CREATIVE ECONOMICS IS ALIVE AND WELL

Recent economic events in Europe, and beyond, reflect two important principles upon which a creative economic theory must be based: that economic reality is constructed by individuals in an institutional setting, and that the economy is not an automatically self-righting machine but rather an evolving, dynamic system. These ideas are present, to a greater or lesser extent, in the theoretical and applied writings of EAEPE members in areas as different as the analysis of the embeddedness of economic ideas, stressing the importance of organisational and technological restructuring, or examining social and environmental degradation.

This academic creativity, which is rooted in the imperatives of late twentieth century society, is in stark contrast to an orthodox economics that is attached to a strict “scientific” methodology which isolates its subject matter from the world in which we live, and which portrays the economy as an asocial self-regulating mechanism. In this regard witness the dominance of economic debate in Europe that is oriented by monetary ‘convergence conditions’, which not only downgrade the functioning of the real economy and medium and long-term restructuring imperatives, but also are blind to the way in which economic activity is structured by its institutional setting. The orthodox perspective is attempting to homogenise a complex and differentiated European space.

It is hardly surprising, therefore, that governments in East and Western Europe have experienced difficulties with policies based on the presumption that the economy is a self-righting mechanism. This is exemplified by the fact that recovery from the current recession is patchy at most, the EMS is under severe strain, and that the downturn is acute even in Germany – Europe’s strongest national economy. There appears to be little recognition that the characteristics of the current downturn are channelled by longer-term restructuring imperatives rather than ahistorical ‘normal’ conditions. Where ‘recovery’ is evident, as appears to be the case in the UK, this dominates any creative analysis of endemic long-run problems.

The twin principles of the creativity and institutional embeddedness of activity, and the dynamic nature of economic functioning provide the background to creative thinking in economics. This year’s Kapp and Myrdal prize winners and the response to our Barcelona conference are indicative of our efforts. The 1993 Myrdal prize has been awarded to Bart Verspagen for his book Uneven Growth Between Interdependent Economies: An Evolutionary View on Technology Gaps, Trade and Growth. The Kapp prize has been awarded to Tony Lawson for his essay A Realist Perspective on Contemporary “Economic Theory”. The Steering Committee, that judged the prizes, found the high quality of the submissions to be a reflection of the intellectual challenge offered by EAEPE.

This year’s EAEPE conference, in Barcelona 28-30 October, continues a trend of developing overall quality and size that covers the full range of EAEPE interests. Its overall theme is based on our central concerns: the economy of the future (ecology, technology, institutions). A record number of well over 100 abstracts have been received, which implies that this will be EAEPE’s biggest conference to date.

(See inside for further conference details)

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The EAEPE Newsletter can include short articles of interest to EAEPE members, as well as news and other items including reports on current and proposed research. Please send material to Michael Dietrich, EAEPE Newsletter Editor, Sheffield University Management School, 9 Mappin Street, Sheffield S1 4DT, UK. If possible material should be submitted on a DOS formatted floppy disc, or sent by EMail: M.Dietrich@sheffield.ac.uk (non-UK use), M.Dietrich@uk.ac.sheffield (UK use). Contributions will not be refereed but the Editor reserves the right to decide what is to be accepted.
EAEPE 1993 CONFERENCE  
Palace of Congresses, Barcelona, Spain.

Conference registration will commence on the afternoon of 28 October and the conference will finish in the evening of 30 October. The conference fee is £110 and this includes the cost of the conference dinner on the 30 October. There is no rebate for those who do not wish to partake of the conference dinner and no other meals are included in the price. Furthermore, there is an additional charge of £25 for those who are not yet 1993 members of EAEPE, plus an addition of £25 for bookings received on or after August 1st.

All conference bookings and fees should be sent to the EAEPE Treasurer, Andrew Tylecote, Sheffield University Management School, 9 Mappin Street, Sheffield S1 4DT, UK. Telephone (44) 0742 768 555. Fax (44) 0742 725103. Payments may be made over the telephone by credit card.

The conference fee does not include accommodation. Hotel bookings are the responsibility of delegates themselves. However, the EAEPE Conference Organiser, Carlos Calleja, will be pleased to supply information on hotel accommodation. He may be contacted at Avinguda Diagonal 499, 08029 Barcelona, Spain. Telephone (34) 3 405 1524. There are many hotels around the Ramblas which is quite close to the conference venue and accessible by Metro.

The conference is organised with the assistance of the Universities of Barcelona, Sheffield and Cambridge. Applications for further financial support are in progress.

RECOMMENDED HOTELS

All of the following telephone numbers should be preceded if necessary by the code for Spain (34) and for Barcelona (3).

The following hotels are around the Ramblas and the Placa Catalonia:
- Hotel Cortés ** C. Santa Ana 25. Tel 317 9112
- Hotel Flor Parks ** Ramblas 57. Tel 318 1324
- Hotel San Augustin ** Plaza San Augustin. Tel 318 1658
- Hostal Australia R. Universitat 11. Tel 317 4177

The Hostal Australia is for economists on a strict budget constraint.

The following hotels are in the commercial zone:
- Hotel Condor **** Via Augusta 127. Tel 237 3940
- Hotel Belagua *** Via Augusta 89. Tel 237 3940
- Hotel Pedralbes *** Fontcuberta 4. Tel 203 7112
- Hotel Turin *** Pintor Fortuny 9. Tel 302 4812
- Hotel Tres Torres *** Calatrava 32. Tel 417 7300
- Hotel Mikado *** P. Bonanova 58 Tel 211 4166
- Hotel Bonanova Park ** Capitan Arenas 51. Tel 204 0900
- Hotel Lleo ** Pelayo 24 Tel 318 1312

1993 EAEPE MEMBERS’ MEETING  
IN BARCELONA

An EAEPE Members’ Meeting has been called at the Palace of Congresses at 7.00 pm on Friday 29 October 1993.

1993 EAEPE STEERING COMMITTEE MEETINGS

The following Steering Committee meeting has been called:
17.00 hrs on 27 October 1993 (following a meeting of FEED trustees at 16.00), in Barcelona, Spain.
PLEASE NOTE THAT THE EAEPE ADMINISTRATION IS NOW DIVIDED BETWEEN THE UNIVERSITY OF CAMBRIDGE (UK) AND THE UNIVERSITY OF SHEFFIELD (UK). IT IS NO LONGER LOCATED AT NEWCASTLE UPON TYNE. THE UNIVERSITY OF SHEFFIELD OFFICE DEALS WITH EAEPE FINANCIAL MATTERS AND HOLDS EAEPE MEMBERSHIP RECORDS.

EAEPE General Secretary:
Geoff Hodgson, The Judge Institute of Management Studies, University of Cambridge, Mill Lane, Cambridge CB2 1RX, UK. Telephone (44) 223 338171. Fax (44) 223 338076.

EAEPE Treasurer:
Andrew Tylecote, Sheffield University Management School, 9 Mappin Street, Sheffield S1 4DT, UK; telephone (44) 0742 768 555. Fax (44) 0742 725 103.

Please note the recent change in address of the Sheffield University Management School. Jane Roe is the Administrator of the EAEPE Office at Sheffield. She is assisted by Debra Maxwell.

EAEPE Conference Organiser:
Carlos Calleja, 499 Avinguda Diagonal, 08024 Barcelona, Spain. Telephone (34) 3 405 1524.

1993 Conference bookings should be sent to the Treasurer in Sheffield (UK) and final papers — by the strict deadline of 13 September — to the General Secretary in Cambridge (UK).

EAEPE Newsletter Editor:
Michael Dietrich, Sheffield University Management School, 9 Mappin Street, Sheffield S1 4DT, UK. Work telephone (44) 0742 768 555. Fax (44) 0742 725 103.

EAEPE 1993 Steering Committee:
Ash Amin (UK)
Wolfgang Blaas (AUSTRIA)
Carlos Calleja Xifre (SPAIN)
Robert Delorme (FRANCE)
Michael Dietrich (UK)
Kurt Dopfer (SWITZERLAND)
John Groenewegen (NETHERLANDS)
Jerzy Hausner (POLAND)
Geoff Hodgson (UK)
Eva Maskova (CZECH REPUBLIC)
Klaus Nielsen (DENMARK)
Angelo Reati (BELGIUM)
Ernesto Scerpantini (ITALY)
Andrew Tylecote (UK)

EAEPE 1993 Scientific Committee:
The following persons were elected to the 1993 Scientific Committee at the 5 November 1992 Membership Meeting in Paris:
Ash Amin (Newcastle), Wolfgang Blaas (Vienna), Carlos Calleja (Barcelona), Robert Delorme (Paris), John Groenewegen (Rotterdam), Geoff Hodgson (Cambridge – Convenor), Tony Lawson (Cambridge), Christos Pitelis (Cambridge).

FEED NAMES AND ADDRESSES
The Foundation for European Economic Development (FEED) is a registered charity, registered under the Charities Act 1960 (England and Wales).

FEED Secretary:
Andrew Tylecote, Sheffield University Management School, 9 Mappin Street, Sheffield S1 4DT, UK. Work telephone (44) 0742 768 555. Fax (44) 0742 725 103.

FEED BOARD OF TRUSTEES:
Ash Amin, Wolfgang Blaas, Robert Delorme, Mike Dietrich, Geoff Hodgson (Treasurer), Klaus Nielsen, John Pheby, Angelo Reati, Andrew Tylecote (Secretary).

1993 STEERING COMMITTEE ELECTION
The Steering Committee has called a General Election of the entire Steering Committee and Secretariat for 1993. All 1993 members of EAEPE are welcome to stand for any of the following positions:
Chairperson, General Secretary, Treasurer, Newsletter Editor, Conference Organiser, plus ten Ordinary Steering Committee Members.

The following timetable and conditions will apply:
13 Sep 1993 — deadline for nominations
17 Sep 1993 — circulation of ballots
25 Oct 1993 — due date for return of ballots
1 Dec 1993 — inauguration of new Steering Committee.

Nominations must be in writing and signed by the nominee. They must be accompanied by information on country of residence, institutional affiliation and position(s) for which election is being sought. In addition, the candidate is requested to submit an election statement of no more than 100 words.

1994 EAEPE CONFERENCE
It is planned that the 1994 EAEPE Conference will be held in Copenhagen, Denmark on 27-29 October 1994 on the theme of ‘Challenges to Institutional and Evolutionary Economic Theory: Growth, Uncertainty and Change’.

EAEPE PUBLICATIONS
In collaboration with Edward Elgar Publishing, EAEPE is proud to announce the publication a volume of selected conference papers from the 1991 conference entitled Mixed Economies in Europe and edited by Wolfgang Blaas and John Foster. The normal cost is £45, but they are sold to paid-up EAEPE members at a 50% discount (£22.50).

Copies of the 1990 conference volumes are still available, titled Rethinking Economics: Markets, Technology and Economic Evolution, edited by Geoff Hodgson and Ernest Scerpantini, and Towards a New Europe? Structural Change in the European Economy, edited by Ash Amin and Michael Dietrich. The normal cost of each volume is £35 and £39.95 respectively, but they are sold to paid-up EAEPE members at a substantial discount, for £15 each.

These volumes are available from Edward Elgar Publishing, Gower House, Croft Road, Aldershot, Hampshire GU11 3HR, UK.

Also A Companion to Institutional and Evolutionary Economics is in press, edited by Geoff Hodgson, Warren Samuels and Marc Tool. This work will also be published by Edward Elgar. Royalties will be divided equally between EAEPE and the USA-based Association for Evolutionary Economics.
1994 PRIZE COMPETITIONS

Entries for the 1994 Kapp and Myrdal competitions are now welcome:

K. William Kapp Prize
Amount: £1000 (half funded by the William Kapp foundation).
Awarded annually for the best article unpublished at the time of the
award on a theme broadly in accord with the EAEPE Theoretical
Perspectives (minimum 5,000, maximum 12,000 words).

Gunnar Myrdal Prize
Amount: £1000 (all funded by EAEPE)
Awarded annually for the best published or unpublished monograph (i.e. a book) on a theme broadly in accord with the EAEPE Theoretical Perspectives.

The strict deadline for receipt of each prize is 1 January 1994. Entries should be sent to the EAEPE General Secretary, Geoff Hodgson, The Judge Institute of Management Studies, University of Cambridge, Mill Lane, Cambridge CB2 1RX, UK. Five non-returnable copies should be submitted for the Kapp Prize and four non-returnable entries for the Myrdal Prize. Awards of the 1994 prizes will be made at the 1994 Conference in Copenhagen, Denmark.

All candidates must be paid-up 1994 members of EAEPE. The Steering Committee will judge both prizes in February-March 1994. The Kapp Foundation will assist in the judging of the Kapp Prize. Any member of the EAEPE Steering Committee or trustee of the Foundation for European Economic Development serving at any time from 1 January 1993 to 1 January 1994 inclusive shall be ineligible to submit an entry. The EAEPE Steering Committee reserves the right not to award a prize if the entries are below the required quality.

YOU CAN NOW PAY BY CREDIT CARD!

Transactions across national currency boundaries are inconvenient, uncertain and costly. For the convenience of EAEPE members, payments may now be made by Access/MasterCard/Visa/ Eurocard. Simply telephone (44) 0742 768 555 or fax (44) 0742 725103 with your card number and expiry date. Alternatively, you can notify the EAEPE Treasurer’s Sheffield office by post with the same information.

OBITUARY

Mary Farmer 1952-1993

Mary Farmer’s death at only 41 has cut short a life which was rich both personally and intellectually; for her cheerfulness as well as her gravitas and her openness to other people’s views as well as her devotion to the ideas and causes in which she believed.

She graduated in sociology in 1973 and gained an MSc in economics in 1975, both from the London School of Economics. She continued with both disciplines, but was dissatisfied with their self-imposed limitations. She was fortunately able to pursue her interdisciplinary work at the University of Sussex as lecturer in sociology. Mary’s primary focus was on how economic behaviour is treated in economic and sociological theory, and in particular how rationality is dealt with. The innovativeness and scholarliness of her work was winning her increasing respect in both economics and sociology. Much of her work is left in the form of published articles and papers. It is a major regret that she had not completed her book, The Rationality Totem: sociology and economic theory, in which she was to tie together her central ideas.

[This obituary is based on that written by Sheila C Dow in the UK Guardian.]

REVIEW OF INTERNATIONAL POLITICAL ECONOMY

The International Review of International Political Economy is a new interdisciplinary journal for 1994 based on an analytical synthesis between politics and economics. The particular RIPE will:

• address the internationalisation of the state, especially the structures of political authority, diplomacy and institutional regulation;
• examine the shift from a national to a transnational economic system, including the study of global finance and production;
• promote the study of development trajectories, local and national, in all parts of the world.

EAEPE members are entitled to a subscription discount. Normal individual rates for the UK/EC are £35, the reduced rate is £26. On editorial matters contact: The Editors (Ash Amin, Barry Gills, Ronen Palan, Peter Taylor), Review of International Political Economy, Department of Politics, The University, Newcastle upon Tyne, NE1 7RU, UK. Fax: +44 (0)91 2228107. For subscriptions: Trevina White, Routledge Subscriptions, ITPS Ltd, Cheriton House, North Way, Andover SP10 5BE, UK, tel + 44 (0)264 332424, fax + 44 (0)264 364418.

MARSHALL STUDIES BULLETIN

This newsletter on Marshallian studies, published annually by the Dipartimento di Scienze Economiche of the University of Florence, Italy, takes the form of short commentaries, factual information and book reviews. We should be pleased to consider contributions for publication. The Bulletin is sent free of charge to interested parties.

Addresses. Articles, reviews and books: Dipartimento di Scienze Economiche, Via Curatone 1, 50123 Firenze, Italy. All other correspondence: Ms Philomena Guilbeaud, Marshall Library of Economics, Sidgwick Avenue, Cambridge CB3 9DB, England.

Association for Evolutionary Economics

EAEPE has close ties with the US-based Association for Evolutionary Economics (AFEE), sponsors of the longstanding Journal of Economic Issues. Individual membership of AFEE, including a subscription to the journal costs $35.00 annually, $30.00 with income under $40,000, and students $15.00. Members outside North America add $5.00. Remittances to:

Dr Ann Mari May, AFEE Secretary-Treasurer,
Department of Economics, University of Nebraska,
Lincoln, Nebraska 68588-0479, USA.
ECONOMIC THEORY AND INSTITUTIONS

A Seminar on Pasinetti’s Theses

Ernesto Screpanti

On the 24 March 1993 a seminar was held in Barcelona as part of the EAEPE Steering Committee meeting. Geoff Hodgson and Angelo Reali presented introductory comments on Professor Luigi Pasinetti’s paper that was delivered at the Paris conference. LP had argued for a specific type of ‘pre-institutional’ analysis, as developed in his own work.

GH opened the discussion by criticising LP’s use of the notion of ‘institutional’, showing that once this concept is used in its proper way the possibility of a ‘natural’ or ‘pre-institutional’ economy must be abandoned. For example, the technical coefficients in a Leontief-Sraffa model, as used in LP’s ‘natural system’, cannot be understood as natural variables or parameters. GH argued that LP seems to use the term ‘institutional’ meaning ‘organisation’. Thus, perhaps, what he actually means is that the natural economy is pre-organisational rather than pre-institutional. But, even so, LP’s notion of a ‘natural economy’ is misleading. No relevant economic variable or parameter can be thought of as representing any kind of economic process by abstracting from the organisational dimension of economic activity.

In opposition to GH, AR put forward a generous defence of LP’s proposals. He agreed with the idea that ‘institutional analysis’ has to be grounded in a sound ‘pure theory’ and that the latter can be set out at a ‘pre-institutional’ level of investigation. He accepts that such a pure theory can be usefully built by following a classical approach, in which a clear distinction is made between production and exchange, the former being considered good ground for developing pure theory. Moreover, AR suggested that the labour theory of value is a sound and useful analytical device for investigating the ‘natural economy’. Furthermore, in his view it is possible to examine learning processes by focusing on institutions, as well as to build the natural system by focusing on technology, thus abstracting from any kind of social processes and institutions, such as the structure and organisation of markets and the nature of class relations. In this approach, it is fully legitimate to elaborate normative and ‘pre-institutional’ notions of the rate of profit and the natural rate of wage increase.

In acting as a discussant I observed that perhaps GH was a little too strict when charging LP with not understanding that even technical coefficients are institutional variables. Perhaps LP intended to refer to the production sphere in the same way as Marx referred to ‘production in general’ and Mill to the ‘laws of production’. In this approach the basic institutional practices embodied in technology are considered to be more fundamental than those embodied in value and distribution, to such an extent as to be compatible with different social settings. At any rate, if this is so, and if the expressions ‘natural’ and ‘pre-institutional’ are used as shorthands for ‘basic institutional’, we are left with a stronger reason for rejecting LP’s distinction between pure theory and institutional analysis. This by the way, is also a good reason for rejecting AR’s defence of the labour theory of value. The point is simply that it is impossible to define a basic institution by abstracting from institutions and history.

I suggested that LP’s proposals could better be understood by relating them to their historical background. First, LP elicits a special interpretation of classical economics that seems to be based on Mill rather than Marx, and on Ricardo, the ‘naturalist’, rather than Smith, thus developing a theoretical approach that could well be charged with ‘neo-Ricardian naturalism’. Neither Smith nor Marx would have accepted the idea of a natural economy in which production conditions are independent from social actors.

Secondly, when referring to institutional economics LP adopts a narrow definition, reducing it to the approaches of the American institutionalists and the German historical economists. In this context his claim of poverty of institutional ‘pure’ theory has perhaps some justification. But our Association adopts a wider definition, including, in the bunch of institutional economists, thinkers of the calibre of Smith, Marx, Marshall, Keynes, and Schumpeter, who certainly do not lack theoretical grounding. In this view, ‘institutional economics’ is to be considered not a school of thought, but as a general attitude towards economic theory. According to such an attitude, it is simply not possible to conceive of a pure economic theory abstracted from history, institutions and social relations. The institutional approach to economics maintains that economic theory, however ‘pure’, is the theory of economic and social institutions. From this point of view LP’s claim that institutional economics is rather poor, as far as general theory is concerned, seems to be unjustified. Quite the contrary, we are overwhelmed with an embarras de richesse.

Following my comments there was a general discussion on LP’s theses. The space reserved to me here is too small, and my memory too weak, to be able to report all the interesting ideas that emerged. Therefore, I will summarise, in what follows, the few comments I recall with some degree of precision. Robert Delorme agreed with LP’s stance about the need for a solid theory, but asked what the norms of solidity called for are. What is his scientific project? What are his basic theoretical categories? According to RD, LP does not raise the right questions either on theoretical or methodological levels. For the real and most important problem to be faced today by theoretical economists, and by institutional economists in particular, is that of complexity. And LP does not seem to have realised this.

Andrew Tylecote suggested that LP’s ‘natural system’ could be intended as an X-ray photograph of the skeleton of an economy. But as the analogy suggests, the skeleton does not come before the rest of the body. Rather, it develops in conjunction with it and its movements are likewise determined. This is especially true for structural change. AT said that it would be interesting to know whether by similarly simplifying the institutional characteristics of an economy one could derive a combined model which would have real explanatory power.

John Groenewegen said that he shared GH’s evaluation of LP’s pre-institutional model as well as my criticisms of AR’s use of the labour theory of value. He added that an important issue in the discussion was the need, feasibility and adequacy of developing an institutional alternative to general equilibrium theory. The contrast of ‘institutional analysis’ and ‘pure theory’ is fundamentally wrong. According to JG every economic theory should be developed to understand, explain and predict economic reality. The question is whether some theories are more relevant for some empirical questions than others. For example, general equilibrium theory with its ‘full set
of contingent claims could perhaps be relevant for tackling problems of the compatibility of choices in a set of independent agents perfectly informed by prices. But for problems of evolutionary dynamics the theoretical foundations of that abstract approach are completely irrelevant and should be discarded and replaced by another theory. However, to replace general equilibrium theory with another grand system, allegedly capable of representing the economic world. Not even in the natural sciences, according to WB, is it possible to find a single all-purpose and all-embracing model of the world. How could this be possible in the social sciences? Economics should rather aim at analysing and explaining socially and politically relevant questions.

The discussion went on with several other comments and contributions, which, however, as far as I remember, did not modify the views that had emerged from the preceding ones. In conclusion I would say that the general evaluation of LP’s theses was rather critical. But there was a strong appreciation of his suggestion to turn to classical economists in search of a solid theory to oppose the neoclassical approach. And, of course LP’s criticisms of contemporary neoclassical ‘neo-institutionalism’ were also very much appreciated.

If any EAEPE members wish to respond to this, or any other, part of the Newsletter please send contributions/letters to the Editor by October 1993.

INTERNATIONAL THORSTEIN VEBLEN ASSOCIATION
The purposes of this recently formed association are:
1. To facilitate and revive in a Veblenian spirit a critical and historical attitude in the social sciences.
2. To examine and evaluate Veblen’s ideas and methods from the point of view of their applicability and utility for comprehending and analyzing the contemporary world.
3. To make explicit the attitudes, perspectives and assumptions underlying Veblen’s social, economic, political and religious frameworks.
4. To illuminate the relationship between Veblen’s ideas and his linguistic, rhetorical and poetic style.
5. To foster and facilitate communication between Veblen Scholars throughout the world.

For application and other enquiries write to: Rick Tilman, Department of Public Administration, University of Nevada, Las Vegas, Nevada 89154, USA.

European Association for Bioeconomic Studies
The aims and objectives of EABS are:
1. To promote the study and application of bioeconomics, with particular reference to the work of Nicholas Georgescu-Roegen.
2. To safeguard the environment, and to be concerned with the accelerated “entropization” of the limited resources of our planet.
3. To promote the exchange and diffusion of information on bioeconomics and related topics.

For details of any matters to do with EABS contact: Korinna Muller, Secretary General EABS, 11 Via Larga, I-20122 Milan, Italy.

The Association for Institutional Thought
AFIT is a US-based Association with close ties to the Association for Evolutionary Economics. It encourages and fosters the development of institutional thought within the tradition of Thorstein Veblen, John Dewey, Clarence Ayres, John Commons, Wesley Mitchell and others. For further information about AFIT contact Professor James Swaney, Department of Economics, Wright State University, Dayton, Ohio 45435, USA.

Post-Keynesian Economics Study Group
Anyone interested in finding out details of the current programme for the Post-Keynesian Economics Study Group should write to either Professor Philip Arestis, Department of Applied Economics, The University of East London, Longbridge Road, Dagenham, Essex RM8 2AS, tel + 44 (0)81 8493507; or Professor Victoria Chick, Department of Economics, University College London, Gower Street, London WC1E 6BT, tel + 44 (0)71 3807868.
THE ECONOMICS OF INSTITUTIONS
Geoffrey M. Hodgson

The following is a shortened version of the introduction to a volume entitled The Economics of Institutions which will appear later this year in the Edward Elgar International Library of Critical Writings in Economics. The introduction is reproduced here by kind permission of the publisher.

WHAT ARE INSTITUTIONS?

Most theorists working in the area take a broad definition of the term 'institution'. Veblen (1919, p. 239) defined institutions very loosely and broadly as 'settled habits of thought common to the generality of men'. A famous and more exact definition is found in the essay by the institutionalist Walton Hamilton (1932, p. 84):

It connotes a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of a people.... Institutions fix the confines of and impose form upon the activities of human beings.

Three points are worthy of immediate note. First, these extremely broad definitions of an institution are acceptable, but an adequately precise and widely acceptable taxonomy of different types of institution is wanting. The specific characteristics of one type – organisations – are discussed later in this introduction. It is also possible to distinguish between rules or norms on the one hand, and other institutions on the other. Rules or norms can be roughly defined as being more elemental and having a greater generality that other, more specific institutions. To use an analogy, nearly all living organisms are subject to the common rules of DNA coding and replication. Likewise, most capitalist economies have common elements of private property and contract law. Rules may thus be seen as being more general, elemental and constitutive than other institutions. Nevertheless, it is an important and as yet incomplete project to construct a more precise and reasonably comprehensive taxonomy of institutions.

Second, coming from the 'old' institutional school both Veblen's and Hamilton's definitions of institution see common habits as a key feature. This conception of institutions as the embodiment of habituated group behaviour is a prominent feature of the 'old' institutionalism. In contrast, many 'new' institutional economists, for example Schotter (1981) and Sugden (1986), model institutions as the outcome of rational decision-making by interacting agents.

Third, the conception of an institution advanced here involves a recognition of its self-reinforcing qualities. This recognition is common to the 'new' and the 'old' institutionalism but the descriptions of the processes of institutional self-reinforcement are often different. This and the preceding matter of habit are now examined in turn and in more detail.

FROM HABITS TO INSTITUTIONS

There are varied interpretations of the concept of habit. As William Waller (1988) notes, the concept of habit has been forced into an unfavoured position in twentieth century social science. By habit it is meant 'a more or less self-acting disposition or tendency to engage in a previously adopted or acquired form of action' (Camic, 1986, p. 1044). Such a definition is compatible with the notion that not all thought involves the same level or degree of deliberation. It is also reasonable to assume that the human brain and nervous system have evolved a hierarchy of habitual procedures so as to cope with the vast amounts of complex information involved in any form of action.

Because thought is no longer seen to be at a single level, with a qualitative continuum from deliberative contemplation to the reflexes of the human nervous system, this concept of habit can undermine the Cartesian division between matter and mind. The anti-Cartesian attitude is a hallmark of the pragmatists philosophers Charles Sanders Peirce, William James and John Dewey, who provided the philosophical foundations for the 'old' institutionalism. As John Commons (1934, p. 150) put it, Peirce dissolved the antinomies of rationalism and empiricism seemingly at a stroke, making 'Habit and Custom, instead of intellect and sensations, the foundation of all science.' Nevertheless, this concept of habit does not necessarily involve a denial of human purposefulness or will.

As suggested above, institutions involve congealed habits. Thorstein Veblen (1919, p. 241) wrote:

Institutions are an outgrowth of habit. The growth of culture is a cumulative sequence of habituation, and the ways and means of it are the habitual response of human nature to exigencies.

Habits may be distinguished from routines and institutions. Habits are personal, they relate to single individuals. In contrast, routines may involve a group; they are components of institutions. Thus an institution such as a firm may embody a particular routine, involving several persons, when faced with a given environmental stimulus. In enacting this routine it is, of course, likely that habits will also be involved.

Habits, routines and institutions have a stable and inert quality and tend to sustain and thus 'pass on' their characteristics through time, and from one institution to another. For example, the skills learned by a worker in a given firm may become partially embedded in his or her habits. Thus these act as carriers of information, 'unteachable knowledge', and skills. Likewise, the structures and routines of the firm are durable institutions, and may be more difficult to alter than the skills of a single worker. In this respect habits and institutions have a quality analogous to the informational fidelity of the gene. Habits and routines thus preserve knowledge, particularly tacit knowledge in relation to skills, and act through time as their transmission belt.
THE SELF-REINFORCING QUALITY OF INSTITUTIONS

Those economists employing the assumptions of rational choice tend to see institutional self-reinforcement as emanating from the rational decisions of agents once institutions are in place. For example, once the convention of driving on the left of the road is established it is clearly rational for all drivers to follow the same rule. Accordingly the emergent convention is reinforced and institutionalised by imitation.

In contrast, heterodox economists do not confine themselves to the assumption of rationality, partly because they do not take the goals or preference functions of individuals as given and unchanging. As well as the recognition of the rational payoff of following an established convention, there is also stress on the way in which institutions frame the perceptions of agents. The ‘habits of thought’ feature of institutions is given a cognitive dimension: the acquired conceptual frameworks are seen to reflect culturally-based social norms and rules. Institutions are regarded as imposing form and social coherence upon human activity partly through the continuous production and reproduction of habits of thought and action. This involves the creation and promulgation of conceptual schemata and learned signs and meanings. Institutions are seen as a crucial part of the cognitive processes through which sense-date is perceived and made meaningful by agents. Indeed, rationality itself is regarded as reliant upon institutional props (Hodgson, 1988).

A result of the framing or cognitive effects of institutions is to promote conformity. A key question here is whether conformity results simply from given preferences as a ‘rational’ strategy or whether institutional culture causes a shift in preference functions as well. It is clear that conformity can also be approached with a rational choice framework: in a world of uncertainty it can be seen to be ‘rational’ to imitate others and conform to the norm. Yet one effect of institutions may be to generate even stronger forces of emulation – to use Veblen’s term – amongst agents.

The availability of common cognitive tools, as well as perhaps a congenital or learned disposition for individuals to conform with other members of the same group, work together to mould and harmonise individual goals and preferences. Hence it is arguable that significant preference shifts are involved. Importantly, the emphasis of the traditional economist on individuality and choice may obscure the degree to which conformity or emulation occur in modern economies. Clearly, such outcomes are an important part of the institutional self-reinforcing process.

THE EVOLUTION OF INSTITUTIONS

It is this durable quality of habits, routines and institutions that forms the basis of the development of the analogy with natural selection in institutional economics. Habits, routines and institutions are regarded as subject to processes of selection: some grow or multiply and others expire. This evolutionary analogy has been developed by a number of economic theorists (Hayek, 1988; Hodgson, 1993; Nelson and Winter, 1982; Veblen, 1919).

Nevertheless, the use of the evolutionary analogy in evolutionary economics remains problematic and controversial. Although Veblen wanted to turn economics into an ‘evolutionary science’ by importing the Darwinian metaphor of natural selection, and Commons too found inspiration in biology, this line of theoretical development was virtually abandoned by subsequent institutional economists of the ‘old’ school. This neglect suggests a reason why the new wave of evolutionary economists of the 1980s adopted the ‘Schumpeterian’ label. Yet Schumpeter (1954, p. 789) himself had argued that in economics ‘no appeal to biology would be of the slightest use.’

One of the problems with the Darwinian metaphor is that purposeful behaviour is either excluded or reduced to the functions of a programmed automata. It is argued by numerous social scientists, however, that purposeful or intentional behaviour cannot be incorporated in a deterministic view of the world. Institutionists such as Veblen and Commons repeatedly emphasised the purposeful character of human behaviour and the place of teleology in social science. This issue has important implications and remains an open problem for evolutionary and institutional economics (Hodgson, 1993).

Karl Marx argued that a distinction between the human architect and the bee was that the architect first constructed an edifice in his or her mind before it was constructed in the material world. Arguably, the use of the evolutionary analogy should not exclude a distinction between those institutions which emerge as the unintended consequence of individual actions, and those institutions which are designed. The Austrian economist Carl Menger (1981) described the former as ‘organic’ and the latter as ‘pragmatic’ institutions.

Yet as Elias Khalil (1992) argues, the idea of a purely organic social institution may confute organisation with spontaneity. Whether it was pre-designed or not, a key feature of any organisation – in distinction from the spontaneous order of a nest of bees or of a slime-mould is the incorporation of a principle of sovereignty and of a chain of command. Accordingly, the question can be raised as to whether a hard-and-fast distinction can be made between organic and pragmatic institutions.

Perhaps a more appropriate distinction should be drawn between institutions which function primarily through authority and command, described as organisations, and those which do not, such as language and table manners. But even here the distinction is problematic, notably in regard to the institution of the market. In addition to the laws of property and contract, some markets are clearly organised and regulated whereas others sustain themselves without much overall direction. The market is an institution and no institution is free of elements of compulsion and control. Yet some institutions, such as firms, typically involve a higher degree of authority and command, and others, such as markets, rely more on the undirected interactions of individuals according to prescribed rules.

THE INFORMATIONAL FUNCTION OF INSTITUTIONS

All institutions have both constraining and enabling qualities. An important enabling function of institutional routines is to do with the information they provide for other agents. Both ‘old’ and ‘new’ institutionalists recognise the informational function of institutions. Recognition of this is fundamental to the analysis of all social and economic institutions. All organisations gather and process some amount of information on a day-to-day basis, and this may be available within or outside the institution. However, the informational function of institutions is much wider and deeper than this. Through their very existence, and the established, visible character of much of the associated behaviour, institutions actually create additional information as well.

Institutions establish and reproduce a set of rules and behavioural norms. These are fixed in part by habit, but also typically by tacit or legally supported social acceptance or conformity. These rules and norms are not necessarily inviolable, but the point is that they help agents to estimate the potential actions of others.

The critical point is that both routines and formal institutions, by establishing more or less fixed patterns of human action, actually supply information to other agents. Such inflexibilities or constraints suggest to the individual what other agents might do, and the individual can then act accordingly. Whereas if these rigidities or ‘imperfections’ did not exist the behaviour of others could change with every perturbation in the economic system, and such frequent adjustments to behaviour might be perceived as random or chaotic.

In other words, institutions and routines, other than acting simply as rigidities and constraints, enable decision and action by providing more-or-less reliable information regarding the likely actions of others. One consequence of this function of institutions is that in a highly complex world, and despite uncertainty, regular and predictable behaviour is possible. The informational function of institutions and
routines leads to patterns of action, guided by the information that the institutions provide.

As a result, institutions, not simply despite but because of their rigidity, act as enablers for human action. It is not always recognised that institutions are not simply constraints. An exception is Commons (1934, p. 73), who clearly saw institutions as a liberating as well as a constraining force. The institution of language, for example, provides us with a limited choice of meaningful utterances, yet in doing this it enables us to communicate an immense variety of statements and feelings. Likewise, in an evolutionary process, both deviation and rigidity can be constructive. Evolution proceeds, not in a mechanical manner, of force against resistance, but through the combination of rigid and durable entities – genes or institutions – with unceasing selection and change.

To some extent, the dual function of institutions as both constraints and enablers is rendered problematic in the particular branch of the ‘old’ institutionalism that follows Clarence Ayres. Ayres was disposed to emphasise the constraining function of institutions to the exclusion of their role as enablers. Only a subset of institutions were regarded as positive or ‘instrumental’. The classificatory distinction between ‘ceremonial’ and ‘instrumental’ institutions may obscure the dual quality of every institution.

**PROSPECTS FOR INSTITUTIONAL ECONOMICS**

There are many reasons which the analysis of institutions is important. In the first place, all economies work through an institutional fabric. No economy can be institution-free: even markets are institutions. This observation is particularly apposite in the context of the former Soviet economies. In a spectacular demonstration of the appropriateness of institutional economics, since 1989 the idea that complex institutions like markets emerge simply through the interactions of ‘free’ individuals has been totally confounded.

Second, as ‘old’ institutionalists such as Veblen insisted, individual behaviour is very much a matter of individual-institutional interaction. Each presupposes the other, each may be moulded by the other and each may alter the other. Arguably, as Anthony Giddens (1984) and others have proposed, this approach provides a means of transcending the old divide between methodological individualism and methodological holism.

Third, the analysis of historical change, including economic history, is very much the analysis of institutional emergence, development and breakdown. Only in the short-run is it justifiable to 'take institutions as given'.

In a modern context there are still more reasons why the study of institutions is important. As Alan Kirman (1989) and others have elaborated, severe difficulties have been discovered in the project to base the entire corpus of economic theory on the ‘sound microfoundations’ of the rational individual. As Philip Mirowski (1987, p. 1034n) argues, the institution is ‘a socially constructed invariant’, and institutions can be taken as the units and entities of analysis.

This contrasts with the idea of the individual as the irreducible unit of analysis in neoclassical economics, and applies to both microeconomics and macroeconomics. Accordingly, theories based on aggregates become plausible when based on corresponding social institutions. Money is a legitimate unit of account because money itself is an institutionally sanctioned medium; aggregate consumption functions should relate to a set of persons with strong institutional and cultural links; and so on. Again this contrasts with the approach based on reasoning from axioms based on the supposed universals of individual behaviour. The approach based on institutional specifics rather than ahistorical universals is characteristic of institutional economics, and has parallels in some of the economics of the Marxist and Post Keynesian schools.

This does not mean, of course, that institutions are regarded as immutable. Institutions themselves may change, and they have nothing like the degree of permanence of the gene. What is important is to stress the relative invariance and self-reinforcing character of institutions: to see socioeconomic development as marked by periods of institutional continuity punctuated by periods of crisis and more rapid development.

One promise of the revived institutional economics of the ‘old’ variety is that it may provide a means of overcoming the problem of individualistic reductionism which has bedevilled economics since the 1870s (Hodgson, 1993). Since the 1960s the attempt to place macroeconomics on such ‘sound microfoundations’ has pointed to the dissolution of macroeconomics as a relatively autonomous sphere of enquiry. It remains to be seen whether the promise will be fulfilled, and whether the adoption of institutions as units of analysis can lead to the reinstatement of macroeconomic theory. Arguably, it was the work of Mitchell and his followers in the United States in the 1930s on national income accounting that provided the aggregative statistical basis for the Keynesian revolution. In addition to the provision of an alternative approach to the analysis of microeconomic units, a revived institutional economics may have something to contribute to the development of macroeconomics as well.

**REFERENCES**


Books, a major part of which are authored or edited by EAEPE members, may be reviewed in this section of the Newsletter. Contact the Newsletter Editor for details.


Reviewed by Jerzy Hausner, Cracow Academy of Economics, Poland.

Without any doubt the publication of this pamphlet may be acknowledged as a meaningful moment in the ongoing discussion about the systemic transformation occurring in Central and Eastern Europe. It should not be missed by all those who are interested in this transformation either from the participant’s or observer’s perspective. Reading this book they will have a rather rare opportunity to learn a very comprehensive and coherent presentation covering all important aspects of the move from a command to a market economy. Moreover among the increasing number of publications on this topic the discussed may be positively distinguished by its length and content.

I discern at least three valuable traits of the AGENDA-Group report:

• First, it reveals the most significant simplifications of the liberal approach towards the nature and the consequences of changes occurring in Central and Eastern Europe. I mean for example statements emphasising that: what we observe is transformation rather than transition, which has not and cannot have a linear course; a precondition of a Schumpeterian process of "creative destruction" is the existence of a class of capitalist entrepreneurs, which in fact does not exist yet in post-socialist economies; a proper understanding of necessary ownership transformation implies not privatisation as an objective per se but the creation a relevant property rights structure.

• Secondly, it includes several meaningful warnings addressed to those who are in charge of transformation as well as to those who are their advisors. Of relevance here are statements warning of the danger of preserving dirigiste methods and the re-emergence of dictatorship as the result of misleading economic and political programme.

• Thirdly, it presents several important proposals regarding the nature of economic policy making in post-socialist countries. Suggestions here involve the subordination of privatisation to restructuring, supply side policy measures, the role of governance networks in industrial and regional restructuring, and the international integration of Central and East European economies.

In short, the reader receives a report which not only aptly points out many liberal illusions and failures, but also draws an alternative approach; but this alternative is not fully elaborated. One can blame the authors for not formulating a clear idea around which the alternative could be developed, but maybe it is too much to demand.

Generally, while accepting the authors’ point of view, I disagree with their interpretation of the spontaneity of the transformation. Their "error of spontaneity" actually reflects an "error of social engineering". Post-communist governments have not withdrawn from economic interventionism, rather they have changed the objectives and forms of intervention. Because of the assumed doctrine, which favours an emerging "middle class", they stimulate primitive accumulation of capital at the expense of state enterprises and their employees. So the slogan "no policy is the best policy" means in practice a lack of arbitrary engagement, but does not imply the operation of spontaneous market forces, hence what might be called "social constructivism". Actually if it is liberalism, it is a state oriented version.

Reviewed by Anglo Reati, Commission of the European Communities, Brussels.

This book, which received the EAAPE 1992 Myrdal prize, is a successful attempt to overcome the traditional theory of human needs as reducible to individual (or group) preferences ("wants"). Drawing upon philosophy, sociology, political science as well as economics, the authors convincingly demonstrate the existence of objective and universal needs. "Health" and "autonomy" are, in the authors' view, the basic needs which possess these characteristics; this implies that all human beings have the right to an optimum satisfaction of such needs.

Doyal and Gough construct their argument in four steps. In part one they examine the orthodox as well as Marxist and radical approaches to human needs, to point out insufficiencies and circularity of reasoning. In part two they demonstrate the universal and objective character of human needs, and they also show the possibility of comparing levels of basic need-satisfaction, not only within but also between cultures. These general results are supplemented by an analysis of the social preconditions for the satisfaction of basic needs and by a philosophical chapter on "Human liberation and the right to third-satisfaction", in which they address the question of whether people's needs should be met. Part three is empirical: the authors work out indicators of basic and "intermediate" needs, which subsequently are used to chart human welfare in the First, (former) Second and Third Worlds. Part four draws the practical (political) conclusions of the previous analysis by proposing a "dual" strategy for the optimisation of need satisfaction; a strategy which materialises in a mixed economy which combines elements of central planning and democratic decision-making.

It is difficult, in a short review, to provide a comprehensive account of the richness of this book. I shall just mention some points from part three to give an idea how the authors substantiate their argument. But let us first be precise about the meaning of "health" and "autonomy" as universal basic needs.

This first notion is not mere survival, but optimising everyone's life expectancy and avoiding serious disease. "Autonomy" refers to the social dimension. It covers the level of understanding and culture of a person, the psychological capacity to formulate options and the opportunities enabling participation in society. In part three these concepts are operationalised. To further this the authors draw a distinction between basic and "intermediate" needs, the latter being lower for the former. Thus intermediate needs represent second-order goals which must be achieved if the first-order goals of health and autonomy are to be attained. For basic needs Doyal and Gough advocate an objective standard of satisfaction (rather than culturally relative one), which can be obtained by a certain (minimum) level of intermediate needs-satisfaction. The authors group intermediate needs into eleven categories covering food, housing, work environment, health care, security in childhood, "significant primary relationships", education, etc. In two chapters (9 and 10) they discuss a panoply of specific indicators of basic as well as intermediate needs-satisfaction: many of them are usually found in the specialised literature, but others are innovative. The results of the practical application of these criteria to the Three Worlds are reported in chapter 12 ("Charting human welfare"). The comparison is performed grouping countries into four categories: low-income (including China and India), middle-income (the former State Socialist countries), and the First world. Obviously, for much of the Third world an optimum standard is unrealistic at present. However, lower positions can be derived by identifying those countries which achieve the best results at any level of development. Costa Rica is an exemplary case for the middle-income countries, and Sri Lanka was, until some years ago, a star performer among the poorest nations.

I have appreciated this book for many reasons. First, at the theoretical level: Doyal and Gough's thorough analysis has provided a valid alternative to the individualistic approach to human needs. The next step will be a new theory of demand, free from marginalistic drawbacks. The authors have not performed this task, but have built a solid foundation for such a construction. The second main reason for appreciation refers to the empirical side of the work. Even if the material discussed is not new, the book has the merit of integrating it in a coherent way with the theory, thus obtaining the double result of strengthening the theory and sharpening the meaning of the empirical indicators.


Reviewed by Pat Devine, University of Manchester, UK.

This volume emerged from the first Warwick/Birmingham Workshop on Industrial Strategy in 1991. The workshop party reflected, but mainly anticipated, the revival of interest in industrial strategy that has accompanied the evident failure of the free market oriented ideologies and policies of the 1980s. The papers presented are, perhaps inevitably, very diverse, ranging across theory and historical analysis, and the major different economic systems in the world. They are organised into six parts: theoretical foundations; production; the third world; Japanese, North American and West European experiences; the European Community; and Eastern Europe.

In a way, this collection is a form of stocktaking — theoretical and historical. On the one hand, existing theoretical analyses of the reasons why an industrial strategy is needed are presented and assessed (market failure, infant industry, networking, path dependency). On the other hand, the significance of the role played by the state in a variety of particular historical contexts is analysed (notably, or course, the activities of MITI in Japan).

The papers discussing production, concerned with the need for industrial strategy to be based on an understanding of the production process, are a partial exception to this. Michael Best uses the flexible specialisation model said to characterise production in industrial districts to develop a strategy for the Jamaican woodworking industry. Karel Williams, Colin Haslam and John Williams challenge the new conventional wisdom of a shift from Fordist to post-Fordism, or flexible specialisation, by arguing that recent Japanese experience is rather a rediscovery in different circumstances of Ford's earlier discoveries. They conclude that industrial policy cannot be confined to the strategic level but must also find a way of addressing detailed operational practices. A further caveat about the new conventional wisdom is contained in Dan Coffey's paper, which suggests that just-in-time production requires reduced complexity and therefore reduced flexibility.

A recurring theme in many of the contributions is the role of an industrial strategy in improving the international competitiveness of national economies, although papers on the European Community extend this concern to global competition among the three major centres of economic power - Europe, Japan and the United States. An exploration of the relationship between competitiveness and industrial strategy inevitably involves taking seriously the constraints imposed by the operation of market forces at a global level. It also carries with it the danger of subordinating other desirable objectives to the imperative of international competitiveness, a danger refreshingly avoided, at least in part, by Ajit Singh, who stresses the importance of adopting a strategic approach to the optimum degree of involvement with the international economy, and Christos Pitselis, who argues that the criteria for assessing industrial policies should include their contribution to global welfare.
This collection of papers represents an encouraging renaissance of interest in industrial strategy and is essential reading for anyone interested in this area. However, it is only a beginning and much remains to be done to consolidate the theoretical foundations of industrial strategy, as is emphasised in the summary paper by Malcolm Sawyer that was written after the workshop.


The ethics of economic behaviour remains the weakest area of mainstream economic theory, comprising little more than what Sen aptly calls ‘ethical egoism’. A recent explosion of new writings on ethics and economics reflects a recognition of this weakness, as well as the need to overcome it if economists are to contribute to the evolving debate about the ‘social economy’. These two recent contributions challenge the utilitarian tradition in mainstream economics, and both offer insights into what might be the foundation of an effective assault on these traditions. Both, however, offer different maps of the territory to be covered, and so provide varied food for thought.

Rothschild’s piece is primarily an exposition of what he sees as one of the three aspects of the relationship between ethics and economics – the treatment of ethics in economic theory (the other two being the ethics of research, and business or market ethics). His discussion of the ‘Wertfreiheits’ (value-free) issue provides a good summary of the arguments for the need to accept normative aspects in all economic theory. Similarly, the following chapters on *homo oeconomicus*, moral aspects of the market, welfare economics, cost-benefit analysis, and finally distributive justice, all offer a straightforward discussion of the debate between neoclassical economists, and those interested in the more complex sociological and psychological aspects of individual behaviour and social systems.

Rothschild raises the reader’s expectations through his critique of neoclassical economics’ handling of ethical issues. It is therefore perhaps disappointing that he pays too little attention to setting out what should take the place of this flawed methodology. There is evidence in the text for what might be his views. His discussion of utility, in particular, suggests a predilection for enabling interpersonal comparisons through establishing principles of ‘uniformity’ and ‘empathy’ between individuals. Such principles would not be provable through the universalistic logic of neoclassical economics, Rothschild agrees, but could be legitimated through an institutional analysis that allowed for sociological factors. This discussion, however, comes late in the book, and perhaps more could have been said about its substantive theoretical implications.

Rothschild’s book is, therefore, primarily a review of some of the arguments about ethics and economics. In this light, it is perhaps unfortunate that he chose to focus on only one aspect of ethics and economics, since there is a growing literature that focuses on the relationship between the other aspects of business ethics and the ethics of economic research. Furthermore, whilst Rothschild quite rightly highlights some of the classic texts in the area, there is really a whole new generation of material being produced on ethics and economics, most notably from economists associated with the environmental movement, and those focusing on the political economy of the Third World.

Bürgenmeier’s book is a more comprehensive attempt to map out a critique and a possible alternative to the mainstream utilitarian tradition. The first two-thirds of the book offers a mosaic of numerous aspects of economic theory and its historical roots. In just five pages in one chapter, for example, there are mini-vignettes on the role of the state, mechanisation, railway nationalisation, and income redistribution policy. This dazzling pace means that complex information is at times over-simplified. In his discussion of democratic decision-making processes, for example, he argues ‘[w]hat are the effects of the democratic mechanism on economic policy? ... the need for alliances means that all policies must lead to an increase in the state budget” (p96). Such a viewpoint, although understandable, sits uneasily with the current experiences of democratisation in Africa and Eastern Europe, which are purportedly based on reductions in the role of the state. However, despite the inevitable danger of simplifications, Bürgenmeier’s approach certainly demonstrates the complex dynamic between economic and other phenomena – as well as his own breadth of knowledge – which is crucial to his underlying argument.

Socio-economics is, for Bürgenmeier, critically concerned with the relationship between different collective decision-making processes, including for example the state as well as the market. Central to his argument, then, is that “socio-economics rejects the assumption of limited rationality, relying instead on either the hypothesis of limited rationality or else the social contract and other kinds of behaviour such as altruism and power” (p120). In the final section of the book, Bürgenmeier therefore suggests that a socio-economic approach should adopt a humanist view of human behaviour, incorporating Maslow’s hierarchy of needs, together with an organisational – rather than a reductionist market – analytic model. The advantage of bringing these two components together, he argues, is that it becomes possible to explore the economy as an open-ended system able to accommodate a realisation of people’s higher, as well as subsistence, or selfish, needs.

Bürgenmeier’s proposition’s are, like Rothschild’s, full of interesting perspectives and signposts towards exciting approaches to placing ethics within economic theory. There was a sense of frustration, however, as with my reading of Rothschild, at the lack of space and rigour given to Bürgenmeier’s own ideas. Adopting a humanist model as a core part of socio-economics is, for example, very problematic. One implication of Maslow’s “hierarchy of need” is that the ‘higher self’ will be accessed only by those who are materially better off, which tends dangerously towards a ‘developmentalist’ perspective. Bürgenmeier, however, ignores the issue, since he offers no critical analysis of the humanist model whatsoever. Again, Bürgenmeier concludes by offering the following thoughts, “[t]he essential problem of the economy is no longer competition but organisation ... the crucial issue of individual freedom must therefore be resolved, not by ritual appeals to market forces, but by effective supervision of the means of communication...” (p178). Food for thought, certainly, but not explored thoughts, and so ultimately offering a rather muddled map to follow.

Both Rothschild and Bürgenmeier are clearly right in erecting signposts that tell us that we are going to have to engage in interpersonal comparison, and that the dynamic between different collective decision-making processes are ignored at our peril. Similarly, they are both correct in arguing that *homo oeconomicus* simply will not do, and indeed that complex concepts like empathy, communication and power need to be integrated into any effective attempt to push economics back into the realm of constructive, as opposed to purely logical, rationality. But both books mirror the fact that an economics that seeks to rediscover relevance and ethical depth will face the really confusing world within which we make decisions and practise the ethics of economy.
RECENT PUBLICATIONS BY EAEPE MEMBERS

The following publications are authored, in whole or in part, by members of EAEPE. This regular feature of the Newsletter is intended to disseminate information throughout the Association. Send details of recent publications to the Newsletter Editor. EAEPE members are shown in bold type.

Daniele Archibugi, Institute for Studies on Scientific Research, Rome.

Victoria Chick, University College London, UK.

Wolfram Elsner, Bremen State Economic Research Institute (BAW), Germany.
“Bremer Ausschuss für Wirtschaftsforschung” (BAW), Bremer Zeitschrift für Wirtschaftspolitik, 3+4/91.

G.C. Harcourt, University of Cambridge, UK.

G.M. Hodgson, University of Cambridge, UK.

M. Peter van der Hoek, Erasmus University, Netherlands.

JD Mulberg, University of Bath, UK.

Angelo Reati, Commission of the European Communities, Brussels.

Kurt W Rothschuld, Vienna, Austria.

Wicher Schreuders, Erasmus University, Rotterdam, Netherlands.
(with Ronald de Ridder), “Transformatie in Midden- en Oost-Europa” Erasmus University Rotterdam, Faculty of Law, Department of Economics, Research Memorandum, 92.01, 1992.

Rune Skarstein, University of Trondheim.
The Steering Committee is pleased to report that Research Area Coordinators have been appointed for all the original nine Research Areas (A-I). An additional Research Area J has now been created in the area of ‘Monetary Economics, Finance and Financial Institutions’ and volunteers are invited for this post.

The Scientific Development Plan suggests priority areas of scientific development for EAEPE, and proposals emanating therefrom. It is based on the premise that EAEPE should prioritise intensive rather than extensive growth; it must invest in theoretical and policy development and try to develop a theoretical cutting edge. This means the establishment of areas of priority for scientific work.

**Research Areas**

The designated priority Research Areas for EAEPE are as follows:

**Research Area A: The Development of Realist and Post-Positivist Methodologies for Economics**
Coordinator: Tony Lawson (University of Cambridge, UK), Uskali Miki (WIDER, Helsinki, Finland) and Andrea Salanti (University of Bergamo, Italy).

**Research Area B: The Application of Evolutionary and Complex Systems Theory to Economics**
Coordinator: Jean-Louis Le Moigne (University of Aix-Marseille III, France).

**Research Area C: The Theory of Institutional Change**
Coordinator: Sven-Erik Sjöstrand (Stockholm Business School, Sweden).

**Research Area D: The Theory of Innovation and Technological Change**
Coordinator: Pier Paolo Saviotti (University of Manchester, UK).

**Research Area E: The Theory of Firms and Production Processes**
Coordinator: Christos Pitelis (University of Cambridge, UK).

**Research Area F: Theoretical and Policy Aspects of Environment-Economy Interactions**
Coordinator: Jan van der Straaten (Tilburg University, Netherlands).

**Research Area G: Theoretical and Policy Aspects of State-Economy Interactions**
Coordinator: Friedrich Hinterberger (University of Giessen, Germany).

**Research Area H: The Theory of Macroeconomic Development and Crises**
Coordinator: Harry De Haan (Erasmus University, Rotterdam, Netherlands).

**Research Area I: The Analysis of Structural and Institutional Change in Eastern Europe**
Coordinator: Todor Balabanov (WIW, Vienna, Austria).

**Research Area J: Monetary Economics, Finance and Financial Institutions**
Coordinator: Post Vacant

The Research Areas are bound together by common theoretical presuppositions. These relate to EAEPE Theoretical Perspectives and to the focus on evolutionary and structural aspects of economic change.

**Research Area Coordinators**

Research Area Coordinators (RACs) are appointed by the Steering Committee. Each RAC is encouraged to:

1. develop international networks and seminars relating to the research area;
2. apply for EC, nationally-funded or private grants for research work in the area;
3. develop and promote research material for future EAEPE conferences relating to the research area;
4. make a contribution to the development of EAEPE sponsored publications reflecting work in the research area.

Each year after appointment, each RAC is asked to submit a Research Area Report, of no less than 2000 words, on the annual progress of work in the Research Area to the EAEPE Steering Committee. A token annual grant of a minimum of £100 will be awarded to each RAC, subject to the following conditions:

(i) the Research Area Report is satisfactory and indicates satisfactory progress in the research area, and

(ii) the Research Area Coordinator has maintained links with and personal membership of EAEPE, given sufficient accreditation to EAEPE in reporting or publishing the research, and has given sufficient priority to (3) and (4) – as well as (1) and (2) – above.

**EAEPE Conferences**

Another major implication is that the chosen Research Areas will be reflected in the EAEPE annual conference programme, and that Research Area Coordinators will have a significant role in suggesting and recruiting potential contributors to EAEPE conferences.