

World Economics Association Newsletter

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

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The latest on WEA Conferences

As I write the work on the conference on *Neoliberalism in Turkey: a balance sheet of three decades* is moving forward and the Discussion Forum will open on 28th October. I encourage as many of you as possible to participate in the conference as audience and as commentators.

Meanwhile we are working on the programme for the next couple of years. The following themes are being discussed. Leaders have been identified in some cases; the leading team may evolve. Those below are general themes around which specific titles and conference calls will be developed.

- *Brazil. Current economic, social and political issues.* Leaders: Maria Alejandra Madi and Marcelo Milan
- *Homo economicus versus social human beings.* Leading team include Dirk Helbing
- *What has become of the welfare state?*
- *Europe and the Euro.* Leading team will include: Mario Pianta and Claudio Gnesutta.

You, the members, are all invited to participate in the process leading up to a new conference by suggesting themes and leaders. Also, please, please participate in our conferences by posting comments on the papers that interest you.

Grazia Ietto-Gillies
Chair, Conference Organizing Committee
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Past Newsletters available at:

<http://www.worldeconomicsassociation.org/newsletters/>

WEA young economists

Facebook group

(now 950+ members)

Schumpeter on long run and short run

"A system—any system, economic or other—that at every given point of time fully utilizes its possibilities to the best advantage may yet in the long run be inferior to a system that does so at no given point of time, because the latter's failure to do so may be a condition for the level or speed of long-run performance."

Schumpeter, J. A. (1976). *Capitalism, socialism, and democracy* (5th ed.). London: Allen and Unwin, p.83

WEA Pedagogy Blog

...welcomes posts about your experiences and suggestions on teaching and learning economics, with a strong focus on methods leading to deep understanding of current real world economic issues.

WEA National Chapters

Get involved!
Is your country listed?
Become a contact!
Add a link or post!

Contribute to the World Economics Association

Call for contributions:

<http://www.worldeconomicsassociation.org/contribute/>

Political economy at the University of Sydney: challenging the orthodoxy

By **Susan K. Schroeder** and **Lynne Chester**

In the 1970s, a movement began at the University of Sydney to provide and protect the academic freedom and space of staff and students interested in political economy. The movement culminated in the emergence of an independent department in 2007 – over 30 years after the initial push for its creation. Within this space intellectuals have explored and continue to explore alternative frameworks with which to understand how societies organize themselves to recreate the material conditions for their continued existence. Economic phenomena and processes are not treated as occurring in isolation from social, historical and political processes. Hence the department engages a broad range of methodological approaches with an openness to incorporate historical, political and sociological considerations, besides the economic. That is, the characteristics of social-economic systems, capitalist or not, are examined with a multidisciplinary approach.

The department held a conference this past April to celebrate the contribution to political economy by Emeritus Professor Frank Stilwell after some forty years at the University of Sydney. Outside of Australia the name Frank Stilwell is not well known. Within Australia, however, is another matter. Originally from Southampton, England, Frank Stilwell arrived in Sydney in 1970 to test his fortunes as a young academic in the Economics Department at the University of Sydney. At the time, the department was beginning its shift towards a dichotomous, American-style approach to the discipline – under the guidance of another recent arrival, the New Zealander and Head of Department the late Warren Hogan (1929-2009). Stilwell had been trained as a neoclassical microeconomist, specializing in regional and urban development. On paper he appeared to be well-suited to the Americanization of the Economics Department at Sydney. What Hogan didn't count on was the radicalization of Stilwell and two of his colleagues who arrived shortly afterwards – Evan Jones and Gavan Butler – by the likes of the late Ted Wheelwright (1921-2007).

The April 2013 conference commemorated the contributions of Frank Stilwell and laid out future directions for the Department of Political Economy. Participants were presented with an array of research from political economists, both from Australia and abroad, whose research entails a strong link to Stilwell's own writings on topics such as economic inequality, cities and regions, economic policy, teaching political economy, the environment and history of economic ideas. A book containing selected papers from the conference is about to be published by Springer and includes the invited keynote contributions by John E. King, Jane Kelsey, Andrew Mearman, Gabrielle Meagher, Brendan Gleeson, and Mark Diesendorf. We are delighted to have Geoff Harcourt provide the foreword for the book.

There are a number of challenges posed for the Department as it goes forward from the Stilwell era. One

challenge is the evaluation of research output from the staff of this department. Most university departments align with conventional structures. However, political economy is an amalgam of economics, history, political science, sociology, anthropology, cultural studies and other social sciences. A typical mainstream economics department will incorporate aspects of these disciplines within the narrow confines of the closed methods it employs. The methods are that of economics. Political economy involves open methods which cross disciplinary boundaries right at the start of any analysis. As universities are pressured to compete for research funding, the scrutiny of research output has increased. Political economy is not an easy discipline to evaluate. The diversity of opinion which gives Political Economy its strength, also makes it vulnerable to its research not being recognised by the very metrics used to rank and compare disciplines and institutions.

Another challenge faced by political economy is the competition with mainstream economics for the attention of progressive policy makers. In the wake of the Global Financial Crisis, mainstream economics has been searching for some form of paradigm shift to maintain its viability in the policy arena. It is well-understood that at its heart the current mainstream frameworks which underlie policy are quite conservative. Their present methods will not permit more effective progressive policies. Progressive economists such as those within political economy have an advantage with its open methods. However, policymakers are accustomed to support in the form of mainstream analyses slid into their hands by lobbyists on behalf of vested interests. Political economy faces a challenge, then, increasing its exposure within the policy arena. How can we, for instance, be better at exposing policymakers to our analyses? It's a challenge needing the support of progressive networks within Australia and internationally.

To rise to this challenge the department is increasing its presence at international conferences and with collaborative research projects. And, we are also expanding our range of policy issues – beyond the generation that Stilwell represents – that we seek to address. Important focuses of our contemporary critical analysis have included: the global financial crisis; the relationship of country risk assessment to international financial crises, business cycles and financial fragility; struggles around employment and human rights, and international labour migration; the creation of gendered and racially-specific visions of economic progress; the hegemony of neoliberalism and its relationship to the social foundations of capitalism; the short-term consequences and longer-term implications of restructured energy markets; de-industrialisation and the restructuring of production; the operation and outcomes of markets for social provisioning previously provided direct by government; and the impact of financialisation.

We need to maintain and extend this research contri-

bution as we engage with, and contribute to the development of heterodox economic traditions such as Post-Keynesian economics, institutional economics, Marxism, evolutionary and feminist economics. In this sense, we need to not only continue but extend the legacy of Frank Stilwell's contribution to the Department of Political Economy and Australian political economy more generally.

The book to be published by Springer,

Challenging the Orthodoxy: Reflections on Frank Stilwell's Contribution to Political Economy, is a collection of papers by not only well-known heterodox economists but also emerging scholars of political economy, political activists, not-for-profit researchers and alumni of Syd-

ney's Political Economy program, a further reflection, we think, of the contemporary relevance of the discourse generated by the analytical frameworks which fall under the rubric of political economy.

Pre-orders of the book are available through the Department of Political Economy at the discount price of A\$88 (incl GST and shipping). To purchase a discount copy go to: <http://events.sydney.edu.au/office3/getdemo.ei?id=30373&s=2CO0NAR6X>

The listed price on Amazon for this book is US\$129 (not including shipping).

Further details about the book can be found at: www.springer.com.

American Economic Association President points the way forward

Heterodox and pluralist economists have been critical of the restrictive and hegemonic nature of the mainstream, often identified with the dominance of the AEA. It is therefore exciting to see a president of the Association voicing many similar concerns. Here are some quotes:

"First, the mainstream of economic theory sacrifices far too much relevance in its insistent pursuit of ever-increasing rigor. And, second, we economists pay too little attention to the *changing* institutional environment that conditions economic behavior. We do not often enough reexamine our basic postulates in light of changes in this environment, and, perhaps more important, we shy away from the big questions about how and why the institutional structure is changing - and where it is taking us."

P.3: "[W]e should not ignore the extent to which rigorous formulations of the theory of the firm have had to be relaxed in order to obtain useful results in empirical work. Nor, I might add, should we forget the extent to which conventional theory ignores how and why work is organized within the firm and establishment in the way that it is, what may be called the "social relations" of the production process."

P.4: "Which is more relevant: a rigorous demonstration as to how resources can be most efficiently allocated under ideal conditions that have never existed, or a much cruder exploration of how wealth and income came to be distributed as they in fact are and what might be done to affect the distribution of income in one way or another?"

P.10: "I continue to be impressed by the fact that in general economists in the advanced countries seem to be prepared to be more institutional in dealing with other parts of the world than they are in studying the

particular societies in which they live and do most of their work."

P.11: "Households, firms, and government interact within a set of evolving economic institutions...Households and firms interact not only in response to the standard market stimuli but also by organizing pressure groups to influence both government and particular markets."

P.12: "We may speak of households, firms, and government as the primary economic agents which carry on their activities within the framework of a set of evolving economic institutions. But these agents and economic institutions also interact with an external environment which can be classified in a variety of ways. One simple classification might be: (1) the framework of legal and political institutions, to which I have already referred; (2) the complex of social institutions that make up what may loosely be referred to as the social environment; (3) the evolving body of scientific and technical knowledge (and the institutions through which such knowledge is developed and transmitted); (4) the physical environment; and (5) the complex of political and economic arrangements that tie a nation to the rest of the world."

While this is all very encouraging, we should not get overly excited. The quotes come from a presidential address delivered to the American Economics Association nearly 38 years ago, on 29 December 1975, by Robert Aaron Gordon¹. At least in terms of economics as presented to undergraduate university students, it is just as timely now as it was then. Perhaps some institutions evolve more slowly than others.

¹ Gordon, R. A. (1976). Rigor and Relevance in a Changing Institutional Setting. *The American Economic Review*, 66(1), 1-14.

Extended deadline, book contributors:

Financialisation and Financial crisis in south-eastern European Countries

Further to the call for papers on p.4 of the [August 2013 Newsletter](#), Extended abstracts of up to 1000 words should be sent by **30 November 2013 (new deadline)** to both editors at

vcvijanovic@efzg.hr and dradosevic@eizg.hr. The authors will be notified by 15 December 2013 whether their paper is accepted for review. Full papers should be sent by 28 February 2014 via email to the editors. After the papers have been peer-reviewed (by 15 April 2014) the authors will be notified of final acceptance of their papers.

Ronald Coase (1910-2013) *By David A. Westbrook*

Ronald Coase, professor of economics at the University of Chicago Law School and winner of the Nobel Prize in Economics, died on September 2, 2013, at the age of 102. The influence of Coase's work is difficult to exaggerate. In academic economics, he is credited with founding institutional economics. In law, he is credited with founding the most influential movement in the US legal academy, law and economics, and his article "The Problem of Social Cost" (1960) is far and away the most cited text in the academic literature. More importantly still, because his work was so influential among policy makers trained in economics and/or law, Coase's work can be said to have shaped political economy itself over several decades.

I want to suggest that Coase's texts were so influential because they worked in essentially poetic ways -- he was probably the most powerful mythmaker in political economy since Marx. Despite his intentions, Coase's work presented a way of seeing the world that make great sense not only to professors of economics, but also to capitalists (and hence lobbyists and politicians), and to law professors, who should have known better. But I am getting ahead of myself.

In awarding the Prize, the Swedish Royal Academy of Sciences cited two articles: "The Nature of the Firm" (1937), which was ignored for many years, and the aforementioned "The Problem of Social Cost."

"The Nature of the Firm" begins with an observation: the business world is composed of any number of relations that do not operate through a price mechanism. As he makes clear in his Nobel lecture, this is a problem that goes to the root of economics, which since Adam Smith has argued that decentralized actors, coordinated by prices, can make socially beneficial decisions. Moreover, Smith argued, efficiency (and hence competitiveness) lay in specialization -- so why aren't most relations governed by price? Why do firms exist? Or, since we observe firms, why isn't economic life conducted by one big firm, i.e., why don't we have a planned economy? Why do we observe substantial, but incomplete decentralization of social decision making? Coase argued, as most of readers of this newsletter know, that contracting, operating in a market, was itself expensive. Finding willing buyers, haggling, and so forth imposes "transaction costs." Of course, management imposes its own costs. Therefore, argued Coase, societies use "private" hierarchical relations, paradigmatically master/servant (now renamed, in agency law, employer/employee) where transaction costs of contracting are thought to be higher than the analogous costs of managing. Sometimes we buy, sometimes we build.

"The Problem of Social Cost" also turned on the concept of transaction costs. Coase began a rather broad inquiry into the nature of welfare economics by focusing on the ancient doctrine of nuisance, or what would later



David Westbrook

be called the negative externalities of an activity. Coase pointed out that labeling an activity "a nuisance" was to give neighbors a right to be free of the nuisance, that is, was to create an entitlement on behalf of the neighbors. But one man's nuisance is often another's livelihood. In Coase's example, we may ask whether a rancher has the right to let his cows roam, or does a farmer have the right to have fields unmolested by cows? Hurting one will help the other. (The reciprocal nature of rights was a big point made by the Yale legal scholar Hohfeld almost half century earlier.)

Coase argued that, in the absence of transaction costs, the farmer and the rancher would bargain to reach an allocatively efficient solution: "the ultimate result (which maximises the value of production) is independent of the legal position if the pricing system is assumed to work without cost" (Coase, 1960, p. 8). If the rancher had the right to let the cows roam, and farming was more valuable than cows, then the farmer would pay the rancher to fence the cattle in. If ranching was more valuable, then the farmer would take the loss, or perhaps abandon the land and do something else. If the farmer had the right to keep the cows out, and ranching was more valuable, then the rancher would pay the farmer to waive his right to exclude the cows. Conversely, if farming was more valuable, than there would be less ranching. Thus, it was argued -- more laboriously, of course -- that in a costless environment, the original placement of entitlements did not matter, because the parties would contract to reach the economically efficient result. The economist George Stigler named this proposition "the Coase Theorem," and so it came to be called.

It is important to note that for Coase, the case of bargaining in the absence of transaction costs was something of a thought experiment, used to clarify thought, and perhaps a model. Transactions costs are always positive, indeed were ordinarily significant, and therefore it is generally necessary to create entitlements -- this is the role of the law. The question for the law, then, is to establish the optimal set of social arrangements:

in choosing between social arrangements within the context of which individual decisions are made, we have to bear in mind that a change in the existing system which will lead to an improvement in some decisions may well lead to a worsening of others. Furthermore we have to take into account the costs involved in operating the various social arrangements (whether it be the working of a market or of a government department), as well as the costs involved in moving to a new system. In devising and choosing between social arrangements we should have regard for the total effect. (Coase, 1960, p. 44)

As I read him, Coase thought he was mapping the boundaries of markets, and in doing so, expanding the domain of economic thinking to society writ large, where markets were but one mode of ordering.

Transaction costs were used in the one case [in *Theory of the Firm*] to show that if they are not included in the analysis, the firm has no purpose, while in the other [in *"The Problem of Social Cost"*] I showed, as I thought, that if transaction costs were not introduced into the analysis, for the range of problems considered, the law had no purpose. (Coase, 1993, p. 62)

In one of the ironies of recent history, however, Coase became famous for the Coase Theorem itself, understood as a fair description of a wide range of human relations. If there were no barriers to contract, then social outcomes could be presumed to be the result of explicit or implicit bargains, and hence efficient. If transaction costs were in fact significant, government action (notably regulation and judicial decision) might be taken to create situations for which marketplace actors would have bargained, thereby replicating the optimal allocation of costless markets. Doing this sensibly required (deeply speculative) analysis of various alternative uses of the factors of production. In light of the fact-intensive and open-ended nature of such inquiries, it was perhaps unsurprising that, at least in the United States, markets would be presumed to pose no substantial barrier to socially beneficial contracting. And given the costs of bureaucratic regulation, and the risk that government would abuse its monopoly of legitimate force, many in the United States were quite inclined to agree with Coase that often the best response to social cost "was to do nothing about the problem at all," i.e., deregulate. Thus was law and economics born.

It is important to emphasize that the misreading of Coase is a matter of degree rather than of kind; converts tend to zealotry. But Coase himself believed that the price mechanism was the fundamental, and indeed preferred, mode of social ordering. In his Nobel acceptance speech, Coase said:

The economy could be coordinated by a system of prices (the "invisible hand") and, furthermore, with beneficial results. . . . Economists have uncovered the conditions necessary if Adam Smith's results are to be achieved and where, in the real world, such conditions do not appear to be found, they have proposed changes which are designed to bring them about. . . . What I endeavoured to do in the two articles cited by the royal Swedish Academy of Sciences was to attempt to fill these gaps or more exactly to indicate the direction in which we should move if they are ultimately to be filled. (Coase, 1991)

For Coase, markets were presumed, raising questions why other forms of social ordering were necessary, and insofar as they were, how to make their operations as socially productive as possible. From this perspective, it is unsurprising that, generally, Coase was unsympathetic to regulation. Sometimes it is better to do "nothing about the problem at all." More specifically, in somewhat less famous work, on matters like lighthouses and

the distribution of the radio spectrum, Coase insisted that markets could work quite well in lieu of government action.

The stir raised by the (mis)reading of *"The Problem of Social Cost"* led to a resurgent and vastly increased interest in *"The Nature of the Firm."* And so, approaching his eighties, Coase was hailed as a sage. Fame is a strange thing: authors do not get to decide if, when, or how their ideas will be received. For his part, Coase spent another (!) generation arguing, most notably in his Nobel Prize acceptance speech, that (i) he was a rather simple mind and not a great economist, and (ii) he had been substantially misunderstood. He found almost no agreement for either proposition.

Both Coase's career and our fascination with prizes illustrate how deeply we remain influenced by the idea of genius, and how problematic it is to talk about intellectual influence or even greatness as a property of an individual mind. Thoughts are taken up, or ignored, or (de)formed to fit the interests of their times. For purposes of intellectual history, the fact that Coase was somewhat misread is both easily overdone and irrelevant, as are substantial objections to Coase's ideas in both theory and practice. At the end of illustrious lives it is appropriate to ask after historical questions, e.g., why did Coase's work so powerfully strike a chord when it did -- which brings me back to the assertion that Coase was, in spite of himself, a mythmaker.

Transaction costs preserve the anthropology of economics: individuals are still the basic unit of social life (regardless of what other disciplines may say), and individuals contract to get things done. Thus the social is a product of individual action), which feels more scientific (since called methodological individualism). When the social stubbornly reappears in firms and other hierarchical settings, and ordering cannot plausibly be ascribed to contract or price, then the social can be explained as an artifact of implicit bargaining over implicit costs. More ambitiously still, the distribution of rights and the correlative imposition of constraints are understood not as artifacts of power or belief or history, but as legal approximations to negotiations only imagined. Thus both social organization and law (and presumably government) are understood as if they were contractual in origin. The market is ubiquitous, and economics remains the queen of the social sciences, even in the absence of actual transactions with real money. Or, to put it differently, Coase rearticulates the Hobbesian social contract for those trained in economics.

Transaction costs are thus deeply speculative, indeed subjunctive, treated as if they had happened in fact, when, quite simply, they have not. It is important to remember that there is neither a transaction nor, therefore, a cost to doing the transaction. The "cost" is an assigned value, not an observed price. Coase's great metaphor relies on a deep comfort, widespread in a commercial society, with both the idea of money as a unit of account and the arithmetical consequences of accounting. So we unselfconsciously speak of the negative value of a company; we may assert that, if one share

is worth \$100, then the owner of ten million shares has a billion dollar stake; we may ascribe the difference between book value and price to "goodwill" and be done. The arithmetic is sound, but we are not talking about money in use, transactions, or the world. Similarly, with transaction costs, the difficulties of doing that which is not done are "priced," or more commonly, it is asserted that their price would be higher than the course of action taken (the formation of a firm, the granting of an entitlement).

After Coase, there is a "price" for what is purchased, and a price for what is not purchased or even offered. By way of analogy, consider how the natural numbers, which count what is, imply negative numbers, which quantify what is not. To shift metaphors slightly, transaction costs "balance the books" on social life, much as the concept of equity balances a balance sheet. Such concepts flow from the structure of formal thought, and so are convincing, but are also deeply, profoundly, unempirical. And it is another irony of intellectual history that throughout his life Coase insisted on the importance of empirical work in economics.

After transaction costs, the domain of economics is not the study of actual transactions, or even of plausible transactions on real goods and services, but of conceivable transactions, i.e., social ordering that might be described transactionally. Some things have prices; other things have transaction costs. Thus money goes from being an asset class, situated in a social and institutional matrix, to a symbol for universal value. That accomplished, everything could be articulated in terms of contract, even when no contract was to be seen. Thus transaction costs make economics capable of articulating most all of social life, adjudicating "social arrangements."

This view is both profoundly reassuring (it reassures us of our liberal autonomy) and powerfully conservative (this is the world, more or less, for which we have bargained.) To be more specific, Coase, especially as radicalized by Stigler, appeals to several elites. For academic economists, transaction costs vastly extend the reach of their discipline, and more delightfully still, make economics logically prior to law (and by extension, culture itself), which fit nicely with the traditional aspiration to speak with the a priori imperiousness of a natural science. Coase was aware of this: "it is my view that the approach used in that article ["The Problem of Social Cost"] will ultimately transform the structure of microeconomics -- and I will explain why." This expansive notion of transactional costs had serious downsides. It ap-

peared empirical, but licensed raw speculation. It turned on a frivolous notion of money, but then again, money has always been something of an embarrassment to microeconomics.

For capitalists, transaction costs provided both an apology for the status quo and, more importantly, a political economy for which regulation was always a second-best solution. The financial deregulation of recent years would not have been imaginable without great faith in the ability of sophisticated, and not so sophisticated, actors to reach socially beneficial agreements regarding things like default risk.

The appeal of the Coase theorem, and to lesser extent the "Theory of the Firm," to legal scholars is somewhat puzzling. While many law professors resisted the impulse to explain the world in terms of implicit contracts and around alleged costs (the even more speculative reliance on alternative uses of factors of production has been, to my knowledge, ignored), more subscribed. This is odd. One might have thought that lawyers would viscerally sense the importance of history, of power, of institutional arrangements -- of lots of things besides contract, implicit or not, to understanding social privilege. And surely lawyers should emphasize the difficult and uncertain and hence very partial nature of contracts, which they are taught in their first year of law school? It is something of a mystery, but I think Coase's texts suggested a very appealing vision of social order, in which property entitlements, civil institutions, marketplace action, and law itself make sense in terms of one another, and where the comfortable individual retains his sense of self-worth. Under the spell of such a vision, law could allay its ancient anxiety of being groundless, illegitimate, faithless. This is not the place to develop such speculations about the spiritual history of my profession. For now, it is worth commemorating a marvelous mind if an accidental poet, and also remembering that there are reasons Plato cautions against poetry.

Coase, R. H. (1960). The Problem of Social Cost. *Journal of Law and Economics*, 3, 1-44.

Coase, R. H. (1991). The institutional structure of production - Nobel Prize lecture. http://nobelprize.org/nobel_prizes/economics/laureates/1991/coase-lecture.html

Coase, R. H. (1993). The nature of the firm: Influence. In O. E. Williamson & S. G. Winter (Eds.), *The nature of the firm: Origins, evolution, and development* (pp. 61-89). New York, N.Y.: Oxford University Press.

INET event of interest to PhD students

The **Winter School on Law and Finance** includes a 4-day course on the legal theory of finance taught by Katharina Pistor, Brigitte Haar, and Dan Awrey. The school takes place in Paris on January 6-9 and the application deadline is November 18.

<http://ineteconomics.org/ysi/events/winter-school-law-and-finance>

Pluralist economics at Willamette University

At Willamette, the overarching goal of the economics curriculum is to prepare students for independent, critical inquiry into economic issues. To achieve this goal we are 1) reorienting our curriculum to begin with economic issues that motivate questions, 2) incorporating the history of economic thought in a systematic way and 3) committing to explicit pluralism. As a discipline, economics is unusual in the sense that it is dominated by an orthodox perspective. Most economics programs, including our current curriculum, focus almost exclusively on developing neoclassical economic theory, despite the fact that other schools of thought exist and continue to develop (Barone, 1991). This creates a false impression of homogeneity in economic analysis. By contrast, pluralism “embeds the principle of controversy in the definition of economic theory” (Freeman, 2009).

We recognize three compelling arguments about the virtues of a pluralist curriculum. First, it will result in *improved recognition of economic theory as argument*. Confronted with competing explanations for the same phenomenon, students will be invited to investigate what leads to different conclusions. This should help them see economic theory as argument by emphasizing the way that different values, different assumptions and, importantly, even different questions deemed to be important, lead to different conclusions. This should also help students formulate their own economic questions and seek answers, as opposed to learning some given (neoclassical) theories and finding appropriate examples to apply them. Second, we expect it to result in *improved understanding of economic arguments*. Even if

we all believed that neoclassical theories were superior to other economic analyses in every way, variation learning theory suggests that offering a contrast would help students understand neoclassical arguments better. In addition, because the neoclassical school is not the only contributor to public discussion, particularly in policy circles, exposing students to a broader range of economic theory will better prepare them to engage the public discourse after they graduate. Finally, we expect pluralism to *strengthen critical thinking*. Again, confronted with competing explanations for the same phenomenon, students will be invited “to identify, select, adapt, and critically interrogate the range of theories relevant to each concrete problem” (Freeman, 2009). Thus, they will naturally be encouraged to move beyond mastery and application of theory to the exercise of judgment in determining which explanation is most compelling. Teaching a pluralist curriculum also helps streamline the component of history of thought, as different theories emerge out of different contexts and aim to solve the most urging problems of the time. Teaching only neoclassical economics may give students the impression that economics theories are *a-historical*, whereas exposing them to different theories help them see the way in which each theory is historically conditioned and embodies particular ethical precepts.

Barone, Charles. 1991. “Contending Perspectives: Curricular Reform in Economics,” *The Journal of Economic Education*. Vol. 22, No. 1 (Winter, 1991), pp. 15-26.

Freeman, Alan. 2009. “The Economists of Tomorrow: the Case for a Pluralist Subject Benchmark Statement for Economics,” *International Review of Economics Education*. Vol. 8, No. 2.



The Willamette University Economics Department invites applications for a tenure track position at the assistant or associate level beginning Fall 2014.

The department is in the early stages of implementing a newly redesigned curriculum in which all courses will embody a pluralist approach to economics. Teaching responsibilities will include contributing to the core of this new curriculum at both the introductory and intermediate levels. Willingness to develop courses that expand our elective offerings and that promote our commitment to critically examining multiple economic perspectives is also expected.

We particularly welcome candidates with training in political economy, history of economic thought or economic history, but other fields will be considered. Ph.D. required. Advanced ABD will be considered, degree must be completed by August 2014. **Priority will be given to files completed by December 1. We will be interviewing at the January 3-5 ASSA meetings.**

To learn more about and apply for this position please visit us online at <https://jobs.willamette.edu/postings/884>.

To learn more about the department, faculty, staff and students visit <http://www.willamette.edu/cia/economics>.

Founded in 1842, as the first University in the West, Willamette takes full advantage of its location in the heart of the Willamette Valley, in Salem, across the street from the state capitol, and a one-hour drive from Portland, Eugene, the Oregon Coast and the Cascade Mountains. The 72-acre campus consists of an undergraduate college of liberal arts together with professional schools in law and business management. To learn more about Willamette University, visit <http://www.willamette.edu>

Believing that diversity contributes to academic excellence and to rich and rewarding communities, Willamette is committed to recruiting and retaining a diverse faculty, staff and student body. We seek candidates, particularly those from historically under-represented groups, whose work furthers diversity and who bring to campus varied experiences, perspectives and backgrounds.

Interview with Yuan Yang on Rethinking Economics and WEA's Young Economists Network (YEN)

Yuan studied Philosophy and Economics at Balliol College, Oxford, and then an MSc. in Economics at the LSE. She has worked as a community organiser and feminist campaigner. She is now studying at Beijing University. She recently discussed her activities for young economists with Stuart Birks.

1. How long has the Young Economists Network been established?

It started early this year. I am interested in a pluralistic approach to economics: the philosophy of economics, economic sociology, and ways of doing economics outside the neoclassical mainstream. These are topics that were not part of the curriculum of my Masters in Economics at the London School of Economics (LSE). That's why I wanted to set up a network of young economists interested in these areas, starting from the LSE base. With the help of many friends, we launched a community called Rethinking Economics (www.rethinkecon.co.uk), with a big conference across Birkbeck and the LSE. We are all economists in the broad sense, i.e. thinking about economic questions and questioning features of the economy, but not all of us are academics or affiliated to a university.

I was overwhelmed by how easy it was to meet more like-minded people once I had got started, and how much support we received from academics of different stripes. In particular, the new economics foundation's New Economy Organisers' Network (neweconomics.org) was a great social hub of interesting economic thinkers. NEF gave us a lot of strategic guidance. I contacted John Latsis, my old Philosophy of Social Science tutor at Oxford University, and he put me in touch with Edward Fullbrook. Edward and I first talked about setting up a WEA Young Economists' network in April. We first started getting a group together on Facebook, which has been growing very rapidly since then.

2. How far is this a London-based initiative?

When I first started, I didn't know who would be interested in the Rethinking Economics conference. In the end, a lot came from Western Europe and some with roots in Brazil or further across the world. They were in London at the time, but we wanted to establish a broader network that could keep in contact afterwards. The most active groups are in London right now, where there are reading groups and a network of finance professionals who are rethinking finance in the context of their jobs. Thomas Vass at the [New School](http://www.newschool.edu) in New York setting up a chapter there. He wants to bring together different universities in New York for a spring conference as well, which is exciting because there are lots of interesting differences and similarities in the way the philosophy of economics is seen in the US and the UK.

3. You are talking about Rethinking Economics and about the Young Economists Network. How do they fit together, or are they quite distinct?

There's a lot of overlap in that people are involved in both, but the groups focus on different things. The [WEA](http://www.worldeconomicsassociation.org/)



[Young Economists Network](http://www.worldeconomicsassociation.org/) is more academically focused. Its aim is to connect students interested in heterodox economics who are doing in postgraduate degrees, so that they can publish and collaborate on academic work outside the mainstream. The [Rethinking Economics group](http://www.rethinkecon.co.uk) is broader in focus: it is much more about getting people together who are not economists in the usual use of the term, who want to discuss and collaborate in settings that may not lead to academic publication. Those involved in

Rethinking Economics are more concerned about addressing real world economic issues, broader questions of economic justice and reforming the real economy, and the economic narrative that is often displayed in the media and public policy. Rethinking Economics was set up more around the community organising spirit, so the idea is that you join and you are told who your local Rethinking Economics members are, and you might form a local discussion group, or go to events together. In the same general arena there is also the [Institute for New Economic Thinking](http://www.inet.ac.uk) (INET) and their [Young Scholars Initiative](http://www.youngscholarsinitiative.org).

But all of these groups are quite young, so we are still thinking about how the different groups can best work together. One important factor is the institutional differences between the groups, because INET is quite a different organisation from the WEA. It will be interesting to see the way they evolve.

4. So is Rethinking Economics linked to the WEA?

Throughout the conference and the post-conference proceedings we have had lots of interaction with the WEA. Grazia [Ietto-Gillies] wrote to us asking if we wanted to organise an online conference along the lines of the conference that the WEA had about reforming the economics curriculum. This one would be from the point of view of economics students. So even though Rethinking Economics has a slightly different focus from the WEA, there is still close cooperation.

In any movement that tries to transform something as large and monolithic as economics, it is important to have lots of different fronts and lots of different approaches. I think two of the great things about the WEA that Rethinking Economics can benefit from are their ability to bring together very many different strands of economics across the world and the innovative peer review system used in their publications.

5. Do the groups have a global reach, or are they mainly UK or Europe?

Right now about 70% of people taking part in Rethinking Economics are in the UK and the rest of them are spread out over Europe and the US, with a few in South

America. The Young Economists Network is a small group setting up a journal and having academic debates on social media.

I think around the world right now there are young students and other thinkers who want to engage with non-neoclassical economics. These networks are just getting established, so people are just putting themselves in different settings to see who they might meet and who they might talk to, not necessarily with any specific affiliation. They are just trying to get in touch with as many people as they can.

6. How does this fit within the WEA?

Many young people who joined Rethinking Economics did so because they studied economics in a time of a global crisis which is not really addressed in textbooks. They see a big real-world disconnect between their studies and what's going on around the world and reported in the news. They are demanding answers from their tutors and they're not getting them because modern macroeconomics does not address many of these macroeconomic issues.

A second group are professionals working in finance, in economic consultancies, or even in completely unrelated disciplines that don't require economics. For them, another disconnect is between the way in which academic economists talk about the possible solutions to the crisis, and their own reaction to the justice, equity or otherwise of those suggestions. The language of debates on the economy makes it very hard for non-economist to engage the political debate.

So there are students trying to understand the disconnect between what they study and reality, and others who study the disconnect between the language of the political debate and the language that they'd rather see. Both groups want to see changes in the way economics is done, which fits in well with the WEA's aims.

7. One aspect at the academic level is the way economic history, history of economic thought, institutional economics, some of those dimensions, have been downplayed by the mainstream. Do your members want to see movement in that direction, or is it more bringing some of the social policy issues, geography and locational factors, cultural and political economy dimensions into economics, or something far bigger than that?

At the end of the conference we had a few workshops discussing what changes people wanted to see in economics. We formulated [a set of aims from the conference](#), which are going to be regularly revised.

One important goal that we discussed is indeed to increase the diversity of disciplinary methods in economics, looking at economic history, sociology, and anthropology, for example. This may also help with a second goal, making economics more applicable to concrete problems. For instance, economic historians answer real-

YEN initiative aims:

<https://www.facebook.com/groups/521797714546263/permalink/523426361050065/>

Rethinking Economics aims:

<http://www.rethinkecon.co.uk/#!/about/c1enr>

Rethinking Economics on LinkedIn:

<http://www.linkedin.com/groups/Rethinking-Economics-5151910>

world questions, rather than burying their heads in the models. These are the main things, making economics more concrete and more diverse.

Another good outcome would be to change what people mean and think when they say someone is an economist. Now

an academic economist is thought to be someone trained in neoclassical economics, but there are many economists who aren't technically trained as classical economists. They may be working in the area, but they are using different approaches.

8. What activities do you have planned?

The Young Economists Network right now is focusing on starting a journal for young economists with an open peer-review system. This is the system that is used by the WEA journals: everyone can comment on journal articles online, using their real name. We want the journal to be an alternative to more established journals with blind peer-review and a publishing outlet for non-neoclassical economics. Right now we are thinking about how we can get people to submit papers.

Rethinking Economics is working on conferences that might expand its community reach, because every time there is a conference, more people start thinking about it and start getting involved. We have a group of community organisers to welcome new members and connect them up with others in their locality. We want to have both a geographical and an interest related structure for organising the membership. We believe that once you get in touch with similarly-minded people, you can develop your thoughts further and you start to believe there are alternative ways to do economics. If you are just listening to neoclassical economics day in and day out, then of course you are going to end up thinking like a neoclassical economist, but if you start talking to people with different ideas you might start to really question your basic position as well.

So the activities of Rethinking Economics are events such as conferences and getting people meeting in discussion groups. Once the community is more well-integrated, we hope to progress to writing and creating alternative educational resources for other economists and students. One idea was to produce a sort of anti-economics textbook, written by students for students, which could be used alongside the standard textbooks. Another idea was to engage with groups such as the Occupy Movement. [Occupy London](#) have an economics working group and have produced a [Little Book of Ideas \(online here\)](#), a pamphlet of economic terms explained in very plain English. We are currently talking with Occupy London about producing a bigger book of similar ideas, but that's much more in its infancy.

9. And how is Rethinking Economics organised?

There is value in both face-to-face and online contact and organisation. Before I got involved in Rethinking Economics I was involved in community organising as a

political approach to campaigning. It is based on getting people to meet, forming links and then forming political allegiances. If you want to work with somebody, then you really need to trust them and have shared interests with them. Meeting face-to-face is still really important. But there's another tug. These networks are so global that it's really important for people to have a way of organising that doesn't neglect people who aren't in the same country or continent.

The organisation of Rethinking Economics is done through meetings where people get together in central London, as well as online conferences. It's important to do both. We could really do with people who are very good at the organising level, so people who are able and willing to do that would be most welcome.

Also, we are planning an online student conference on reforming the economics curriculum with WEA, which may well be a joint effort by Rethinking Economics and the Young Economists Network. If other people are interested in organising an online conference, it would be great if they could [get in touch with me](#).

10. What sort of papers are you hoping to publish in the journal?

The idea is to have a younger person's version of the

WEA online peer review journals. So it would cover everything ranging from economic history to philosophy of economics, including comments on heterodox and neo-classical economics. It could be part of someone's Ph.D., say a chapter of the thesis, but it doesn't have to be. It can be people just wanting to dip their toe in the water, seeing what it's like being exposed to open peer review. We intend the journal as a stepping stone for students, and we are also thinking of people who for a long time haven't studied within an institution and are coming back to economics.

11. Why should people participate as reviewers in an open peer review process?

There are lots of students who haven't heard these sorts of ideas discussed at all, and may well be excited by them and want to explore them. We hope that the open peer review system will develop into a culture where people feel able to constructively criticise people's ideas. It will take some time for this kind of culture to develop and for it to become normal. But we need to start somewhere for constructive pluralistic debate to become mainstream.

Thanks very much Yuan, and good luck to you and your colleagues with your initiatives.

The human economy programme at the University of Pretoria By [Keith Hart](#) and [John Sharp](#)

Ronald Coase, shortly before his death this year, published an article in the *Harvard Business Review*, 'Saving economics from the economists' (Coase & Wang, 2012). He argued that 'the degree to which economics is isolated from the ordinary business of life is extraordinary and unfortunate'. 'In the 20th century, economics identified itself as a theoretical approach of economization and gave up the real-world economy as its subject matter. It thus is not a tool the public turns to for enlightenment about how the economy operates.... It is time to reengage with the economy. Market economies springing up in China, India, Africa, and elsewhere herald unprecedented opportunities for economists to study how the market economy gains its resilience in societies with cultural, institutional, and organizational diversity. But knowledge will come only if economics can be reoriented to the study of man as he is and the economic system as it actually exists'.

There are many heterodox economists who reject the dominant model of rational choice in 'free' markets, and want to reconnect the study of the economy to the real world; to make its findings more accessible to the public; and to place economic analysis within a framework that embraces humanity as a whole, the world we live in. The 'human economy' approach shares all these priorities. Our focus draws inspiration from and seeks to contribute to the tradition of economic thought, but, more explicitly than these currents within economics, we are open to other traditions, notably anthropology, sociology, history and development studies.

The University of Pretoria research programme has been shaped by the 'alter-globalization' movement of the last decade. It is the third phase of an international pro-

ject that originated in the World Social Forum. The first phase was a series of volumes in several languages, produced by a network of Latin American and Francophone researchers and activists, which aimed to introduce a wide audience to the core themes that might organize alternative approaches to the economy. These books brought together short essays on the history of debate in many topics. A second phase saw publication of the first English-language collection in this series, *The Human Economy: a Citizen's Guide* (Hart, Laville, & Cattani, 2010). Fifteen countries were represented, but there was only one author from Asia and Africa, where most people live. The focus on exchanges between researchers and activists also left questions of research methodology relatively unexplored.

[The University of Pretoria programme](#) adds a Southern African node to this network of scholars and activists, thereby giving greater weight to African, Asian and Latin American voices in a broader South-South and North-South dialogue. It is the first coordinated academic research programme in the process initiated by the World Social Forum. Starting from a core of social anthropologists, the programme now includes sociology, history, political science, geography and education. We have appointed some 20 post-doctoral fellows from Africa, Asia, the Americas and Europe; and in 2012 an interdisciplinary group of eight African PhD students from five countries. Our main research focus is on Southern Africa, but participants bring research expertise from many geographical areas.

Our first method is ethnographic with the aim of joining the people where they live in order to discover what they do, think and want. Second, the economy is always plural

and so we must address the variety of particular institutions through which people experience economic life. Third, we wish to help people to organize and improve their own lives. Our findings ultimately should be accessible for their practical use. This all adds up to a sort of humanism. It must be so, if the economy is to be returned from remote experts to the people who are most affected by it. But humanism is not enough. The human economy must be informed by an economic vision capable of bridging the gap between everyday life and humanity's common predicament, which is inevitably impersonal and lies beyond the actor's point of view.

Emergent world society is the new human universal – not an idea, but 7 billion people who occupy the planet crying out for new principles of association. We urgently need to make a world where all people can live together. Humanity's hectic dash from the village to the city is widely assumed to be driven by 'capitalism'. But a number of social forms have emerged to organize the process on a large scale: empires, nation-states, cities, corporations, regional federations, international organizations, capitalist markets, machine industry, global finance, telecommunications networks. So the task is to figure out how states, cities, big money and the rest might be selectively combined with citizens' initiatives to promote a more democratic world society. Somehow small-scale humanism and large-scale impersonal institutions must work together.

If economic strategies should be anchored in people's everyday lives, aspirations and local circumstances, the intellectual movement should be one of *extension* from the local towards the global. We can't arrive instantly at a view of the whole, but we can engage more concretely with the world that lies beyond familiar institutions. The chief way of achieving social extension has always been through markets and money in a variety of forms. Money and markets are intrinsic to our human potential, not anti-human as they are often depicted. Of course they should take forms more conducive to economic democracy.

An 'economy' should have at its core a specific strategy.

Such an economy, to be useful, should be based on general principles that guide what people do. It is not just an ideology or a call for realism. The social and technical conditions of our era – urbanization, fast transport and universal media – must underpin the principles of a human economy. We do not assume that people know best, although they usually know their own interests better than those who presume to speak for them. In origin 'economy' privileged budgeting for domestic self-sufficiency; political economy promoted capitalist markets over military landlordism; national economy sought to equalize the chances of a citizen body. Perhaps 'human economy' is a way of envisaging how unique human beings are linked to humanity as a whole. It would then contain a sequence of its predecessors (house-market-nation-world) whose typical social units are complementary and co-exist.

The human economy idea has its source in small-scale informality and a humanist ideology, but an effective challenge to the corporations which dominate world economy requires self-organized initiatives to make selective alliances with larger powers, much as the French revolution was backed by the shippers of Nantes and Italy's by the industrialists of Milan and Turin. We have to build bridges between local actors and the new human universal, world society. A human being is a person who depends on and must make sense of impersonal social conditions. The granting of human rights to business corporations is one obstacle to that. The drive for economic democracy will not be won until that confusion has been cleared up.

Keith Hart and John Sharp are co-directors of the Human Economy research programme at the University of Pretoria, South Africa.

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Global Economics and Management Review (GEMRev): Re-launch

After 17 years the Global Economics and Management Review (GEMRev) is re-launched with a new publisher – Elsevier – and new leadership. The blind peer-reviewed journal, published three times per year in English, welcomes theoretical, empirical and experimental papers both quantitative and qualitative – in various fields of management and economics.

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Book Review

by Srikanta Chatterjee

Soren Eriksson (ed.), *Clusters and Economic Growth in Asia*

Cheltenham, UK, Edward Elgar Publishing, 2013, 189pp. ISBN: 978 0 85793 008 8

The concept of industrial agglomeration or cluster formation has a long history in the disciplines of both economics and geography. Early works of Alfred Marshall and Harold Hotelling for example sought to explain the observed tendency of interdependent industrial activities to cluster in distinct geographic areas of an economy to, amongst other things, take advantage of the backward and forward linkages that exist within and between such industries. In recent decades, a number of poorer, relatively non-industrialised economies around the world have passed through different stages of development with the help of diverse sets of policies. Achieving economic transformation and development has almost always involved widening the economic bases to generate employment and export opportunities. A closer examination of their development patterns yields many useful insights, one of them being the role economic geography or spatial economics has played in the diversification and development of their economies.

This book attempts such a task using the experiences of a number of selected Asian countries the economies of which have come to develop new industrial clusters and/or expand existing clusters. The selected countries include the advanced industrial economy of Japan, the transitional economy of China, as well as several of the faster-growing East Asian economies such as Hong Kong, Singapore, South Korea, Taiwan, Vietnam and others. While the selection of the countries may be somewhat arbitrary and eclectic, they provide insights and information that are likely to be useful, particularly because of the differences in the nature and characteristics of their economies and the levels of their development. Likewise, the contributors to the collection are from disciplines which are many and varied, providing a variety of viewpoints regarding the theories and practices of industrial clusters and agglomeration. This multi-discipline focus is one of the strengths of the collection as it helps broaden one's understanding of the concept and its application. The activities examined also include a diverse selection from such technology-intensive modern industries as aircraft manufacturing and biomedical to such service activities as information and communication

technology (ICT) and consumer electronics. The chapter addressing the ICT issues (chapter 2) however has very little to say on the main theme of the book, viz. economic clusters or agglomeration.

The agglomeration experience of Taiwanese electronic firms which started operating in the Yangtze River Delta (YRD) and Pearl River Delta (PRD) of the People's Republic of China (PRC), addressed in Chapter 3, is an interesting example of the application of the product-life-cycle hypothesis of international trade theory. When China started offering attractive terms to foreign manufacturing activities to invest in specific geographic areas and industries within the PRC, many expatriate Chinese, including some from Taiwan, responded by shifting parts of their domestic operations to China. This enabled them to take advantage of 'cheap labour' and also a lower exchange rate that China offered. The agglomeration that ensued provides an interesting case study of extending the industrial supply chains internationally. Incidentally, some of the state-owned-enterprises that came to develop out of such collaboration functioned inefficiently and have had to be abolished or reformed in more recent times. A reference to this aspect of the collaboration would have been instructive.

Another aspect of the China story, addressed in Chapter 5, concerns some of the changes to the original 'Chinese development model' necessitated by the global financial crisis of 2008-09 which saw China face diminished trading opportunities off shore. The chapter details how this external economic shock has led China to re-design its industrial and regional policies by adopting a more strategic approach to marketing its exports and upgrading its technology in some existing and some new industrial activities.

The book is thus a useful addition to the large and growing literature involving industrial agglomeration and clustering in the dynamic geographic region of East Asia, particularly in an international setting. The coverage of its subject matter is somewhat limited and the quality varied, but these are not major drawbacks. Within its defined scope, the collection is of value.

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