



NEWSLETTER

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EAEPE 1999 Conference

4-7 November, Prague, Czech Republic

'Integration and Inequality: Challenges for Institutional Economics'

CALL FOR PAPERS

Questions of power and inequality have tended not to occupy prime position in previous EAEPE annual conferences. Yet contemporary developments in the global political economy urgently require analysis of these questions. With every step towards international economic integration and liberalisation, power is becoming concentrated in the hands of the strongest nations and dominant international organisations, while the economic divide between nations, the rich and the poor, and different social groups continues to widen.

There is a need to chart and understand this paradox as well as formulate credible solutions for social cohesion, equity, and citizenship without compromising economic growth and competitiveness. Importantly, what alternatives are there beyond the familiar analyses and schemes of market individualism, state-centrism, and redistribution? For instance, is economic growth possible *through* social cohesion and social participation? Institutional and evolutionary approaches have much to contribute, through their emphasis on institutions beyond market and state, the social and institutional foundations of economic life, acknowledgement of values, norms and ethics, and emphasis on context, selection, variety and non-

teleological change. Yet, this challenge has not been met squarely and convincingly.

As well as addressing the theme of integration and inequality, the 1999 EAEPE conference will prioritise topics on its Scientific Development Plan (see page 7). Accordingly, other issues covered will include: economic methodology; complex socio-economic systems; institutional change; innovation and technological change; firms and production processes; ecological economics; macroeconomic regulation and institutions; the institutions of economics; structural change in Eastern Europe; monetary economics and finance; gender and economics; experimental evolutionary economics; cultural economics; need, value and pricing; and economy, society and territory; economic history; computational evolutionary dynamics; information in the service economy; theory of production and institutional history of economics, Carolinum at the very centre of Prague's Old Town, on 4 - 7th of November. The Conference Programme Organiser is Ash Amin and the Conference Local Organiser is Pavel Mertlik.

See page 2 for more details of the 1998 EAEPE Conference.

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EAEPE 1999 Conference

4-8 November, Prague, Czech Republic

'INEQUALITY AND INTEGRATION'

Submission of Abstracts and Papers

Participants wishing to submit papers are invited to send a title with a 400-600 word abstract to Loes van Dijk at the EAEPE Office in Rotterdam: Erasmus University Rotterdam, Erasmus Institute for Philosophy and Economics, Oostmaaslaan 950-952, Rotterdam, The Netherlands. Tel: (31) 10 408 8967. Fax: (31) 10 408 8979. Email: m.l.vandijk@fwb.eur.nl. Do not send abstracts to Ash Amin as he is on leave from Durham until July 1999. Please send five paper copies of the abstract and, if possible, an email abstract or email attachment (preferably WINDOWS '98). Priority will be given to abstracts submitted before 30 March 1999.

If the paper can be fitted into the conference schedule then a final version will be requested by 31 August 1999. Both paper and abstract of paper should be sent in hard copy and on disk to Albert Jolink, Erasmus University Rotterdam, Erasmus Institute for Philosophy and Economics, Oostmaaslaan 950-952, Rotterdam, The Netherlands. Tel: (31) 10 408 8967. Fax: (31) 10 408 8979. Email: a.jolink@fwb.eur.nl or m.l.vandijk@fwb.eur.nl

A version of the paper as an email attachment is also requested for placement on the internet (in Word for Windows). This will make the paper accessible prior to the conference. The email attachment should be sent to Wolfgang Blaas, email: wblaas@pop.tuwien.ac.at (Institut für Finanzwissenschaft, Technical University of Vienna, Karlsplatz 11, A-1040 Vienna, Austria). The electronic version will be publicised on the EAEPE internet site.

Final papers should be single-spaced, typed or printed clearly, suitable for reprography, have adequate margins and cover no more than 12 sides of A4 or quarto. The conference organisers reserve the right to exclude papers that are illegible or in excess of 12 sides. With modern word-processing software it is not difficult to compress a paper of up to 8000 words into 12 sides of A4. This restriction of 12 pages is very important to keep down printing costs. In the future, increasing use will be made by EAEPE of the internet to circulate papers.

Printed sets of conference papers (those received before 15 September) will be available to conference delegates on registration in Prague. Papers submitted electronically will also be available on the internet.

Conference Fees

The conference fee is 400 guilders and this includes the cost of the conference dinner on 6th November. 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 for those who are not yet 1999 members of EAEPE, plus an addition of 80 guilders for bookings received on or after 1 September 1999. For details of how to pay by credit card, see page 4.

The 400 guilders conference fee would be waived for EAEPE members (principally from the former Eastern Bloc countries or PhD Students) without adequate means of financial support and with a gross personal income equivalent of less than 5,000 guilders per year. This offer is limited to the number of places available. In addition, in a limited number of cases, the conference fee will be reduced to 200 guilders for EAEPE members earning less than 50,000 guilders a year and without alternative means of financial support. It is not planned to waive or reduce conference fees for anyone with a gross income of more than 50,000 guilders a year. To apply for the conference fee to be reduced or waived, write to Albert Jolink at the address below. Include a completed conference booking form, a letter explaining the basis of the application and indicate whether you have submitted an abstract.

An administration fee of 95 guilders will be deducted from conference fees returned to delegates due to cancellation of attendance by the delegate.

The conference fee does not include accommodation. Hotel bookings are the responsibility of delegates themselves.

1998 EAEPE Conference bookings and fee should be sent to the Albert Jolink (EAEPE Treasurer) in Rotterdam, abstracts to Loes van Dijk, Erasmus University Rotterdam, Erasmus Institute for Philosophy and Economics, Oostmaaslaan 950-952, Rotterdam, The Netherlands. Tel: (31) 10 408 8967. Fax: (31) 10 408 8979. Email: a.jolink@fwb.eur.nl or m.l.vandijk@fwb.eur.nl

EAEPE Council

The main EAEPE administration is located at Erasmus University Rotterdam, Erasmus Institute for Philosophy and Economics, Oostmaaslaan 950-952, Rotterdam, The Netherlands.

The EAEPE administrative secretary in Rotterdam is Loes van Dijk. Email: m.l.vandijk@fwb.eur.nl

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1. Coopted at the November 1997 Steering Committee meeting until 1 Dec 1999

*No email available at this moment. Geoff Hodgson can be reached at tel. + 44 1223 290251. His academic address is moved to the University of Hertfordshire. Geoff Hodgson is a research professor at the Business School.

EAEPE Scientific Committee:

The Scientific Committee helps plan the programme and selects the papers for the 1999 conference. The following persons were elected to the 1999 Scientific Committee at the 7 November 1998 Membership Meeting in Lisbon: Ash Amin (co-ordinator), Angelo Reati, Grainne Collins, Pavel Mertlik and Charlie Danreuther.

The 1999 EAEPE Membership Meeting in Prague

An EAEPE Membership Meeting has been called in Prague in November 1999.

EAEPE and the Internet

The EAEPE home page is <http://eaepe.tuwien.ac.at>. There is also an EAEPE email discussion network called EAEPEdialogue. For details see the home page. In addition, it is important that John Groenewegen, the EAEPE General Secretary, is informed of your current email address, in order to send out current information etc.. Please inform him on groenewegen@eov.few.eur.nl.

The EAEPE 2000 Conference

The EAEPE Council is planning to hold the 2000 Conference in early November in Berlin. A firm decision on the timing and location will be made in March 1999. Watch this space for further announcements.

EAEPE Subscription Rates

The following resolution has been passed in a recent ballot of members by the required majority:

'From 1 January 1998, the EAEPE membership fees shall be denoted in Netherlands Guilders as follows:

	fl	
Life Membership (non-honorary)	600	
Ordinary Rate (for those with a gross personal income roughly equivalent to at least fl.50,000 per year).	80	per annum
Reduced Rate (for those with a gross personal income roughly equivalent to between fl.5,000 and fl.50,000 per year).	20	per annum
Special Rate (for those with a gross personal income roughly equivalent to less than fl.5,000 per year).	5	per annum

Furthermore, in the event of the Netherlands adopting the euro as its main currency on or before 1 January 2000, the above rates will be replaced by the following, denoted in euros:

	euros	
Life Membership (non-honorary)	300	
Ordinary Rate (for those with a gross personal income roughly equivalent to at least 25,000 euros per year).	40	per annum
Reduced Rate (for those with a gross personal income roughly equivalent to between 2,500 and 25,000 euros per year).	10	per annum
Special Rate (for those with a gross personal income roughly equivalent to less than 2,500 euros per year).	2	per annum

The above rates may be amended or replaced by any EAEPE Membership Meeting and subsequent ballot, in 1999 or thereafter.

Accordingly the following Guilder subscription rates are now in force:

Life Membership: fl.600 Ordinary rate: fl.80 Reduced rate: fl.20 Special Rate: fl.5

Subscription renewals should be sent to Albert Jolink, Erasmus University Rotterdam, Erasmus Institute for Philosophy and Economics, Oostmaaslaan 950-952, Rotterdam, The Netherlands. Tel: (31) 10 408 8967. Fax: (31) 10 408 8979. Email: a.jolink@fwb.eur.nl or m.l.vandijk@fwb.eur.nl.

You Can Pay by Credit Card!

Transactions across national currency boundaries are inconvenient, uncertain and costly. For the convenience of EAEPE members, payments may be made by Access/MasterCard/Visa/Eurocard. Simply telephone (31) 10 408 8967. Fax: (31) 10 408 8979. Email: a.jolink@fwb.eur.nl or m.l.vandijk@fwb.eur.nl with your card number and expiry date. Alternatively, you can notify the EAEPE office in Rotterdam by post with the same information

1999 Kapp and Myrdal Prize Competitions

Entries for the 1999 Kapp and Myrdal competitions are now welcome, with a closing date of 1 January 2000:

K. William Kapp Prize

Amount: £1000 (half funded by the William Kapp foundation).

Awarded annually for the best article on a theme broadly in accord with the EAEPE Theoretical Perspectives (minimum 5,000, maximum 12,000 words). Submissions for the 2000 Kapp prize should be unpublished on 1 January 2000.

Gunnar Myrdal Prize

Amount: £1000 (all funded by EAEPE)

Awarded annually for the best monograph (i.e. a book, and excluding multi-authored collections of essays) on a theme broadly in accord with the EAEPE Theoretical Perspectives. Submissions for the 2000 Myrdal prize should be either unpublished, or published no earlier than 1 January 1997.

Entries must be received by the EAEPE Prize Competition Co-ordinator by the strict deadline of 1 January 2000. Entries should be sent to the **EAEPE Prize Competition Co-ordinator Kurt Dopfer**, Sandrainstrasse 21, CH-9010 St Gallen, Switzerland. Tel: (41) 71 224 25 77. Fax: (41) 71 245 06 91. Email: kurt.dopfer@fgn.unisg.ch.

Please send your prize entries to **Kurt Dopfer**, and *not* to the EAEPE General Secretary. If your entry is sent to the wrong address, delay will result and you may miss the 1 January deadline for the prize. EAEPE will not be held responsible for prize submissions that are dispatched to the wrong address.

Five non-returnable copies should be submitted for the Kapp Prize and four non-returnable entries for the Myrdal Prize. Awards of the 2000 prizes will be made at the 2000 EAEPE Conference.

All candidates must be paid-up 2000 members of EAEPE. It is planned that the Council will judge both prizes by April 2000. The Kapp Foundation will assist in the judging of the Kapp Prize. Any member of the EAEPE Council or trustee of the Foundation for European Economic Development serving at any time from 1 January 1999 to 1 July 2000 inclusive shall be ineligible to enter. The EAEPE Council reserves the right not to award a prize if the entries are below the required quality.

EAEPE is affiliated to ICARE, an organisation which carries invaluable information about organisations, conferences, journals, etc.

International Confederation of Associations for the Reform of Economics [ICARE]

ICARE's Statement of Purpose:

There is a need for greater diversity in theory and method in economic science. A new spirit of pluralism will foster a more critical and constructive conversation among practitioners of different approaches. Such pluralism will strengthen standards of scientific inquiry in the crucible of competitive exchange. The new pluralism should be reflected in scientific debate, in scholarly conferences, in professional journals, and in the training and hiring of economists.

ICARE is a confederation that will facilitate the exchange of information and other fruitful collaboration, with a view to a fundamental reform of the discipline of economics, by opening it to a healthier variety of interdisciplinary and other studies of economic behaviour.

Contact person:

John Adams, Executive-Secretary, ICARE, Department of Economics, Northeastern University, Boston, Massachusetts 02115 USA. Tel: (1) 617 373 2872 (office) or (1) 508 668 4135 (home). Fax: (1) 617 373 3640 (office). Email: jadams@lynx.neu.edu (office) or ntvf60b@prodigy.com (home).

Icarnet on line for news and exchanges:

To subscribe write to: MAISER@casdn.neu.edu and send the message SUBSCRIBE ICARNET. If you encounter any problems write to jadams@lynx.neu.edu for help.

Progress of Heterodox Economics

John Groenewegen

The progress of heterodox economics was the title of the keynote lecture Professor Bob Coats delivered at the 1997 EAEPE conference in Athens. In this short note I use his lecture to discuss some ideas about heterodoxy and orthodoxy and linked associations.

As Bob Coats stated many, perhaps the majority, of orthodox economists acknowledge the limitations of the discipline's basic theoretical apparatus e.g. the preoccupation with equilibrium, the definition of competition, the concept of rationality and the inability to handle long term change. However, the approach dominates economics textbooks used in U.S. teaching and, according to Professor Coats, a careful reading of the 1991 Report of the American Economic Association's Commission on Graduate Education in Economics (Cogee) reveals how the prevailing orthodoxy is not only the most serious obstacle to the progress of economic heterodoxy, but also threatens the reputation and effectiveness of the entire economics profession.

The last decade both within and between heterodoxy and orthodoxy interesting developments have taken place, these developments have resulted in a new landscape for economics. Both orthodoxy and heterodoxy are now broader, more diverse and complex. Professor Coats used the New Institutional Economics (NIE) as an example of a convergent movement between orthodoxy and heterodoxy where a constructive debate is going on. Many of the distinctions between the 'old' and 'new' institutionalists are dying - as discussed in Malcolm Rutherford's "Institutions in Economics". The way of 'institutional individualism', discussed by Joseph Agassi, seems to be a fruitful middle ground.

However in my opinion many observers would question such a positive interpretation of recent developments, especially conserving NIE. As Professor Coats stated "As the limiting assumptions that lead to determinate equilibrium are dropped, we move not merely into a more complex world with a larger number of variables, but into a quantitatively different world (...)". In my opinion it is difficult to evaluate the recent developments.

With respect to the question of progress in heterodoxy, Professor Coats suggests taking the theoretical perspectives of associations like EAEPE as a benchmark "(...) as 'progress' when the movement is into the direction desired by the heterodox economists, whether or not it derives from heterodox or orthodox sources". Looking at the question in that way developments in orthodoxy, like the modelling of the evolution of institutions in a game-theoretic way, are considered 'progress'. It is however generally recognised that issues like the evolution of institutions, the explanation of the diffusion of technology, the development of firms, and

the like, are of a qualitatively different nature than the issues the orthodoxy handle. When the dynamic issue is dealt with within a mechanistic orthodox framework, then the evolutionary nature of the issue is eliminated. To me it seems appropriate to define what kind of theoretical approaches are useful for what kind of issues ('different theories for different issues') and under what kind of conditions orthodoxy and heterodoxy are relevant (different theories for different conditions'). In that sense orthodoxy and heterodoxy can indeed be complementary, for instance when examining a firm: orthodoxy looks at economies of scale and scope; the NIE looks at transaction cost minimising governance structures; and institutional economics looks at the developing set of capabilities, habits and routines.

Recent developments within both orthodoxy and heterodoxy are reflected in the developments of several associations. Bob Coats discussed the Association for Evolutionary Economics (AFEE) and the Journal of Economic Issues as the central institutions of heterodoxy from the late 1950s onwards. He remembered the creation of the Association for Institutional Thought (AFIT) by a group of AFEE's more purist members (working entirely within the confines of a "particular intellectual lineage" stemming from Veblen, Dewey, Ayres, Commons and Mitchell). Nowadays the AFIT meetings are of a very pluralistic nature. With the growing attention to heterodoxy in economics, AFEE members helped to establish EAEPE. The tenth anniversary of EAEPE was celebrated in 1998 at the annual conference in Lisbon. In the meantime ICARE (International Confederation of Associations of the Reform of Economics) was formed: a loosely structured umbrella serving as a facilitator and information sharing office for heterodox groups, journals and associations. Closer to orthodoxy but to be distinguished from it, the new institutional economists created ISNIE (the International Society for New Institutional Economics). In examining the organisational developments I should also mention SASE (the Society for Socio-Economics), which has economists but also more sociologists and political scientists among its members.

It is clear that the field is under reconstruction and that the different organisations have more or less positioned themselves. For EAEPE the domain clearly is the evolutionary institutional economics with its roots in the school of 'old' American institutionalism and with close links to both new institutionalism on the one hand and with non-economic scientists dealing with economic issues on the other. Being in the middle of 'where the action' is, makes economics exciting and hopefully we will see more breakthroughs particularly in the domain of textbooks and curricula at universities and colleges. Bob Coats discussed the progress of heterodoxy and his words (to be published soon in the conference volume) were encouraging for associations like EAEPE.

EAEPE Scientific Development Plan

The Scientific Development Plan Officer is Klaus Nielsen, Department of Social Sciences, Roskilde University, Postbox 260, 4000 Roskilde, Denmark. Tel: (45) 46 75 77 11. Fax: (45) 46 75 66 18. Email: knielsen@ruc.dk. The designated priority Research Areas for EAEPE are now as follows:

Research Area A: The Development of Realist and Post-Positivist Methodologies for Economics. Co-ordinator: Andrea Salanti (University of Bergamo, Italy)

Research Area B: Complex Socio-Economic Systems. Co-ordinator: Jean-Louis Le Moigne (Université d'Aix-Marseille, III, France)

Research Area C: Institutional Change. Co-ordinator: vacant

Research Area D: Innovation and Technological Change. Co-ordinator: Pier Paolo Saviotti (Université Pierre Mendes-France, France)

Research Area E: Theory of the Firm. Coordinators: Nikolaj Juul Foss (Copenhagen Business School) and Neil Kay (University of Strathclyde, United Kingdom)

Research Area F: Environment-Economy Interactions. Coordinators: Alessandro Vercelli and Maurizio Franzini (University of Siena, Italy).

Research Area G: Macroeconomic Regulation and Institutions. Co-ordinator: Maurice Baslé (Université de Rennes I, France)

Research Area H: The Institutions of Economics. Co-ordinator: Uskali Mäki (Erasmus University, Rotterdam, The Netherlands)

Research Area I: Structural and Institutional Change in Eastern Europe. Co-ordinator: Irena Peaucelle (CEPREMAP, Paris, France)

Research Area J: Monetary Economics, Finance and Financial Institutions. Co-ordinator: Marcello Messori (University of Cassino, Italy)

Research Area K: Gender and Economics. Coordinators: Francesca Bettio (University of Siena, Italy) and Janneke Platenga (University of Utrecht, The Netherlands)

Research Area L: Experimental Evolutionary Economics. Coordinators: Massimo Egidi and Luigi Marengo (University of Trento, Italy)

Research Area M: Cultural Economics. Coordinators: Wilfred Dolfsma and Arjo Klamer (Erasmus University, Rotterdam, the Netherlands)

Research Area N: Need, Value and Pricing. Co-ordinator: Alan Freeman (University of Greenwich, United Kingdom)

Research Area O: Economy, Society and Territory. Co-ordinator: Frank Moulaert (University of Lille, France)

Research Area P: Economic History. Co-ordinator: Ioanna Minoglou (University of Athens, Greece)

Research Area Q: Computational Evolutionary Dynamics. Co-ordinator: Lionello F. Punzo (University of Siena, Italy)

Research Area R: Information in the Service Economy. Co-ordinator: Jacques de Bandt (LATAPSES, France)

Research Area S: Theory of Production. Coordinators: Neri Salvadori (University of Pisa, Italy) and Heinz D. Kurz (University of Graz, Austria)

Research Area T: Institutional History of Economics. Co-ordinator: Esther Mirjam-Sent (Erasmus University and University of Notre Dame, USA)

Research Area Coordinators (RACs) are appointed by the Council. The primary role of a RAC is as a network-builder, linking EAEPE in with other researchers and other networks. 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.

Reports from Research Area Coordinators

Each year after appointment, each RAC is asked to submit a Research Area Report, of no less than 500 words, on the annual progress of his or her work in the Research Area, to the EAEPE Council. In addition, each RAC is expected to publicise and further the activities of each Research Area by use of the EAEPE newsletter and EAEPE annual conferences. In exceptional cases EAEPE may be to award a small contribution towards Research Area expenses. (The former system, of awarding small grants in the order of £100, was withdrawn in November 1997.)

Research Area E: Firms and Production Processes

Neil Kay, Dept. of Economics and Strategy, University of Strathclyde, n.m.kay@strath.ac.uk

Nicolai Foss, Dept. of Industrial Economics, Copenhagen Business School, esnjf@cbs.dk

As new research area coordinators, we are interested in establishing both the depth and the breadth of interest amongst EAEPE members in this area. Therefore, we would like those potentially interested in this area to signal that they are there, and also to communicate some brief information to us: 1) what aspects of "firms and production processes" are you interested in?, 2) who, in your view, are the important contributors (contemporary or past) to this area that current research should draw upon (please mention up to 5 names)?, and 3) do you have any recent working papers that could be made available to EAEPE members on the EAEPE website?

Research Area T: Institutional History of Economics

Esther-Mirjam Sent, (University of Notre Dame, USA & Erasmus University Rotterdam, the Netherlands), Department of Economics, University of Notre Dame, Notre Dame, IN 46556, USA, Phone: +1-219-631-6979, Fax, +1-219-631-8809, e-mail: sent.2@nd.edu.

According to orthodox history of economics, the criteria by which economic knowledge claims are to be judged are universal and ahistorical, and the conclusions of economics are determined by the economic world rather than by the social world. Recently, this view has come under attack for being beset by grave difficulties. In particular, it has been argued that the empirical conclusions of economics must be seen as interpretative constructions, dependent for their meaning upon and limited by the cultural resources available to a particular social group at a particular point in time. Similarly, criteria for assessing economic knowledge claims are always open to varied interpretations and are given meaning in terms of particular economists' specific intellectual commitments, presuppositions, and objectives.

Whereas evolutionary political economy offers an alternative approach to the examination of economic agents, institutional history of economics supplies a different perspective on the evaluation of economists.

Moreover, it employs the concept of "institutions" to capture the linkages, networks, and processes in which these economists operate. Whereas evolutionary political economy provides an alternative to neoclassical economic theory, therefore, institutional history of economics furnishes an alternative to orthodox history of economics. Following EAEPE's theoretical perspectives, it does so in the following terms:

The approach to analysis is based on an evaluation of relevant tendencies and linkages in actual economics - instead of a methodology that sanctifies fictions and diverts attention from the difficult task of analyzing the practice and culture of economics.

The analysis is open-ended and interdisciplinary in that it draws upon relevant material in psychology, anthropology, politics, and history - instead of a definition of history of economics in terms of a rigid method that is applied indiscriminately to a wide variety of economic approaches.

The conception of economics is of a cumulative and evolutionary process unfolding in historical time in which economists are faced with chronic information problems and radical uncertainty about the future - instead of approaches to theorizing that focus exclusively on the product of this process.

The concern is to address and encompass the interactive, social process through which economics is formed and changed - instead of a theoretical framework that takes economists and their interests as given.

It is appropriate to regard economics itself as a social institution, necessarily supported by a network of other social institutions - instead of an orientation that takes economics itself as an ideal or natural order and as a mere aggregation of individual economists. It is evaluated how the socio-economic system is embedded in a complex ecological and environmental system - instead of a widespread tendency to ignore ecological and environmental considerations or consequences in the history of economics. The inquiry seeks to contribute not only to history of economics but also to economics - instead of an orthodox outlook that ignores the possibility of such cross-fertilization. Such a focused historical outlook had been wrongly missing from EAEPE's scientific development plan. The first activities of the research area include organizing a workshop in April 1999 at Erasmus University Rotterdam and sessions November 1999 at the EAEPE Conference. Stay posted for further details!

EAEPE Publications

In collaboration with Edward Elgar Publishing, EAEPE is proud to announce the publication of the volumes listed below.

Edward Elgar Publishing would like to conduct an experiment in the elasticity of demand for EAEPE conference volumes and would propose that the following four titles be offered to EAEPE members at a special price of only **£20.00** plus postage and packing:

- ◇ Selected papers from the 1995 EAEPE conference in Krakow, edited by Ash Amin and Jerzy Hausner, entitled *Beyond Market and Hierarchy: Interactive Governance and Social Complexity*. The normal cost is £59.95 but the volume is sold to paid-up EAEPE members at a high discount price of **£20.00**.
- ◇ Selected papers from the 1994 EAEPE conference in Copenhagen, edited by Klaus Nielsen and Björn Johnson, entitled *Institutions and Economic Change: New Perspectives on Markets, Firms and Technology*. The normal cost is £55.00 but the volume is sold to paid-up EAEPE members at a high discount price of **£20.00**.
- ◇ Selected papers from an 1994 EAEPE workshop in Bergamo have been published in a volume edited by Andrea Salanti and Ernesto Screpanti on *Pluralism in Economics: New Perspectives in History and Methodology*. The normal cost is £59.95 but the volume is sold to paid-up EAEPE members at a high discount price of **£20.00**.
- ◇ Selected papers from the 1993 EAEPE conference in Barcelona have been published in a volume entitled *Environment, Technology and Economic Growth* and edited by Andrew Tylecote and Jan van der Straaten. The normal cost is £49.95 but the volume is sold to paid-up EAEPE members at a high discount price of **£20.00**.

Postage and packing: Either (UK) Please add £2.50 for the first book and £0.50 per book thereafter, OR (Overseas) \$4.00 per book (airmail).

Other EAEPE volumes are available at the following prices:

- ◇ Selected papers from the 1993 EAEPE conference in Barcelona have been published in a volume entitled *On Economic Institutions: Theory and Applications* and edited by John Groenewegen, Christos Pitelis and Sven-Erik Sjöstrand. The normal cost is £49.95 but the volume is sold to paid-up EAEPE members at a 50% discount price of £25.00.
- ◇ Papers from the 1992 conference have been published in a volume entitled *The Political Economy of Diversity: Evolutionary Perspectives on Economic Order and Disorder* and edited by Robert Delorme and Kurt Dopfer. The normal cost is £55.95 but the volume is sold to paid-up EAEPE members at a 50% discount price of £28.00.
- ◇ Copies of the 1991 conference volume are still available, entitled *Mixed Economies in Europe* and edited by Wolfgang Blaas and John Foster. The normal cost is £59.95 but the volume is sold to paid-up EAEPE members at a 50% discount price of £30.
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Book Reviews

1 Steve Fleetwood

Hayek's Political Economy: The Socio-Economics of Order

London and New York, Routledge, 1995, 178 pages.

Winner of the 1998 Myrdal Prize

Reviewed by Stavros Ioannides, PANTEION University, Athens, Greece

How important can a book be when its major contribution is a novel time division of the work of a great thinker? Most economists, save that tiny minority who is interested in the history of thought, would probably respond negatively. And yet, as this review will attempt to show, at times such an exercise can be both extremely important and with far-reaching implications for political economy and social theory more generally.

Current scholarship on the work of Friedrich Hayek generally agrees that his thought can be divided into two distinct phases, the turning point being somewhere in the 1950s. As far as his methodology is concerned, Hayek is at that point supposed to move away from the *a priori*ism of Ludwig von Mises towards a sort of Popperian falsificationism. From a more substantive point of view, Hayek is viewed as abandoning analytical economics and turning towards broader areas of inquiry like social philosophy, political theory and even cognitive psychology. Finally, as far as his analytical concepts are concerned, he is believed to approach a fuller understanding of the role of knowledge in social processes, especially *tacit knowledge*.

Contrary to this established wisdom, Steve Fleetwood, on the basis of novel criterion, argues that Hayek's thought can be more usefully divided into three phases. Instead of focusing upon Hayek's methodology, fields of interest and analytical concepts, Fleetwood emphasizes the philosophical positions, and especially the ontological foundations, underlying Hayek's work at different phases. Moreover, he shows that it is shifts in these philosophical stances that explain the change in Hayek's methodology, fields of focus and analytical concepts. As I will argue, Fleetwood's division of Hayek's thought has far-reaching implications for at least three spheres of inquiry: a) scholarship on Hayek, b) evolutionary economics and c) Austrian economics.

According to Fleetwood, Hayek is, in the first phase (up to about 1936), empiricist in his ontology and positivist in his methodology. He seems to believe that the events that form the object of science are directly observable and accessible through sense data and that the way to do

science is by looking for stable relationships between events. In his second phase (up to about 1960), Hayek turns to what the author describes as "subjectivised positivism". He now seems to believe that it is not actual events that form the object of science, but rather agents' subjective conceptions of the world around them. On the other hand, Hayek's methodology remains positivist, in that he continues to try to establish stable relations -i.e. "laws" in the Humean sense- between these conceptions and their consequences for action. Finally, in his third phase (i.e. after 1960), Hayek's philosophical outlook approaches what Fleetwood terms "quasi transcendental realism". This ontological stance allows Hayek to admit what the author describes as "deep structures" - in the form of social rules of conduct- as objects of science. This is obviously a move away both from the empirical level as well as from the level of subjective beliefs. In turn, this ontological shift forced Hayek to adopt a methodology that transcends positivism, as he was now led to look not for constant conjunctions of actual events but for interactions between layers of social structure. In other words, he came to consider relations among the domains which - following Bhaskar - Fleetwood describes as those of the actual, the empirical and the deep.

Fleetwood shows convincingly that Hayek's three phases are intimately linked to his economics. In the second phase Hayek had already expressed scepticism about the use of the concept of equilibrium by the neoclassical orthodoxy of the time. He had come to realize that the division of knowledge in society is the major factor that determines the process towards equilibrium. Nevertheless, he continued to treat the latter as an empirical truth. So how is equilibrium brought about, given the dispersed character of knowledge among market participants? In his second phase Hayek still believed that this is achieved by the operation of the price mechanism, which he considered the sole bearer of knowledge. But how is the tendency towards equilibrium guaranteed given the entirely subjective character of the way agents react to price - and especially disequilibrium price - signals?

In his third phase, Hayek managed to break this impasse by abandoning the concept of equilibrium altogether and replacing it with that of *order*. His ontological move towards the realization of the role and function of "deep structures" (i.e. social institutions), allowed him to claim that it is rules of conduct - rather than prices alone - that ensures the dissemination of knowledge. Such rules ensure that social action tends to be co-ordinated and order brought about. However, this move actually introduced a decisive break with empiricism and positivism and, with it, with mainstream economics.

As I have stated above, a significant contribution of Fleetwood's book concerns scholarship on Hayek.

Besides providing a comprehensive interpretation of the development of Hayek's philosophical outlook over the decades of his productive career, the author puts an end to the view that, around the 1950s, Hayek abandoned analytical economics in order to turn towards other social sciences. Fleetwood, in fact, shows that Hayek never abandoned political economy. What he actually attempted to do is to construct a social theory that could transcend the drawbacks of neoclassical economics. More particularly, he brought into the focus of the social sciences the notion of socio-economic order, in replacement of the notion of equilibrium. Therefore, even when shifting his interest towards disciplines other than economics, Hayek remains a political economist, at least in the original 18th century meaning of the term.

Fleetwood's second contribution lies in the fact that he provides a powerful critique of mainstream economics and especially of the concept of equilibrium. His book thus comes to be of particular relevance to evolutionary political economy. This is not just a consequence of his offering an excellent account of a theorist's struggle against the notion of equilibrium, a struggle with which evolutionary economists should sympathize. Above all, Fleetwood reminds us *philosophy matters*. What his account of Hayek's work reveals is that any truly radical reconsideration of the foundations of political economy inevitably presupposes in depth reflection upon what constitutes the object of this discipline. More importantly, Fleetwood shows that reflection upon ontological problems may provide the starting point for a line of inquiry that wishes to avoid the limits of positivism, especially of the version dominating neoclassical economics, while, at the same time, avoiding the "anything goes" attitude of "post-modern" thinking.

Finally, Austrian economists should find Fleetwood's reconstruction of the trajectory of Hayek's thought especially instructive, for two reasons. First of all, Fleetwood points out that Hayek's recognition of the importance of social rules signifies a move away from methodological individualism and to some extent from the subjectivism of Austrian thought. Second, he notes that Hayek's admission that man's beliefs and actions are always embedded in a thick web of social rules, which both affect the choice sets of agents and are at the same time reproduced through social action, leads to the need for an evolutionary explanation of how these rules change.

It is precisely at this point that we can locate, it seems to me, Fleetwood's most lasting contribution. He has indeed uncovered a common ground for fruitful exchange between two important schools of thought in political economy: evolutionary and Austrian economics.

2 Francisco Louçã

Turbulence in Economics. An Evolutionary Appraisal of Cycles and Complexity in Historical Processes

Cheltenham: Edward Elgar, 1998

Reviewed by Angelo Reati, Commission of the European Union, Bruxelles

1. The sub-title of this impressive book of methodology and history of thought could also be 'On the misleading nature of the physical metaphor' which founds the neoclassical theory. Metaphors – notes the author – play a very useful and legitimate role in the advancement of sciences. However, metaphors are unequal in rigour and quality: while good metaphors direct research into interesting and valid hypotheses, bad metaphors may mislead generations of scientists. The positivist metaphor which is at the roots of neoclassical theory provides a clear example of the latter case, since this analogy was responsible for the divorce between theory and reality – thus lowering science to a sort of logical game – and produced inconclusive methods of inquiry. Therefore, the metaphor in question should be abandoned and substituted by the evolutionary metaphor, inspired from evolutionary biology – an approach which is able to take full account of complexity. This impinges directly on the statistical methods of enquiry, which should be instrumental with respect to historical analysis.

The argument is developed in three steps. Firstly, the author discusses the two main families of metaphors in economics, those derived from *classical* physics (as opposed to quantum physics) and those resulting from evolutionary biology (part One). Then he dissects the 'rocking horse' metaphor, which oriented the study of growth and cycles and led to the early econometric program (part Two). As a third step Louçã presents a counter-example that demonstrates the inconsistency of the econometric methods used to test the theories of growth and fluctuations, which take the rocking horse as a founding metaphor. He shows, in particular, how such methods determine the answers more than empirical data and, therefore, can mislead the scholar by hiding the essential features of real systems – complexity, chaos and non linearities (part Four). Part Three is a digression on Schumpeter and Keynes on the equilibrium paradigm.

It is difficult to summarise in a short space the extreme richness of this book – which involves arguments taken from physics, philosophy, history of science, epistemology as well as economic thought and recent developments in econometrics. I shall thus limit myself to sketch what impressed me the most in order to give the reader the desire to discover the rest.

2. In part one I particularly noticed chapters 2 and 3 dealing, respectively, with a critical analysis of the

scientific method of positivism and with the impasse that conduced its extension to political economy. In fact, the mechanical analogy was taken as the reference for studying economic systems, which therefore became lifeless societies. One of the most striking example is I. Fisher's table on page 42, in which mechanics is mechanically transposed to economics on the basis of the equality: energy = utility.

The 'rocking horse' story (part Two, chapters 7 to 11) – a direct filiation of the general equilibrium paradigm, originally inspired by the physics of 1840s – tells us that the economic system tends spontaneously to equilibrium. Cycles are exogenous perturbations produced by random shocks (impulse generation) which then follow an endogenous propagation system with stabilising properties. This provided the ground for separating growth and fluctuations, on the double decomposition between trend and cycle. Trend was conceived as the *loci* of equilibria – a moving centre of gravitation – while cycle was restricted to the analysis of the stochastic error term of series and to the properties of the mechanism of equilibration.

F. Louçã vividly rejects such a conception and, in doing so, he presents a thorough review of business cycles theories (chapters 9 and 10). The decomposition procedure – he notes – 'heroically supposes some original superimposition of a fluctuation around a deterministic equilibrium trend. [But] if the trend is supposed to be stochastic and/or it influences the cycle ... then the decomposition is indeterminate' (p. 192). In other words, the strategy of double decomposition leads to defeat, since 'arbitrary choices and methods replace the inquiry about reality' (p. 170). Real history – argues the author – must be treated with historical methods, a function that can be performed by the 'semi-autonomous' variables. These are variables 'that make possible the incorporation of historical and social features' (p. 168): they represent identifiable processes (social factors and unique events), although they cannot be currently modelled. Their historical character implies that they are neither fully exogenous (since they represent well-known social processes) nor completely endogenous, because they are not wholly explainable by the system (p. 167 and 259).

How is that econometric methods do not always identify the stages of economic development that historians claim exists? Part Four – the most technical one – provides an answer by showing 'the crucial dependency of the answers to the questions' (chapter 20), i.e. the results of the statistical enquiry strongly depend on the 'vision' of the researcher and on the theory which should be proved. F. Louçã substantiates his thesis in two ways. Firstly, he submits the standard methods of statistics and econometrics to a thorough critical examination, reaching the conclusion that they 'are generally not based upon realistic assumptions, they support excessive conclusions, they are referred to opaque theories and ad hoc models and [that] ... the pretension of axiomatic neutrality and objectivity of statistical methods is empty'

(p. 283). Then, to substantiate the above logical analysis, he presents a counter-example. Relying on a *nonlinear* model (taken from Goodwin) he generates an artificial time series for UK industrial production 1801-1988 which is subsequently submitted to standard econometric tests to verify the rocking horse hypothesis of a linear structure of the stationary representation of the series, upon which exogenous random shocks are imposed. In spite of the fact that in the constructed series there are no random shocks, the rocking horse model is confirmed! The author convincingly explains this astonishing result by noting that the origin of the apparent randomness of shocks is indeed the chaotic nature of the basic model and that the traditional methods are unable to discriminate the real nature of the data and, consequently, hide the evidence of pervasive nonlinear processes of interaction.

Should we conclude that we have to abandon any ambition to test our theories? F. Louçã's answer is: no, provided that 'new statistical tools and old historical methods [are] combined in the evolutionary paradigm' (p. 285).

3. F. Louçã's book is an extremely interesting and useful reading: it provides a solid criticism of the very foundations of the neoclassical theory and constitutes the unavoidable starting point for any theoretical construction aiming to understand real societies. C. Freeman is fully right when he qualifies the book as 'a landmark'.

The vast culture of the author – who moves very easily in many fields of human as well as natural sciences – makes the book a mine of information and a precious source of new ideas. The unavoidable consequence of such a broad perspective is that, sometimes, it is difficult reading, especially because the author does not always define the concepts he is referring to and, also, relies on econometric methods which are not necessary familiar for the non specialised reader. I hope, however, that these minor drawbacks – and the sustained attention required by the book – will not be discourage the reader to go through all the chapters, because the effort will be largely rewarded.

3 Frances Hutchinson and Brian Burkitt.

The Political Economy of Social Credit and Guild Socialism. Routledge Studies in the History of Economics No. 14.

London, Routledge, 1997.

Reviewed by Angus Cameron, Geography Department, University of Durham, South Road, Durham, DH1 3LE

At a time when we are being exhorted to pursue the 'Third Way', this study provides a useful, if ultimately

somewhat frustrating, reminder of the fate that can befall attempts to rewrite the rules of capitalism. *The Political Economy of Social Credit and Guild Socialism*, traces the history of a body of radical socio-economic theory published between 1918 and 1924 by the 'engineer turned monetary reformer' (p.7) Major C. H. Douglas and A. R. Orage, editor of the socialist journal *New Age*. Their far-reaching and controversial ideas have periodically provoked the interest and the derision of politicians and economists ever since.

Orage was a well-known and charismatic figure who, with others, had long promoted the concept of guild socialism through *New Age*. Rooted in the ideas of William Morris, guild socialism sought to create a series of 'National Guilds' whereby 'ownership of each industry would be vested in the state but administered by the individual guilds' (p.19). Service would replace profit as the objective of production and the iniquitous distinction between managers and workers would disappear. Douglas' theories of 'social credit' were rather more idiosyncratic, and, until he met Orage, by all accounts largely incomprehensible. Social credit economics inverts the subservient relationship of the production system to the financial credit system under which economic power is concentrated in the hands of a few individuals and institutions. Social credit would replace an economy driven by narrowly defined finance capital with a system based on 'real' capital, pursuing communal social needs rather than the profit motive. Douglas and Orage sought to combine the concepts of guild socialism and social credit into a coherent alternative to prevailing structures of political and economic regulation. The clearly stated history of their collaboration presented in this book is an intriguing introduction to what was a radically different conception of economic theory and practice.

That said, whilst Hutchinson and Burkitt have produced an accessible and detailed history of social credit, there is a tension running through the book. Douglas' theories are notoriously incoherent, with the consequence that their presentation necessarily involves a considerable degree of interpretation. Although this is inevitable in any history of ideas, there are points in this text where it is difficult to distinguish between the Orage and Douglas writings and the authors' (re-) interpretation of them.

This would be less of a problem were it not that the authors combine their historical analysis of the fate of the theory in the 1920s and 1930s with a strong advocacy of social credit as a means of resolving the problems of contemporary capitalism (p.183). Their keenness to promote social credit as misunderstood and as a lost opportunity colours some of the analysis, particularly the account of the rejection of social credit by the Labour Party in the early 1920s (p.103). The dismissal of 'Douglasism' by the *New Statesman* as a 'harmless religion', and many other hostile reactions to it, are presented here in conspiratorial terms. Douglas' ideas were passed over, we are told, because he dared to raise 'ethical issues' (p.114) against a developing orthodoxy and because his radicalism was proscribed after 'the labour movement joined forces with capitalism' (p.114). Had Labour adopted social credit, the authors claim, 'it

would have been well placed to turn the economic situation to advantage and retain power throughout the 1930s' (p.114). This rather crude conspiracy theory and the 'if only' handwringing are rather irritating intrusions into what is otherwise an interesting and thought-provoking analysis.

Whatever the party politics of the time, it seems obvious that social credit was rejected by Labour in the 1930s primarily because it was unworkable: a fact Orage himself acknowledged in 1922 (p.77). Hutchinson and Burkitt claim in their conclusion that the Orage/Douglas texts nonetheless 'possess the potential to provide the basis for a new economics of co-operation' (p.183). Fine, but no indication is given of how that potential could be realised in the context of contemporary global finance capitalism. Just as in the 1930s, social credit is presented here as a radical solution to the ills of capitalism but with no indication of the process by which it is to be developed, the scale on which it might work, or how we are to persuade those currently controlling the finance system to relinquish their power. There may be a practical politics that can be derived from the extremely attractive theory of social credit presented here, but, frustratingly, we are left with no hint of what that might be. For all its incisive and compelling critique of economic orthodoxy, therefore, it seems that social credit is destined to remain an alternative in theory only.

4 Timothy M. Wakeley

Innovation, Welfare and Industrial Structure

Averbury, 1997

Reviewed by Witold Kwasnicki, Institute of Economics and Social Sciences, Wrocław University of Technology, e-mail: kwasnicki@ci.pwr.wroc.pl

It is interesting book applying simulation approach to investigate economic processes in their dynamic perspective. The work can be placed in the tradition established by Richard Nelson and Sidney Winter in their seminal work on *An Evolutionary Theory of Economic Change*. It is aimed to be significant extension of the Nelson and Winter model by focussing on analysing "long term properties of industry dynamics and their welfare implications under condition of 'Schumpeterian competition', technological uncertainty and bounded rationality" (p. xiii).

The book consists of six chapters. In the first chapter the author introduces us to the basic themes of evolutionary economics. In very conscious way fundamentals of the neoclassical and evolutionary approaches are presented. In the beginning of the second chapter, entitled 'The output decision of the firm', a defence of the mark-up pricing as relevant to modelling price setting by decision makers is presented. A modification of the 'classical' mark-up rule, to fit it to a requirement of evolutionary modelling, is presented in this chapter. The author introduces the concept of the

mark-up desired for each firm. The mark-up desired is a target for a firm toward which the prices will be adjusted in the course of time. The target is modified according to emerging innovation and evolution of the industry structure. 'A welfare framework' is discussed in the third chapter. Neoclassical and evolutionary views on welfare measurement in a dynamic environment are presented. The chapter is important for proper interpretation of results of simulation study of the model presented in chapters five and six. The fourth chapter gives short description of the simulation model. The author faces the usual problem how, in a comprehensive way present a simulation model. The description of the model is really very short. It consists of three pages of verbal presentation and schematic depiction of the firm's decision procedures. There is no presentation of basic equations of the model and discussion of the reasons of selecting the specific structure of the model and the forms of equations. Instead of that the reader is suggested to read the appendix presented in the end of the book where the original Fortran source code of the model is included. Even knowing the fundamentals of the Fortran algorithmic language and using a brief guide to the Fortran statements included in the book, it is rather difficult to follow details of the model.

Before presentation of the results of simulation study of the model the author discusses the problems of validating the model and outlines the general way of data analysis. Validation of simulation models is rarely discussed in the context of evolutionary modelling. The presentation of simulation results is grouped into discussion of four and ten firm runs. It seems that for better understanding of the model's properties consideration of a wider spectrum of industry concentration would be required. In chapter six the problems of intervention into economic process and policy effectiveness are discussed. The conclusions are supported by the results of simulation of the proposed model.

The author faces an everlasting problem of a proper way of presentation of models' simulation results. The results are presented mostly in the form of tables and figures revealing system development over time as the average of three different runs for the same initial conditions. Averaging three runs seems to be too small number to make conclusions about the normal (natural) properties of the model. On the other hand, focusing on an average picture of the model's behaviour does not give any suggestions on some peculiarities of a single simulation run of the model (what sometimes is more interesting than the average behaviour of the model, especially in the presence of innovations). It is rather difficult to follow all simulation results but anyway it is interesting simulation study, and it is worth to read the book. Simulation approach within the evolutionary paradigm of economic analysis has no established position and popularity similar to that of the analytical approach within the neoclassical paradigm. There is no general methodology worked out. Beside that, in spite of more than one hundred years tradition of applying evolutionary approach to economic analysis, modern evolutionary economics is still at the initial stage of its

development. René Thom used to say: "A germ science does not know where it goes. In science, if it is know where to go, it will not go too far." (*„La science germinale ne sait pas où elle va. En Science, si on sait où on va, on ne va jamais bien loin."*).

5 Stephen Merrett

Introduction to the Economics of Water Resources: An International Perspective UCL Press, 1997

Reviewed by Dr. Anna Blomqvist, Department of Water and Environmental Studies, Linköping University, Sweden, Visiting scholar, Workshop in Political Theory and Policy Analysis, Indiana University, USA

Even though there is nothing new or revolutionary in Stephen Merrett's book about the economics of water resources, the book is unique and takes the field a great leap forward. It is the combination of a variety of different perspectives on "hydro-economics" and the richness of the case descriptions that makes this book important reading both as part of the curricula in social science and technical education programs, and for researchers concerned with water issues. After a short introduction, the second chapter describes the hydrological and hydrosocial cycles and their interaction. Then, Merrett devotes one chapter each to describing the basic economic tools and practices for analyzing supply of water, demand of water, social costs and benefits of water projects, financial accounting for water enterprises, and environmental costs and benefits of water projects. In the remaining chapters, key issues relating to water planning and sustainability, and policy issues are identified.

Thus, probably for the first time, the perspectives of the hydrologist (Chapter 1), the engineer (Chapter 2), the micro-economist (Chapter 3 and 4), the project evaluation economist (Chapter 5 and 8), the water company accountant (Chapter 6), and the policy maker (Chapter 9) are combined in one book.

Each chapter lines out the basic economic tools and practices for each perspective in a simple and comprehensible way. As in most textbooks, apprehensions about methodological difficulties and the use of economic tools without care and personal judgement are pointed out. This is well and good, even though the presentations are not more than introductions to each area, and references to the conventional textbooks of the various areas could have been included to a larger extent. But then come the case studies! These are not the usual descriptions of cases of uncomplicated and direct appliances of the tools just presented that we are used to, but rather the opposite. The difficulty of accommodating the complexity of reality in economic models, making reasonable assumptions about the future and the methodological (unresolvable) difficulties of putting a price on environmental services are made clear with the examples from Peru, Bermuda, and England.

The influence of strong vested interests in seemingly rational decision-making and the crucial importance of the political context in which privatization of public water companies has been carried out worldwide, are explained with case studies from Malaysia, England and Wales. In this way, the case studies rather impede our understanding of how to apply the tools just described, but by doing so, they also foster a very sound apprehension about using various methodologies without concerns for reliability, validity and ethical considerations. They force us to think, to take our own stance, and urge us to use the described tools with caution.

Of course, there are things missing. Even though two case studies, from Australia and the Middle East, illustrates the differences in productivity of water in different uses, the economics of allocation between and within sectors is not explicitly dealt with. Tools for the analysis of institutional structures, such as property rights, and political processes, such as the economic aspects of formulation, passing, implementation and effects of water related legislation, are omitted. And the description of the hydrological cycle in Chapter 1 is short rather than pedagogic. But not everything can be squeezed into an introduction of the economics of water resources, and after all, the book contains less than 200 pages.

The last chapter draws some basic policy implications from the earlier chapters of the book. Merrett provides us with some key guide lines and areas of priority, but emphasizes the importance of analyzing each decision making situation within its own local political, economic and hydrological context.

Maybe this symptomatic of the whole book; each case is described with varying degrees of reference to the particular tool box presented earlier in the chapter, but there seems to be no overall approach to analyzing the economics of water resources. The richness of the case descriptions keeps adding to the complexity of the overall picture, but we are offered no help in understanding the whole picture. A couple of brief references to Hodgson et al. (1994), is all the description we get of the evolutionary political economy perspective that is said to provide the analytical foundation of the book. This presentation may satisfy the readers of this newsletter, but for the students and professionals in the fields of economics, engineering, environmental science, environmental studies, geography, hydrology, political science and law, for whom the book is intended, and to whom I warmly recommend it, it is far from enough. Even so, Merrett's book contributes in an excellent way to the understanding of water as being an economic resource rather than as a free gift of nature.

Abstract of Recent PhD Thesis

1 The Social Embedding of Markets: the case of fruit and vegetable market traders

By Dr. Baliyar Sanghera

Market places are embedded in wider social processes, and it is the nature of this social embeddedness which is the principal focus of the thesis. The type of market selected for empirical examination is fruit and vegetables market trading. As this involves a familiar and straightforward product it provides a strong test for economic sociology's embeddedness thesis, since there appear to be little need for such embedding. By looking at all dimensions of market trading - the labour process, supplier and customer relations, gender and ethnicity, domestic context and regulatory framework - the various dimensions of embedding are systematically examined. The thesis will show how market trading is structured and involves a mixture of competition, domination, negotiation, custom and regulation.

The thesis explains the relationships between regulators and traders, and within and between the different levels of regulation, and how the practice of trading is affected. This embedding has economic and political dimensions, invoking interpersonal, private and public spheres, all of which make a difference to the economic activity. The elaborate system of regulation was not developed in order to regulate already existing markets but actually to *construct* markets. Moreover, markets and their regulatory systems have histories which still influence what happens now. Indeed, the very survival of this

marginal sector at a time of rapid modernisation of retailing owes its existence to this regulatory system. In addition, regulatory systems are themselves embedded in other relationships, so that rules and regulations are often modified according to the pressures of concrete circumstances. I will show how the practice of regulation was not automatic and smoothly functioning but compromised and contested. Market trading is also an interesting case in relation to recent attempts at de-regulation, for example through contracting out and increasing economic accountability.

The wholesale and retail market places and the domestic context within which the traders reside are important for assessing whether they make enough to satisfy their family needs; for many, however, the income from trading falls short and they have to do waged work and get family members to contribute. We shall see that it is inappropriate to refer household 'strategy' as members often do not actively consent to how they and their resources are used by the traders.

Insofar as self-employment still requires some amount of capital and unpaid family labour to begin with and to survive the family remains important. Yet, there will be other competing bids for their time that make the business of trading fragile and prone to break-up.

The above contextualises the social situation from which the thesis analyse in what ways minority ethnicity makes a difference to fruit and vegetables market trading. By highlighting the wide range of social contexts that social actors are involved in co-ordinating economic practices, we obtain a richer understanding of ethnicity and avoid essentialist claims.

The research uses a combination of qualitative interviews, historical archives and observations of selected market places in the West Midlands, U.K. The thesis draws critically on several literatures on industrial organisation, economic sociology, family businesses and ethnicity minority businesses. The principal aim is to give the rather indifferent concept of 'embeddedness' substantive content, and in this way to make an empirically informed contribution to 'new economic sociology' and institutional economics.

Biographical Details -Balihar Sanghera

Dr. Balihar Sanghera is at the Business School, University of Central England in Birmingham as a senior research fellow. Currently, as part of the ESRC 'Cities: Competition and Social Cohesion' Initiative. Balihar Sanghera and Monder Ram are undertaking a two-year study of the catering sector investigating the different ways in which independent restaurant owners drawn from the African-Caribbean, Indian, Pakistani, Bangladeshi and Anglo/ 'white' ethnic communities in Birmingham are 'breaking out'. Previously, Sanghera was at the Sociology Department, Lancaster University. From there, he obtained his doctoral thesis, *'The Social Embedding of Markets: the case of fruit and vegetables markettraders'*.

The 1998 EAEPE Summer School

By Gráinne Collins (a survivor)

The third and, for the moment, the last summer school was held in Kenmare, County Kerry, Ireland, this July. The lecturers on the 1998 Summer School were: Ash Amin (Durham), Ronald Dore (LSE), Giovanni Dosi (Rome), Mark Granovetter (Stanford), Geoff Hodgson (Cambridge), Tony Lawson (Cambridge) and Klaus Nielsen (Roskilde).

The schools were funded by the European Commission and others had the kind support of Edward Elgar Publishing, the Cambridge Political Economy Society Trust, the Foundation for European Economic Development, several academic institutions, and the participants of the summer schools themselves.

The purpose of the summer schools was to bring together young researchers working on the economy from different perspectives with the aim of discussing and developing economic heterodoxy. The theme of the three summer schools was 'Institutions and Technology: Interdisciplinary Perspectives on European Economy and Society in an Era of Rapid Change'.

The structure of the school followed previous practice, with the first week devoted to a foundation course for newcomers and an advance course for summer school hacks – or recyclers in the SS lingo. The 1998 recyclers course was Economy and Society: Interdisciplinary Perspectives on their Interaction and Interpenetration. In the second week the courses were -Advanced Theory: Theoretical Frontiers of Institutional and Evolutionary Economics and Industrial Districts, Regions and Globalisation: Theoretical Issues and European Policy

Perspectives. An innovation this year was the student presentations in the middle weekend. These presentations, while and varied, added to the complete exhaustion suffered by all participants by the end of the fortnight.

The summer school proved as interesting and useful as previous schools, it did vary in one respect however – the weather. The Kenmare summer school will be remembered for the rain – they say you don't go to Ireland for the weather but Kenmare had it in buckets full. The pre-school walking trip was washed out – fortunately only after the highest peak in Ireland had been climbed. Only three intrepid walkers walked on and they got ample copy for the end of school skits (my lips are sealed on their identity just in case they are judged foolhardy). Other memorable skits included 'if you think that was the full monty, how come you have children?' (my lips are sealed on their identity just in case prospective blackmailers are reading), 'Bergman goes to Ikea' and Lawson's Jane to Dore's Tarzan.

The summer schools have proved such a success that an alumni association the 'Association for Critical Economics' ACE was formed. The selection process to choose the name will be the stuff of after dinner tales for years to come. This was not a case of putting two economists in a room and getting three opinions – more of putting 80 odd academics in a room and getting one voting system with 3000 clauses that still didn't guarantee a clear cut winner! For those of us from countries thinking of moving to PR it was an eye-opener!

Recent Publications by EAEPE Members

- Amin, A and N Thrift (1997) 'Globalisation, socioeconomics, territoriality'. In Lee, R. and J. Willis (eds. *Society, Place, Economy*, Arnold, London, 151-161.
- Amin, A (1997) 'Placing globalisation, Theory, Culture and Society, 12, 2: 123-137.
- Amin, A (1998) 'Globalisation and regional development: a relational perspective', *Competition and Change*
- Amin, A and S Graham (1997) 'The ordinary city', *Transactions of the Institute of British Geographers*, 22, 411-29
- Dolsma, Wilfred "De Lachende Economie [The Laughing Economy]" *Nijenrode Management Review* 3(10), pp.20-3, 1998 [in Dutch].
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- Dolsma, Wilfred "Labor Relations in Changing Capitalist Economies - The Meaning of Gifts in Social Relations" *Journal of Economic Issues* 32(2), June 1998, pp. 631-8.
- Dolsma, Wilfred "Thorstein Veblen, Consumptie en Economische Vooruitgang [Thorstein Veblen, Consumption and Economic Progress]" *Economisch Statistische Berichten* 82(4118), September 1997, pp. 660-1 [in Dutch].
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- Esther-Mirjam (1998) *The Evolving Rationality of Rational Expectations: An Assessment of Thomas Sargent's Achievements* New York and Cambridge: Cambridge University Press.
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- Hodgson, Geoff *Economics and Utopia: Why the Learning Economy is Not the End of History*, Routledge, London, 1999 (already published)
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- Hodgson, Geoff 'Socialism Against Markets? A Critique of Two Recent Proposals', *Economy and Society*, 27(4), November 1998, pp. 450-76. (in press).
- Hodgson, Geoff 'The Approach of Institutional Economics', *Journal of Economic Literature*, 36(1), March 1998, pp. 166-92.
- Matzner, Egon (1998), The crisis of the welfare state: a game-theoretic interpretation, in Cavanna, H. (ed.): *Challenges to the Welfare State: Internal and External Dynamics for Change*. Cheltenham: E. Elgar.
- Matzner, Egon and Bhaduri, Amit (1998), The Socioeconomic Context. An Alternative Approach to Popper's Situational Analysis, in *Philosophy of Social Sciences*. Vol. 28, No. 4, December 1998.
- Matzner, Egon and Jarvie, Ian C. (ed.) (1998), Papers from the Vienna Workshop on Popper's Situational Analysis and the Social Sciences, Special Issues, *Philosophy of the Social Sciences*. Part 1: Vol. 28, No. 3, September 1998, *Part 2 Vol. 28, No. 4, December 1998.
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- Reati, Angelo (1998). A Long-Wave Pattern for Output and Employment in Pasinetti's Model of Structural Change, *Economie Appliquée*, tome LI, n. 2, pp. 27-75
- Reati, Angelo (1998). Technological revolutions in Pasinetti's model of structural change: productivity and prices, *Structural Change and Economic Dynamics*, vol. 9, n. 2, pp. 245-262
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Other Organisations

Society for the Advancement of Socio-Economics

The 11th Annual Meeting on Socio-Economics will be held in Madison, Wisconsin at Grainger Hall, the Business School of the University of Wisconsin-Madison, from July 8-11, 1999. The meeting will be cosponsored by the International Institute, the Center on Wisconsin Strategy (COWS), and The Havens Center at the University of Wisconsin. It will be part of the 150th anniversary celebration of the University of Wisconsin. The focus of the meeting will be **Globalization and the Good Society**. If you have questions about proposing sessions or papers, or any other details concerning the conference, contact the SASE office at:

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ATTENTION GRADUATE STUDENTS

To recognize the good work of graduate students and to encourage them to attend the 11th Annual Meeting on Socio-Economics, SASE has established an award for the four best papers submitted for presentation at the meeting. Each of the papers selected will receive a cash award to help defray travel and lodging expenses for the meeting. Faculty and other members of SASE are encouraged to submit the papers of their graduate students. The papers should be well-written and should concern socio-economic issues. They may be in English, French or Spanish. For a paper to be considered for these awards, three copies must be submitted to the SASE office, PO Box 39008, Baltimore, MD, USA by February 15, 1999. An international committee chaired by Jerald Hage, past president of SASE, will make the selections and notify the winning candidates by April 15, 1999.

The address for the SASE web site for the 1999 conference is <http://www.mpi-fg-koeln.mpg.de/sase99/>. The site will include detailed information about SASE International and the plans for the 1999 conference as they develop.

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PhD Programmes

Interdisciplinary Doctoral Program in Economics

The University of Missouri-Kansas City offers Graduate degrees in the Department of Economics: Master's degree in Economics, Master's degree with an urban option in Economics, and the interdisciplinary doctoral degree in Economics. In the interdisciplinary doctoral program, the student majors in a core discipline and minors in one or more codisciplines.

More information can be obtained from Roberta Mandl, Graduate Faculties and Research, (1) 816 235 1301 or Department of Economics, UMKC, 205 Haag Hall, 5100 Rockhill Road, Kansas City, Missouri, 64110-2499, USA.

PhD Programme in Economics and Policy Studies of Technical Change

MERIT at University of Maastricht and UNU-INTECH, established by the Council of the United Nations, together offer a PhD Programme in Economics and Policy Studies of Technical Change. The programme is designed for students who are interested in exploring the theoretical, institutional, and policy issues underlying technological change and in studying the role of technical change in fostering economic growth and development in both industrialised and developing countries.

Courses focus on 'Macroeconomic and Political Economy Analysis', 'The Historical and Empirical Foundations of Technology', 'Microeconomic and Organisational Analysis, and 'Technology and Industrial Policy'.

More information can be obtained at MERIT - UNU-INTECH PhD Programme, PO Box 616, 6200 MD, Maastricht, The Netherlands. Or check the institute's homepages at: <http://merit@bs.unimaas.nl> or at <http://www.intech.unu.edu>

PhD Programme in Philosophy and Economics

Erasmus University launched a PhD Programme in Philosophy and Economics in 1997. Thanks to recent appointments, Erasmus University has created a unique centre devoted to the combined study of philosophy and economics. The Ph.D. programme exploits the expertise of specialists such as John Groenewegen, Maarten Janssen, Albert Jolink, Arjo Klamer, Uskali Mäki and Jack Vromen at the Erasmus Institute of Philosophy and Economics.

The PhD programme consists of one year advanced course work and two years of research within the broad framework of the Erasmus Institute Research Programme 'Institutions'. The advanced courses will go into topical issues in the philosophy of economics, microeconomics and game theory, evolutionary and new institutional economics, history of economic thought, and the rhetoric and culture of economics. The Research Programme is organised under four headings: 'Economics of Institutions', 'Institutions of Economics', 'Economics in Philosophy' and 'Philosophy in Economics'. A detailed description of the research programme is available upon request.

The PhD programme is open to all candidates who have a completed Master's degree in economics, in philosophy, or in the philosophy of economics, and who have a strong interest in subjects falling within any or all of the themes of the Research Programme. (Those who are within 3 months of completion of their Master's may also apply.) The tuition for the first year is fl.10,000. After the first year, students can apply for a fellowship of approximately fl.24,000 per year for the second and third year.

For information and application forms please contact:

Erasmus Institute of Philosophy and Economics, attn Dr Albert Jolink, Faculty of Philosophy, Erasmus University Rotterdam, Postbus 1738, 3000 DR Rotterdam, The Netherlands' fax.: (31) 10 408 8979, a.jolink@fwb.eur.nl

As well as news and other items, the *EAEPE Newsletter* includes reports of current and proposed research, short articles of interest to EAEPE members, and abstracts of finished PhDs. Please send material to Gráinne Collins, EAEPE Newsletter Editor, Gráinne Collins, Centre for Research in Economics, Trinity College Dublin, Ireland. Material should be submitted on a floppy disk (IBM or MAC and preferably in MS WORD) or sent by email (grainne_collins@hotmail.com) as an attached document. If using email, please state 'EAEPE' in the subject title. Contributions will not be refereed, but the editor reserves the right to decide what is to be accepted. Please contact me if you are willing to review a book by an EAEPE member - or if you wish a book to be reviewed. Members are encouraged to be active in contributing material! **The deadline for the July 1999 issue is 1 May.** *Gráinne Collins*