for understanding the structure of human social systems. Such a structure, in turn, provides the setting in which behaviour takes place, a setting that limits and conditions behaviour. Rationality then guides behaviour, but rationality works through, and must be understood in terms of, conceptual truths. In economics such truths provide a framework, a set of guidelines, telling us how to construct theory and to build models to picture the world adequately. Second, conceptual analysis based on fieldwork will provide the essential assumptions and definitions on which model-building should be based. In order to construct the kinds of models that will enable economists to understand the way the system works, we need to start from conceptual truths, fleshed out by understanding from the inside, and then to develop stylized facts by interpreting statistics in the light of the fieldwork.

In particular, such analysis allows us to understand the relationships between agents, institutions and the material world in an economic system, providing an account of structure. Structure, in turn, is the setting for behaviour; behaviour has to be seen in a context that defines not only opportunities and limitations, but also commitments and expectations. With these in place, the role of rationality for the individual agent can be addressed. One aspect is instrumental: the rational agent seeks to choose the most advantageous option among those available. But another is procedural: the rational agent carries out his or her commitments in the most appropriate way. And finally, rationality can be both critical and imaginative with respect to ends and objectives.

Nell (1998, pp. 96-7) argued that:

“conceptual theorizing must be based on and embody empirical work (here in the sense of fieldwork), which will tell us the identifying characteristics of the objects under study. The common belief that conceptual truths

are supposed to make it possible to understand the world by just thinking about it has the true relationship exactly backwards. On the contrary, to do pure thinking, to theorize about the world, it is also necessary to investigate the world.”

Indeed, conceptual analysis of fieldwork can put together the real patterns of behaviour and motivation in the context of the available and actually operating technology, ways of working, making and doing things. Such conceptual analysis may be concerned with ‘deconstruction’, a literary analysis taking apart the reported picture, discovering concealed meanings and hidden agendas, on the part of both the observers and the observed. An important part of this will be uncovering the presuppositions of the concepts and activities reported by fieldwork. Or – the programme of economics – it may accept the picture, and set out to construct models that will show *how the system works* in various ways, including how it may fail to work and break down.

Conceptual analysis based on fieldwork will provide the essential assumptions and definitions on which model building should be based. In order to construct the kinds of models that will enable economists to understand the way the system works, we need to start from conceptual truths, fleshed out by understanding from the inside, and then to develop stylized facts by interpreting statistics in the light of fieldwork (Nell, 1998, ch.3).

CONCLUDING REMARKS

Many economists remain skeptical of qualitative research, fearing that it is not objective, replicable or generalizable. Econometricians ask what the standards for good fieldwork are, saying that, in econometrics, they know to look for identification and specification issues, but what are the analogues in fieldwork? How is it different from journalism? The trouble is, they have not read the literature on fieldwork. Furthermore, there is a tendency to think that while econometrics requires years of training, fieldwork research is easy. It’s not. It’s just as important to pay as much attention to careful research design and sample selection as to quantitative research.

Nobel laureates Haavelmo (1958, 1989), Stone (1978) and Klein (1982, 1987), and leading British econometrician Johnston (1963 [1984]) hinted implicitly at the relevance of the fieldwork approach in econometrics. An econometrician coming cold to a study would run the risk of very slow progress with much searching through inappropriate formulations. The aforementioned authors emphasized the importance of knowledge of the institutional realities, and suggested that developing institutional realities (obtained through fieldwork) into well-grounded formulations of economic relationships and refinements of basic data sets would contribute much more to the improvement of empirical results than more elaborate

methods of statistical inference.

These can be further developed on the basis of published statistics (adjusted in the light of information uncovered in fieldwork), and the models can be tested, revised, and so forth. Verification and falsification have a place here; not a privileged place, but a role to play nevertheless. They are not decisive, but they are useful (see Nell, 1998, part II). Many fieldwork insights can be translated into the language of econometrics or theory. It is possible that economists using only those methods could have generated the same insights, but in fact, they didn't. Fieldwork offers a new source of inspiration, one that is complementary to more conventional methods.

To claim that there can be a priori knowledge of the world does not imply that we can sit in our armchairs and figure out the ways African markets differ from those in Latin America. Such specific matters are never a priori. Truths of reason provide direction to research; they tell us where to look and what kinds of things to look for. They tell us about the shape of the world; they don't give us facts – they outline the possibilities and the limits. A priori knowledge of the world requires examining the world, too. Just because knowledge is a priori, does not mean that anyone has privileged access to it, or that the conclusions cannot be criticized, disputed, or revised.

Nell and Errouaki (2013, Ch. 10) argued that all three levels – conceptual analysis, fieldwork and model-building – interact. Each can help to extend and develop the others. No single criterion governs all. Each draws on precepts and practical maxims peculiar to itself, but each provides assistance to the others, and in some measure each is necessary to the others. By using fieldwork in conjunction with conceptual analysis in economic model building, we hope to avoid what Friedman (1991, p. 36) expressed elegantly when he observed that “the use of mathematics and econometrics in economics had progressed beyond diminishing returns to ‘vanishing returns’.”

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Understanding economic development and demolishing neoliberal development myths

By [Erik Reinert](#), [Jayati Ghosh](#) and [Rainer Kattel](#)

We have recently co-edited a book (The Handbook of Alternative Theories of Economic Development, Edward Elgar 2016, also available as an e-book on <http://www.ebooks.com/95628740/handbook-of-alternative-theories-of-economic-development/reinert-erik-s-ghosh-jayati-kattel-rainer/>) that seeks to bring back the richness of development economics through many different theories that have contributed over the ages to an understanding of material progress. The underlying approach is based on this quotation from nearly four centuries ago: “There is a startling difference between the life of men in the most civilised province of Europe, and in the wildest and most barbarous districts of New India. This difference comes not from the soil, not from climate, not from race, but *from the arts*.” (Francis Bacon, *Novum Organum*, 1620)

For centuries, economics was at its very core an art, a practice and a science devoted to ‘economic development’, albeit under a variety of labels: from an idealistic promotion of ‘public happiness’ to the nationalistic creation of wealth and greatness of nations and rulers, and the winning of wars. In some sense, until about 100 years ago, most economists were ‘development economists’. But during the process of formalization of economics into neoclassical economics in the post-World War II period, development economics slowly disappeared from the economic mainstream. ‘Where are their models?’ was one famous battle cry. For example, Jacob Viner made a key contribution to the demise of development economics by removing a fundamental force of uneven development – increasing returns – from international trade theory, on the account that it was not compatible with equilibrium. What would have been more logical would have been to remove equilibrium from economic theory because it is not compatible with an analysis of the real world. Economists’ choice of tools came to trump their interest in reality. Equilibrium became virtually the only game in town.

Thus economics developed into what we could call a tool-driven profession: the kind of information the tools could handle came to determine the development of the profession. And the focus in matters of development shifted from economic development to ‘poverty alleviation’, that is, from eradication of poverty by increasing the personal income of individuals to alleviating the symptoms of poverty. This shift in emphasis reflected the perception which had become increasingly widespread within the mainstream economics profession: that all answers to basic economic queries for all types of countries – developed, developing and underdeveloped – could come from the same neoclassical analytical

framework which privileged the market mechanism. This approach remains firmly entrenched in the methodological individualism that characterizes all mainstream economics today. The models tend to be based on the notion that prices and quantities are simultaneously determined through the market mechanism, with relative prices being the crucial factors determining resource allocation as well as the level and composition of output. This holds whether the focus of attention is the pattern of shareholding tenancy or semi-formal rural credit markets or a developing economy engaging in international trade.

The associated focus on poverty alleviation has involved a much sharper focus on the micro, on the miniature as a supposedly useful and relevant representation of the larger reality. It is very much a product of the intellectual ethos prevailing in the academic centres of the North; almost all of the practitioners, whatever their country of origin, actually live and work in these places. Therefore it reflects a deep internalization of the basic axioms of mainstream North Atlantic economic thinking, especially in terms of the dominance of the neoliberal marketist paradigm. As a result, the economics profession – and development economics in particular – is increasingly faced with a trade-off between relevance and accuracy.

Rescuing development economics from the miasma created by the discourse on poverty alleviation requires recognising that the process of development is an evolutionary one in which there is a continuous interplay of various forces; that economic outcomes reflect social and historical factors, the level and nature of institutional development, relative class and power configurations; and that the processes of production and distribution inevitably involve the clash of class interests along with the interaction of social, historical and institutional factors. Fortunately, there is a rich literature that has actually grown along these lines, much of which is unfortunately unrecognized and ignored by the mainstream profession and by those engaged in policy.

In putting together this volume, we attempted to correct for what we see as existing biases in present-day theoretical understanding of economic development. These exist in addition to the relatively ahistorical approach that is now so common. Apart from the obvious Eurocentric bias, even the orthodox historical record that is handed down to today’s scholars has a strong bias towards an English-based understanding of economic theory, and a strong German-based understanding of the role of religion. Thus, a massive two-volume work on economic development edited by two World Bank economists, the 1988 *Handbook of Development*

Economics, devoted a chapter to the history of ideas of economic development. With the exception of Irish-born Richard Cantillon, who wrote in French, the chapter in question – written by the celebrated development economist W. Arthur Lewis – only contains references to works originally written in English by people living in the United Kingdom. It is written as if only authors who originally wrote in English, and were from England, have anything valuable to say about economic development. Similarly, there is the historically unfounded idea that economics owes its origins to Francois Quesnay and the eighteenth-century French Physiocrats whereas the fact is that the Physiocrats lost all battles in history, except the one in the economics textbooks.

So we have tried to correct these existing imbalances: the Eurocentric imbalance geographically, the Anglocentric one in development, the Protestant-centred one in religion, and the Physiocracy-based family tree of economics. We set out to revive and explore the alternatives: theories and approaches that over a long period of time have existed as alternative courses of policies and actions to those emanating from today's mainstream and neoclassical theories, theories much older and better tested than those based on the economics of David Ricardo and on the idea of equilibrium. Our selection is problem-driven rather than driven by the available tools, and also based on a variety of methods.

We were fortunate in being able to persuade fifty of the finest scholars from all continents to contribute to this study, encompassing forty chapters that provide a range of analyses spanning different geographies, historical periods and theoretical approaches, coming down to contemporary debates. The subject matter is approached from several complementary perspectives. From a historical angle, there are discussions of the mercantilist and cameralist theories that emerged from the Renaissance and developed further during the Enlightenment, including the early discussion of increasing returns in the work of Antonio Serra and others. The German Historical School and the tradition created by Friedrich List are considered in detail, along with other European approaches. It is shown how the history of European economic policy has been dominated by emulation – attempting to copy the economic structure of the wealthiest countries – and only later was the principle of comparative advantage adopted.

From a geographical angle, we have tried to cast the net as widely as possible. Two chapters consider economic development from a Chinese angle, one contrasting European and Chinese production of science and knowledge, and the other depicting China's imperial political cycles as failing to escape out of a fundamentally agricultural society; both referring to the lack of produc-

tive diversity as a reason for China falling behind Europe. There is a fascinating historical account of the interaction of the Islamic world and capitalism, which also critiques the misleading interpretation of Max Weber. There is a description of how Turkish thinkers in the 19th and early 20th centuries adapted List's approach to what became the Ottoman School of economics. A synoptic overview of Indian development thinking moves from the framework outlined in the *Arthashastra of Kautilya* in the second century AD all the way to post-Independence approaches to development up to the late twentieth century. The main contributions of Latin American structuralism to the theory of economic development are reviewed. Two chapters are concerned with African approaches to development, revisiting the debate on national autonomous development in Africa and considering the fate of the idea of national development as liberation.

In the next section, there are analyses of how the problem of development was formulated in international terms over the twentieth century until the backlash created by the Washington Consensus, in discussion of the League of Nations, the Havana Charter just after World War II, and on the UNCTAD system of political economy as it developed over the second half of the twentieth century.

This is followed by a section devoted to different analytical approaches to development, as expressed both in particular schools of thought and in the work of a few selected scholars. There is a consideration of how Marxist thinkers have analysed the genesis of underdevelopment, the post-decolonization trajectories of development in the underdeveloped economies, and the impact of neoliberalism on these economies. Schumpeterian and evolutionary approaches to development are assessed, along with a summary of the key arguments by the so-called development pioneers working in the aftermath of World War II, such as Paul Rosenstein-Rodan, Hans Singer, Arthur Lewis, Albert Hirschman, Gunnar Myrdal and Ragnar Nurkse. Particular schools of thought are also considered; the relationship of *régulation* theory to development; the 'dependency school' in Latin America; feminist approaches to development. Three major scholars who contributed significantly to the understanding of the process of development as well its uneven trajectories are considered individually: Christopher Freeman, Albert Hirschman and Michal Kalecki.

Then there are specific discussions of varied issues in development thinking: the agrarian question; the financing of development at both national and international levels; development planning, which gained ascendancy in the period immediately after World War II when decolonization led to the emergence of a number of newly

independent underdeveloped countries. Scandinavian countries have come to epitomize development success stories, the route these countries took over the course of the past two centuries is charted. Competitiveness is one of the ubiquitous terms that is laden with normative assumptions; the relationship between competitiveness and development is discussed from a Schumpeterian perspective. This is followed by bringing innovations systems theory, one of the more potent outgrowths of Schumpeterian theory, into the context of development. This allows for a contextualization of China's rise within the discussion of latecomer development, along with a more general description of the evolution of the concept of the developmental state.

Specific facets of development that have recently become prominent concerns are considered next. In bringing up the issue of the ecological constraints, there is a challenge to the widespread perception of poverty–environment relationships in developing economies which holds that because many of the poor people in developing regions are located in fragile environments,

they must be responsible for the majority of the world's ecosystem degradation and loss – even though their livelihoods are directly affected by such environmental destruction. The connections between competition, competition policy, competitiveness, globalization and development are explored. The fundamental changes that have taken place in the field of intellectual property rights and regulations over the last three decades are identified, along with an analysis of the key importance of legal structures in development. Finally, there are discussions of the more negative experiences of development: de-industrialisation, industrial extinction (such as in some post-Soviet states) and its social and security consequences; and the utopias and dystopias facing us all over the coming years.

Overall, we have tried to capture the richness of the alternative, often ignored and sometimes misunderstood ideas which, in different historical contexts, have proved to be vital to the improvement of the human condition.

Double deflation: Double Distilled or Double Dutch? Some remarks about the estimation of real economic production - Part 1

By [Merijn Knibbe](#)

This piece benefitted from remarks of Stuart Birks, Diane Coyle and Josh Mason

Much of empirical macro-economics can be described as the science of complicated weighted averages. Statisticians take great care to use the right weights. But choices have to be made. This article will argue that the weights chosen as well as the aggregation procedures used influence the level and growth rates of macro-economic variables. As such, this is not disputed among specialists. The article will however also argue that calculation of 'real' variables like economic growth, though useful, are just that: calculations. We should take care not to conflate 'deflated' nominal variables with real flows of goods and services.

Economists *estimate* the national accounts, which contain interrelated sectoral monetary flows of income, production and expenditure in current prices. These estimates are also used to *calculate* what is called 'real' production, expenditure and income. The phrase 'real' means that effects of prices changes are filtered out of the estimates, to be able to gauge how the volume of the aforementioned variables has developed. Have we not only become richer or more prosperous in a nominal sense but also when we look at the amount of goods and services which are available? And did productivity go up? There are standard methods to do this (Eurostat, 2015). Have these methods inherent biases? Or does misunderstanding about these often little known procedures, like 'double deflation', also bias our understanding of the data? This article will argue that we have to take care with 'real' data

as there are, depending on the method chosen, different aspects of reality. An important reason to take care is that the convenient, influential and often quite implicit assumption in many macro models of one macro consumption/investment good and one macro price is too complacent. As the statistics show (see graph), French prices of fixed investment goods (new buildings, machinery, transport equipment) rose, in the long run, quite a bit less than the price of government consumption (education, justice, police). Government consumption has of course, unlike most investment goods, no market price, see Eurostat, 2015, for more precise definition of how the price level of for instance education is estimated. As prices define, together with quantities, the value of specific goods and services and as the monetary value of goods and services is, ultimately, the most important variable influencing the weight given to such a good or service when estimating the national accounts in nominal prices or calculating 'real' production, this difference in the development of the price level also means that the weights of government consumption in total production and expenditure increases. While the weight of for instance computers decreases. It is even possible that computers, despite the surge in sales, nowadays have a lower weight than for instance education, even when the volume of education might have declined a little! Such developments differences are interesting to economists and instead of assuming them away with the 'one good' assumption economists should embrace them. But to be able to do this, we have to know a little about the arcane ways, like the dou-

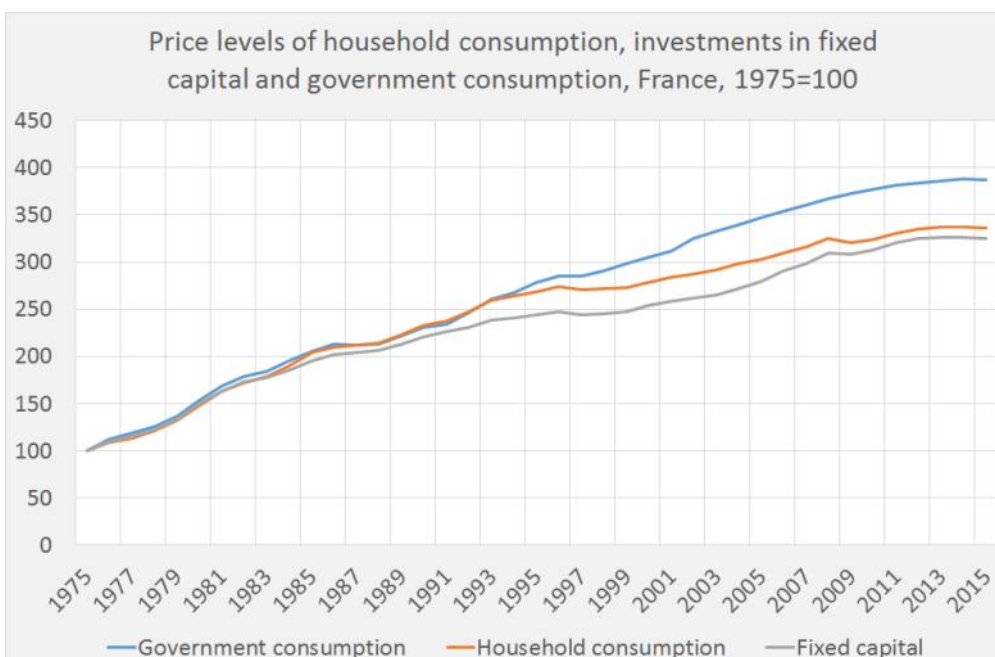
ble deflation method, used to estimate the differences and about how this influences the variables measured and calculated.¹

Restating the problem and turning from expenditure and production to income: when your paycheck increases but prices increase faster, the purchasing power of your income declines. Economists try to estimate this decline by correcting your 'pay cheque income' for this change in prices. To do this, they use price indices based upon weighted averages of a large number of individual prices. Obviously, the weights used have to be relevant. Which one can doubt. In 2015, Scott Sumner wrote a blogpost about: ['The bizarre way economists calculate real income'](#). He was dumbstruck about the price indices used to 'deflate' disposable income. 'Deflation' means that a nominal series is divided by a price index to obtain a 'real' series. There are quite a bunch of different indices and it seemed to him as if economists did not care about the choice of the right index, sometimes even leaving prices of investment goods out of the deflation procedure of GDP, which includes investment expenditure and the production of investment goods. Sumner was right – but doing this is consistent with the one good macro models! His was not a critique of the price indices – but of the loose way economists use these. A year later Yanis Varoufakis [wrote a blogpost about](#) the situation in Greece, where nominal production declined but real production increased: deflation.² He put forward different arguments but came to a somewhat comparable conclusion as Sumner: we have to take care when interpreting a calculated variable. And it's not just these two rogue economists. Recently, the IMF voiced the same warning: *"A volume estimate of GDP is an essential measure of economic activity because it removes the effects of price changes. The System of*

National Accounts 2008 (2008 SNA) recommends a technique called double deflation. In contrast, single deflation, the deflation with a single price index, is not recommended because it fails to capture important relative price changes" (Alexander e.a., 2017). Clearly, care has to be taken while it is not just about increases and decreases of prices but also about *relative* changes of prices. And the IMF even seems to aim at 'double deflated' statistics... Why is everybody so concerned?

The basic problem is that nominal production is a function of ever changing prices and ever changing quantities, changes which also affect relative prices and quantities. Economic models circumvent this idea by supposing one good which has one price. No problems there with changing relative prices and quantities! Shifting the focus somewhat: the same holds for the 'representative consumer'. A price index for the elderly and a price index for young parents might develop differently. But the idea of one good and a single 'representative consumer' enables economists to circumvent such complications (though it has to be admitted that the representative consumer is getting less popular). In reality, ever changing (relative) prices are a 'fact of life' and statisticians try to capture this 'Alice in wonderland' world.³ Their problem however – using fixed prices to estimate production (or expenditure or whatever) by definition freezes one set of relative prices. When we state: ['In 2016 the volume of Italian Gross Domestic product \(GDP\) increased by 1.1%'](#) we 'deflate' nominal prices with a price index and basically state that the amount of products and services produced was 1.1% larger than in 2015, *using a specific set of weights*. Which means that estimates of 'real' production (as well as real expenditure and income) are not uniquely defined. There is of course quite an amount of 'scientific discipline' behind the methods

used to obtain the weights used to construct a 'deflator', i.e. a price index used to change a nominal value into a real value (a Törnqvist index, anyone?). But that does not solve the real problem. As relative prices as well as quantities change this means that taking one year instead of another to choose the weights for the individual prices will lead to another value of the price index. To overcome part of



the problem economists have developed the methodology of 'Double Deflation' (Alexander e.a., 2017; Eurostat 2015). To understand this method, one has to realize that GDP and the national accounts are all about Value Added, i.e. the monetary value of output (say: of milk and meat) minus the value of purchased inputs (say: feed and artificial fertilizer). This value added is the amount of money available to pay incomes (wages, profits, rents). The double deflation method does not deflate this value added directly with one price index but deflates the nominal value of total outputs with an index based upon output prices and the nominal value of total inputs with an index of input prices. Real input is consequently subtracted from real output and the result is real value added. are separately deflated, with different price indices. In the literature, one can find scores of articles which argue that Double Deflation is superior to single deflation when wants to know the value of 'real' GDP (Alexis e.a., 2017 for further references).

This is where the confusion starts. It's not in my Ph. D. but I remember that, working on my calculations, it showed that applying double deflation to the value added of Dutch agriculture, using 1880 prices of outputs and inputs, led to negative real value added while at the same time nominal incomes were positive. This was possible as after 1880 prices of inputs (feedcakes and grains, artificial fertilizer) plummeted relative to output prices, which (together with other developments, Knibbe, 1993) lead to an upsurge in their use. The amazing volume increase of purchased inputs which I calculated was 'real'. The considerable but much smaller volume increase of outputs was also 'real'. But subtracting *the value of inputs in 1880 prices* from the value of output in the same prices was, for later years, bonkers. Relative prices had changed too much to be able to do this (more formal about this: Dietzenbacher and Hoen, 1999). In the short run, this is less of a problem. But where does the short run stop and the long run begin? In a technical sense this is a problem which can approximately be solved by using a Törnqvist index. But that's not the point. Any deflator is subject to a weights problem. Which means that double deflation is doubly susceptible to this problem or in fact, when we realize that we are in fact using the relation of one deflator to another which is also a historical construct, triply susceptible. That's not a bad thing *as the changes of the weights indicate how our lives and economies have changed*. That's the interesting thing about such calculations.

This does not just hold for production estimates. Double deflation might, using a nifty index, be right for production estimates. But when you want to estimate real income, single deflation of incomes or deflating nominal value added with a price index is best. Though, taking some inspiration from Sumner, it is of course obvious that such a price index should, in the case of farm income, also con-

tain prices of investment goods. An example (from my Ph. D. thesis): according to my production estimates, Dutch farmers did well in the twenties. Production and productivity increased. But at the same time farmers did at the time clearly not agree with such a rosy view of the development of agricultural production (and the farmers view for a long time dominated our view of agricultural development in the Netherlands in this period). The consumer price index rose faster/declined less than the price index of agricultural products and nominal value added deflated by the consumer price index actually declined (after 1921). More production (actually: more 'real' agricultural value added could buy less goods and services. Both estimates are true. Purchasing power of farmers' incomes declined. But 'real' value added increased or, to state this in another way, the amount of agricultural goods available to 'the rest' of the economy did not only increase but also became relatively cheaper; the terms of trade of agriculture deteriorated.

Adding some complexity to this: value added is the amount of income available for entrepreneurs (including the self-employed), wage earners and providers of capital. Before deflating it, it might be broken down into its **constituent** parts: wages, profits and rents (as well as the fuzzy variable 'mixed income' of the self-employed). Wages might be deflated with the price index (though Sumner does remark, more or less, that consumption is not just financed with wage income). Entrepreneurs, the self-employed and providers of (real) capital however also use the money to invest. Which means that there is an argument to deflate nominal value added with a price index which is a weighted average of the consumer price index and the investment goods price index. The GDP-deflator comes close. But investments are much more volatile than consumer spending. Which leads to even more weight-problems. To state this more precisely: this leads to even more problems when we accept the too convenient assumption that the economy produces only one good but to even more possibilities to analyze the economy and to investigate what changes when we understand price indices a little better: counterfactuals of actual events.

In the next piece I will show how different methods lead to different results, pay some attention to institutional influences on prices, like indirect taxes and discuss how the problems mentioned here should influence policy variables like the inflation targets of central banks.

Alexander, Thomas, Claudia Dziobek, Marco Marini, Eric Metreau, and Michael Stanger (2017) *Measure up: A Better Way to Calculate GDP*. IMF Staff discussion note 17/02

Dietzenbacher, E and A.R. Hoen, 'Double deflation and aggregation'. *Environment and Planning A*, volume 31, pp. 1695-1704

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the System of National Accounts - volume measures.

Available [here](#).

Knibbe, Merijn (1993). *Agriculture in the Netherlands 1851-1950. Production and institutional change*. Amsterdam: NEHA.

¹ Economists have their own way with language and the names of variables. It is remarkable that the value of a calculated variable which is based upon prices not actually paid is called 'real' while the value of the nominal variable, which is actually estimated and based upon prices which were paid, is supposedly 'not real'.

² As stated, economists have their own way with language. 'Deflation' is a procedure to correct nominal series for price changes by dividing them by a price index. But is also a noun describing a situation where the general price level is declining.

³ The classical reference is 'The Gerschenkron effect', which also encompasses the idea that Shumpeterian dynamics lead to large volume growth as well as large price declines of successful new products – 'Wonderland' like changes of frames of reference are not random.

Call for papers - Pluralism with Purpose: Applying a Pluralist Approach to Informing Policy

This is the title of a special issue of the *International Journal of Pluralism and Economics Education* due to be published in 2018. The guest editors have issued a **call for papers**.

Understanding economic phenomena by using pluralism in teaching and research is an intensely debated problem, but we believe that an increased focus on *applied* pluralist approaches is now required (e.g., to operationalise the OECD's New Approaches to Economic Challenges programme). We need both a shared understanding of the meaning of a pluralist approach to understanding economic phenomena, including feasible applied methods from relevant disciplines, and a means of choosing one or more amongst them.

Pluralism is more than applications, however, it is also about culture, institutions and relationships, including those between economists and amongst other social scientists. So for instance the OECD discusses the need for 'appropriate changes in the structure of the Organisation to avoid one-size-fits-all and move beyond a silo-approach to policy, to enhance inter-disciplinarity and to safe-guard against groupthink'. This also applies to so-called heterodox economists as they are clearly not automatically pluralist in practise or outlook. Pluralism is not about replacing one dogma with another one.

This Call for Papers welcomes a dialogue with mainstream economists, both academics and practitioners, to build bridges and break down walls within the economics discipline and between economics and other disciplines. We are looking particularly for papers focusing on the *application* of pluralist approaches in terms of methods, but also in terms of the institutions and behaviour necessary to solidify pluralism.

This Call for Papers invites contributions in the following areas:

- a. What is an applied pluralist approach? When can it be said to be scientific?
- b. What can economics learn from the natural and social sciences?
- c. What can we learn from practices in multi-disciplinary research centres?
- d. What is the scope for application i.e., how do we define the economy or economic phenomena?
- e. What are the methods and procedures for applying a pluralist approach to understanding economic phenomena? How to decide the methods or combination of methods fit for purpose? How must theories, methods and evidence interact?
- f. How can pluralism be supported within the policy making process and within government institutions?
- g. How does pluralism as a modus vivendi relate to a modus operandi in terms of institutions, behaviour, methods, etc.

KEY DATES:	Abstracts Due:	April 1, 2017
	Notification of abstract acceptance:	April 30, 2017
	Submission of papers:	August 30, 2017
	Notification of paper acceptance:	October 1, 2017
	Submission of final papers	January 1, 2018

If you have any queries concerning this special issue, please email the Guest Editors,
[Henry Leveson-Gower](#) and [Ioana Negru](#).

3 Forthcoming WEA Online Conferences

1. Public Law and Economics: *Economic Regulation and Competition Policies*

Call for papers

The main subject to be discussed in the next WEA Conference is the current challenges faced by economic regulation and competition policies 10 years after the beginning of the most recent world's economic crises.

In the past decade, companies aimed to compete and/or cooperate with each other in a world where technologies are changing rapidly, digital economies have emerged, and markets are global in scope, but free market economy started to face protectionism. Also, they have gradually tried to recover from the impact of the crisis in a economic scenario of high uncertainty and financial turbulence. At the same time, governments, sector regulators, competition authorities, and central banks have been working to minimize the impact of the crisis on the economy, to stabilize the financial system, and to introduce and amend the regulations and institutions necessary to ensure that the crisis does not repeat itself.

Public Law and Economics studies the use of economic principles for the analysis of public law, and can be used to promote choices in policies and regulations that correct market failures, promote competition and increase gains in a given economy. The interaction between economic principles and public law is particularly important in a globalized context where new forms of market organization, the uncertainties of the digital economy, and new scenarios of abuse of economic power have emerged.

The next WEA Conference therefore aims to bring together renowned specialists in economic regulation, regulated sectors and competition law to debate those relevant issues. We believe that the discussions will enable academics and practitioners to: (i) discuss how sector regulators and competition authorities are interacting post-crises and how the economic analysis of law can help countries reach better regulation and competition policies; (ii) contribute with practical and theoretical references on the limits of economic power and forms of state intervention; (iii) deal with the uncertainties and challenges of the digital economy; (iv) gather relevant case studies and; (v) identify new trends in Law and Economics that have arisen post-crises.

Main topics

Topics of interest include, but are not limited to:

- New post-crises trends on sector regulations and public policies
- Financial regulation after crises
- Legal transplant and legal borrowing
- Digital economies and sector regulation
- International, supranational and local changes on competition policies
- Competition law and innovation
- Competition law in Digital Markets
- Economic analysis of cartels
- Economic Regulation and Competition in developing countries
- Regulatory assessment

Submissions

Authors are invited to submit a full paper to weaconference2017@gmail.com by **April 17, 2017**.

Complete guidelines for manuscripts can be found at <https://www.worldeconomicsassociation.org/conferences/guidelines/>

Key dates

Paper submissions: **April 17, 2017**

Discussion Forum: **15th May to 30th June, 2017**

2. Monetary Policy after the Global Crisis: *How Important are Economic (Divisia) Monetary Aggregates for Economic Policy?*

(in honour of William A. Barnett)

Leaders

Filip Fidanoski, University of Luxembourg, Luxembourg

James Swofford, University of South Alabama, USA

Call for papers

This year marks the tenth anniversary of the greatest recession after 1929-33. The recent financial crisis has induced central banks to undertake substantial steps. These steps include quantitative easing or a renewed focus on the quantity of money in the economy. Therefore, our main goal is to establish a good forum for confronting of the opposite views about the causes and consequences of the Great Crisis. Specifically, some economists acknowledge the importance of proper money aggregation in preventing of the future economic slowdowns.

The aims of the conference include discussing key theoretical insights in order:

- To provide a framework for improving monetary policy practices.
- To review and advance knowledge on the recent financial crisis regarding the main challenges and prospects of central banking

- To particularly survey and discuss the use of Divisia monetary aggregates and their potential role to address central bank challenges economic vulnerabilities

In sum, the conference aims to survey and discuss the recent theoretical advances in monetary tools, goals and policies, along with the latest empirical research findings with particular emphasis on the role and relevance of Divisia monetary aggregates.

Indeed, this Conference will be one of the first which, in an extensive manner, tackles the problem of monetary aggregation after the Great crisis. The decisive questions to be addressed are:

- How Important Are Economic (Divisia) monetary aggregates for contemporary economic policy?
- Do Divisia monetary aggregates deserve more attention from both academic scholars and policy-makers?

Main Topics

Topics of interest include, but are not limited to:

- Central banks and monetary policy in post crisis era
- Financial stability and the role of monetary policy
- Crisis diagnosis and prediction models on monetary policy
- Comparative studies on monetary policy involving emerging and developed economies
- Composition of monetary aggregates
- Relevance of the Barnett critique to the simple-sum measures of monetary aggregates
- Monetary aggregates and GDP nowcasting
- Divisia index: development, theoretical background, empirical research, utilization in in monetary policy analysis, future research potential.

Target audience

This Conference will certainly be a good opportunity to exchange ideas about economic and financial topics, present latest results, determine the economic prospects, and to identify the theoretical and practical challenges of today's financial markets and governmental activity.

This conference is aimed to establish an effective channel of communication between academia and policy makers. One target group includes researchers with different background in economics, finance, sociology, political sciences, law, history, and other sciences. In addition, this Conference targets cross-disciplinary scholars, advanced undergraduates, PhD students, government officials, politicians. Concretely, the event should also bring together, policy makers at all levels of government, bankers, workers of financial institutions, and business owners that have been increasingly interested in on monetary and financial issues.

We strongly encourage the authors to submit their state of the art papers and critical appraisals of the current monetary policies. We hope that, throughout the Discussion Forum, the participants will develop a critical discussion about the potential challenges and limits of the monetary tools, goals and policies.

For queries, please contact Filip Fidanoski or James Swofford at weamonetarypolicy@gmail.com.

Submissions

Authors are invited to submit a full paper to weamonetarypolicy@gmail.com by August 10, 2017.

Complete guidelines for manuscripts can be found at <https://www.worldeconomicsassociation.org/conferences/guidelines/>

Key dates

Paper submissions: **August 10, 2017**

Discussion Forum: **1st September – 1st October, 2017**

3. Economic Philosophy: Complexities in Economics

Leaders

Leaders: John B. Davis and Wade Hands

Call for papers

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

- the diversity of accounts and conceptions of complexity itself
- how the nature and content of economics is complex
- the complex history of economics
- different approaches to introducing complexity into economics

- the complex relation between the sociology of economics and its content
- the complexity of economic philosophy as an interdisciplinary subject
- the complex interplay between normative and descriptive pluralism

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

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

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

A partial, non-exclusive list of topics includes:

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

Submissions

Please send papers with abstracts and keywords to [John Davis \(john.davis@mu.edu\)](mailto:john.davis@mu.edu) and [Wade Hands \(hands@ups.edu\)](mailto:hands@ups.edu) by **August 15th, 2017**.

For manuscripts guidelines, and complete general guidelines about the WEA Online Conferences, please check:

<https://www.worldeconomicssassociation.org/conferences/guidelines/>

Key dates

Deadline for paper submissions: **15th August, 2017**

The notification of acceptance will be sent by September 15th, 2017.

Discussion Forum: **2nd October to 30th November, 2017**

Guide to WEA online conferences for first time visitors

Openness and flexibility are major trends in contemporary education, research, and business, influencing the whole spectrum of institutions and corporations across the globe. Indeed, technological innovations are bringing about a paradigm shift in contemporary livelihoods. Modes of interaction are becoming more open and flexible in terms of time, space, organization, infrastructure and requirements. With this background, the World Economics Association organizes conferences which are held on-line.

WEA CONFERENCES are OPEN ACCESS. The World Economics Association strives to make its conferences accessible for all people around the world. The aim of the WEA ONLINE CONFERENCES is to enlarge the number of participants and to extend the period of discussion to provide for more developed exchanges than in typical, location-based conferences. WEA Conferences strive to be on the forefront of innovations in communicating and discussing high-quality research.

Each WEA CONFERENCE begins with a **pre-conference stage** with the announcement of the call, registration and selection of papers, culminating in a **Discussion Forum**. The interactive format of Conferences provide an online forum for visitors and commentators. All participants will be able to send comments on specific papers, or to contribute to a general discussion on the conference theme.

Each WEA ONLINE CONFERENCE is hosted by Maria Alejandra Madi, Chair of the WEA CONFERENCES. She selects the conference themes and Leaders with the expertise in the topic, and facilitates the process of the conference organization as well as the follow-up activities. The initial format of the WEA CONFERENCES was developed by Grazia Ietto-Gillies, whose ideas have continued to guide the current WEA CONFERENCES organizing team.

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