



# Editorial

by *Andreas Reinstaller*

The Winter issue of the EAEPE Newsletter is focused on upcoming EAEPE events and on membership life in general. Lots of things are happening in EAEPE in 2006. The highlight is of course the next EAEPE Conference which will be held in Istanbul, Turkey. The leading organiser of this event is Ahmet Insel from the University of Galatasaray. Mikail Sinyutin is organising EAEPE's 1<sup>st</sup> Symposium on the 'Social and Political Economy of Labour' in Saint Petersburg in Russia. Unlike the EAEPE Conference the Symposium is more focused on one specific topic. You will find the related announcements and the call for papers/participation in this newsletter.

An important communication of the council concerns the outcome of the latest EAEPE council elections held in autumn 2005. Christian Sartorius and Pasquale Tridico, who have won the Gunnar Myrdal and the Herbert Simon Young Scholar Awards respectively give a short summary of their prize win-

ning works. We will also present short accounts of events in the research areas.

Other contributions include an account on a campaign on 'tax justice' by the social pressure group ATTAC in Austria where economics of a distinctly heterodox flavour was taught - at the 'grassroots' - to officials and politicians from local authorities and laymen with the aim to inform them about implications and consequences of current tax policies and dilemmas. One of the keynote speakers at EAEPE's 2005 conference in Bremen and leading Post-Keynesian economist Paul Davidson, will give an account of his 'intellectual trajectory' in a very interesting essay.

Finally, sad news overshadowed the heterodox economics community in December 2005. The outstanding Italian heterodox economist Paolo Sylos Labini passed away aged 85. Prof. Sylos Labini became internationally known for his seminal work *Oligopoly and Technical Progress* published in English for the first time in 1962. Sharing the fate of Josef Steindl, he was an outstanding economist who nev-

## Contents of this issue:

Editorial . . . . .	1
Communications by the EAEPE Council . . . . .	2
The 18 <sup>th</sup> EAEPE Conference: 'Developing Economies; Multiple Trajectories, Multiple Developments'. Call for papers. . . . .	5
1 <sup>st</sup> EAEPE Symposium in St. Petersburg: 'Social and Political Economy of Labour: New dimensions.' Call for papers. . . . .	6
EAEPE Awards 2005 . . . . .	7
Activities in EAEPE's research areas . . . . .	8

Paolo Sylos Labini (1920-2005): a tribute . . . . .	10
Teaching Economics at the grassroots: The Tax Justice Campaign of ATTAC Austria . . . . .	12
Intellectual Trajectories: Paul Davidson . . . . .	15
Book Review: 'The Past and Future of America's Economy. Long Waves of Innovation that Power Cycles of Growth' . . . . .	19
Book Review: 'The Economics of Demand-led Growth. Challenging the Supply-side Vision of the Long Run.' . . . . .	21
Publications . . . . .	23
Backmatter . . . . .	27

ertheless got only too limited a recognition outside the Post-Keynesian and Schumpeterian communities. He contributed important works to the study of economic growth and development, price theory and on the role of social classes in economic development. To the reader of Italian newspapers he was also known as a frequent commentator, as well as an outspoken and critical voice on macroeconomic problems and issues concerning industrial relations. He was the prototype of a critical and politically engaged social scientist to whom the EAEPE Newslet-

ter pays tribute in an obituary written by Alessandro Roncaglia of the University of Rome.<sup>1</sup> Prof. Roncaglia was a disciple and very close friend of Paolo Sylos Labini. He gives a very warm account of Sylos Labini's life and legacy.

To conclude, we want to apologise for the delayed publication of this issue of the Newsletter. Some changes in EAEPE's office management have caused some delays, but things now work smoothly again. We hope you will enjoy reading this Newsletter.

## Communications by the EAEPE Council

### Elections for the EAEPE council 2005

The results of the 2005 Council elections have been published on the web site. On December 1st 2005 the new council has been inaugurated. We would like to take the opportunity in this newsletter to thank again the members who left the council very much for the time and energy put into EAEPE, namely Antonio Nicita, Wilfred Dolfsma, John Finch, Robert Delorme and Stavros Ioannides. We warmly welcome as new members in the council: Andreas Reinstaller in the position of Newsletter Editor, Maria Lisowska, Aurora Teixeira, Klaus Kubeczko and Andrew Barendse. This year we could not send out a ballot to members, because after the deadline of nominations had passed it turned out that there were exactly as many candidates as positions to be filled. In such a case (which had occurred only once before in the history of EAEPE) all candidates were elected unopposed. In 2007 there will be elections for the council again.

### EAEPE Conference 2006 in Istanbul, Turkey, and EAEPE Symposium in St. Petersburg, Russia

The 2006 Annual Conference of EAEPE is to be held in Istanbul, Turkey from 2-4 November 2006. The organiser is Ahmet Insel. An EAEPE Symposium will take place in Saint-Petersburg, Russia on "Social and Political Economy of Labour". The symposium will be held at Saint-Petersburg State University from June 29<sup>th</sup> to July 1<sup>st</sup> 2006. Organiser is Mikhail Sinyutin.

Please read the calls for papers to both events in this newsletter.

### Calls for papers

Please consult the EAEPE website for up to date information on conference and workshop calls that may be of interest to EAEPE members <http://eaepe.org/eaepe.php?q=node/view/85>.

### Prizes and Competitions

Stavros Ioannides has stepped down as EAEPE prize coordinator. We would like to thank him for having put so much effort in this onerous task during his tenure. John Groenewegen will take over Stavros' duties on an interim basis. All prize entries for the 2006 prizes should be sent to him: John Groenewegen, Delft University of Technology, Faculty of Technology, Policy and Management, Section Economics of Infrastructures, P.O. Box 5015, 2600 GA Delft, Netherlands. Please consult the next sections on the submission deadlines.

### The Herbert Simon Young Scholar Prize: Winner 2005 and call for new entries

The 2005 **Herbert Simon Young Scholar Prize** was awarded to **Pasquale Tridico** from University of 'Roma Tre' (Rome 3), Department of Economics, Rome, Italy, for his paper "Institutional Change and Human Development in Transition Economies". Details are given in the rubric **EAEPE Awards 2005** later in this Newsletter.

The **Herbert Simon Young Scholar Prize** is awarded annually to the best conference paper by a young scholar who is a member of EAEPE. It carries an amount of 1000 Euros, funded by EAEPE. Entries for the 2006 Herbert Simon Young Scholar competition are now welcome. The **closing date is the 15<sup>th</sup> of October 2006**. The rules for the competition and instructions for submission are available on EAEPE's web site under <http://eaepe.org/eaepe.php?q=node/view/9>.

<sup>1</sup>The editor thanks Luigi Pasinetti and Angelo Reati for suggesting and mediating this contribution.

### Kapp and Myrdal Prize Competitions: Winners 2005 and call for new entries

The **K. William Kapp Prize** (2000 Euro - half funded by the William Kapp foundation) is awarded annually for the best article on a theme broadly in accord with the EAEPE Theoretical Perspectives (minimum 5,000, maximum 12,000 words) to a paid-up EAEPE member. In 2005 this prize was not awarded.

The **Gunnar Myrdal Prize** is awarded annually for the best monograph (i.e. a book, and excludes multi-authored collections of essays) on a theme broadly in accord with the EAEPE Theoretical Perspectives to a paid-up EAEPE member. In 2005 the Myrdal Prize was won by **Christian Sartorius** from the Fraunhofer Institute for Systems and Innovation Research (ISI), Department of Sustainability and Infrastructures, in Karlsruhe, Germany. You find a detailed account on his award-winning work in this newsletter.

Entries for the 2006 Kapp and Myrdal competitions are now welcome. The **closing date is the 1<sup>st</sup> of January 2007**. The 2006 prizes will be awarded at the 2006 EAEPE Conference. It is planned that the Council will judge both prizes by April 2006. The Kapp Foundation will assist in the judging of the Kapp Prize. The EAEPE Council reserves the right not to award a prize if the entries are below the required quality. Details on the prizes and the submission guidelines should be consulted on EAEPE's web site if you follow <http://eaepe.org/eaepe.php?q=node/view/9>. Entries should be sent to John Groenewegen.

### Membership benefits and subscription rates

If you were 2005 EAEPE member you have received the 2005 issues of JOIE (The Journal of Institutional Economics) free of charge! If you are a 2006 member you will receive the 2006 issues of JOIE free of charge as well!<sup>1</sup>

EAEPE offers you furthermore:

- Access to the 'membership only' part of the EAEPE web site.
- A voice at the annual conference (next conference: Istanbul, Turkey, 2006).
- The possibility to promote your research area with access to the EAEPE research area seminars and web site forums.
- The EAEPE Newsletter twice a year.
- A reduced price for the EAEPE volumes published in collaboration with Edward Elgar Publishing.

- A reduced subscription rate to journals as the Cambridge Journal of Economics, Industrial and Corporate Change, International Review of Applied Economics, Review of International Political Economy and the Review of Political Economy.
- The possibility to publish a special theme volume in the EAEPE series of Edward Elgar Publishing.

Many reasons to join EAEPE for 2006! The membership fees are as follows:

	Euros	
Life Membership	350	
Three year ordinary membership	200	
Ordinary rate (gross income > 45000 Euros p.a.)	70	p.a.
Reduced rate (25000 < gross income < 45000 Euros p.a.)	40	p.a.
Special rate (gross income < 25000 Euros p.a.)	20	p.a.

The membership forms and the classification of the areas of expertise can be downloaded from the EAEPE web site at <http://eaepe.org/eaepe.php?q=node/view/87&PHPSESSID=9b64c695511be5c8d95d7a03b3c8741e>. Payments may be made by MasterCard/Visa/Eurocard. Contact: Albert Jolink, [ajolink@rsm.nl](mailto:ajolink@rsm.nl).

### Scientific development plan

Details on the scientific development plan of each research area are published on the web site under the following URL <http://eaepe.org/eaepe.php?q=node/view/19>. The complete list of research area coordinators (RACs) is listed on <http://eaepe.org/eaepe.php?q=node/view/7>. Please consult these links for more information.

### Announcements

#### A new editorial team for RoSE

In the 18 years that John Davis has single-handedly edited the Review of Social Economy (RoSE; <http://www.tandf.co.uk/journals/titles/00346764.asp>), the journal has not only maintained its prominent position as a heterodox economics journal of international renown, but has also strengthened its recognition and extended its scope. RoSE is in a healthy position as an outlet for the publication of cutting-edge articles. RoSE is an important asset to the association that supports it, the Association for

<sup>1</sup>The subscription to JOIE for other individuals in 2006 will be 30UK£.

Social Economics (ASE), and to the economics community generally. In large part this is due to John Davis' work - for which we, and the wider heterodox economics community, owe him tremendous gratitude and respect.

A new team of four editors has now been appointed by the executive council of the ASE to succeed John. As the new co-editors, we believe that RoSE can and should maintain its place as a journal where high quality research of theoretical, conceptual and empirical nature is welcomed. Theoretical articles published in the journal contribute to the broader field RoSE is a part of, while empirical ones may employ a variety of methods. For over sixty years RoSE has published papers on the many relationships between social values and economics. We intend to maintain the journal's broad scope with respect to issues covered and perspectives represented, and to foster productive inflows of ideas from neighboring social sciences. A fundamental principle of social economics is the recognition that an enforced duality between the 'positive' and 'normative' do-

main may not be helpful for understanding social phenomena; individuals and practices are socially embedded, and economic problems cannot be divorced from issues of human dignity, ethics and philosophy. We emphasize these principles in editorial orientation, and welcome submissions that contribute to, and promote, an understanding of the foregoing.

As the new editorial team of the Review for the coming years, we therefore look forward to working with you as authors, referees and readers.

- Wilfred Dolfsma, Erasmus University Rotterdam & Maastricht University, The Netherlands, wdolfsma@rsm.nl
- Deborah M. Figart, The Richard Stockton College of New Jersey, USA
- Robert McMaster, University of Aberdeen, Scotland Martha Starr, American University, USA.

## ICAPE

EAEPE is affiliated to The International Confederation of Associations for Pluralism in Economics, ICAPE an organisation which carries invaluable information about organisations, conferences, journals, etc.

### ICAPE's Statement of Purpose

There presently exists a number of societies and associations of economists and other social scientists, all of which are united by their concern about the theoretical and practical limitations of neoclassical economics. In addition, they share the conviction that the current dominance of the subject by mainstream economics threatens academic freedom and is contrary to the norm of methodological pluralism. Furthermore, this dominance is highly detrimental to scientific creativity and debate, and to the de-

velopment of realistic, innovative, and useful economic analysis and relevant policies. 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. and other studies of economic behavior. Contact Information: John T. Harvey, Department of Economics, Box 298510, Texas Christian University, Fort Worth, TX 76129, USA (817)257-7230 office, (817)924-9016 home, j.harvey@home.net

# The 18<sup>th</sup> EAEPE Conference: 'Developing Economies; Multiple Trajectories, Multiple Developments'. Call for papers.

Thursday, November 2 - Saturday, November 4, 2006 at Galatasaray University in Istanbul, <http://www.gsu.edu.tr/en/>, Turkey.

One of the most salient aspects of the contemporary globalization process is the widely shared understanding of the economy as an autonomous domain isolated from the cultural, political and social domains. Both the economists who advocate exclusively market-oriented policies and the social scientists who take the dominant discourse in economics as given, agree that matters pertaining to the 'economy' has to be left to the 'experts'.

In practice, this process has led to the treatment of different economies as homogenous entities and this has been particularly harmful for the developing economies. However, as the problems associated with the globalizing market forces have become increasingly difficult to overlook, the analysis of the evolution of and diversity between national trajectories has become one of the biggest challenges faced by social scientists in general and political economists in particular.

The need for an interdisciplinary, multiple level research agenda in order to put together an integrated analytical framework has been recognized, but the challenge is far from being met. Development studies constitute one important area where the attempts made to understand the complexity of the evolutionary process could be especially fruitful.

The need for multiplicity is to be met through the integration of a broad range of categories into the analysis. A suggestive list of these categories may be: -

- market regulation
- market structure (sectoral/inter-sectoral, labor/product)
- governance
- role/implication of the public sector
- fairness, justice, distribution
- labor market regulation and welfare systems
- financial sector -
- international context (insertion, interaction).

These issues may be treated at different levels: as theoretical/empirical, micro/macro/meso, comprehensive analysis/case study, comparative studies/ historical analysis. At these different levels, the common aim would be the reappraisal of the multiplicity of development processes in a political economy framework. The development of a wide range of tools for economic analysis drawing on the recent theoretical and empirical analyses could be helpful in giving a new impetus to the area and to bring about a greater range of choice in policy design.

## Submission of Proposals

We invite proposals for papers or sessions that address themes situated in the above mentioned categories. We also invite proposals for the topics on the Research Areas; in that case please indicate the closest research area in which your proposal is situated (see: <http://eaepe.org/eaepe.php?q=node/view/19>).

- **For papers:** upload a 600-1000 word abstract to [www.eaepe.org](http://www.eaepe.org) → (conferences-abstracts) by **April 30 of 2006**. In case you have problems to upload your abstract then send your abstract to the general secretary of EAEPE John Groenewegen, [johng@tbm.tudelft.nl](mailto:johng@tbm.tudelft.nl) and Ahmet Insel, [ainsel@gsu.edu.tr](mailto:ainsel@gsu.edu.tr).
- **For sessions:** Please send your proposal to Economic Department of Galatasaray University at: [econ@gsu.edu.tr](mailto:econ@gsu.edu.tr). For questions concerning the sessions please contact Ahmet Insel, the programme organizer, at: [econ@gsu.edu.tr](mailto:econ@gsu.edu.tr) or [ainsel@gsu.edu.tr](mailto:ainsel@gsu.edu.tr).

The program of accepted papers will be published in the July Newsletter. A **final version** of accepted papers will be requested by **August 31 of 2006**, in order for papers to be included in the proceedings, published on CD-Rom. See [www.eaepe.org](http://www.eaepe.org) for information concerning the conference.

Please note that you have to be an EAEPE member in order to attend the Conference. Payments should be made in euros by credit card (provide number and expiry date) or bank transfer. If you do not have the 2006 conference booking form or the 2006 EAEPE membership form, please download it from <http://eaepe.org/eaepe.php?q=node/view/87>.

# 1<sup>st</sup> EAEPE Symposium in St. Petersburg: 'Social and Political Economy of Labour: New dimensions.' Call for papers.

Thursday, June 29 - Saturday, July 1, 2006 at the Saint-Petersburg State University, Saint-Petersburg, Russia.

The goal of this symposium is to bring together a limited number of researchers (maximum 50) to focus on labor issues in the 21<sup>st</sup> Century. The conference will be divided into two, related, segments and we would welcome papers in relation to either or both segments. The first segment is focused on comparative research of labor market transformations. Globalization, internationalization and localization of the labor force make it important to examine *inter-related* labor markets. This work should take into account how labor markets have, on one side, class, ethnic, and gender dimensions and, on the other side, that there is movement *between* labor markets (of different temporal durations) and these movements are in themselves influenced by class, race and gender. We would particularly welcome papers on intra-European mobility and inter-European/Asian labor mobility, including the role that Chinese and Indian workers are playing in European labor markets.

The second segment is devoted to the multiple interpretations of labor and its historical transformation(s). In particular we want to bring together different social scientists including economic historians, sociologists and anthropologists who work on the conceptualization of labor, its relationship to production and distribution, and as an essential aspect of human nature and human behavior. We believe that enriched by recent improvements in the various social sciences a fuller concept of labor is possible. This conceptualization will be both more ontologically oriented and be more sophisticated than the conceptualization used in the 20<sup>th</sup> century. In addition, this conceptualization is influenced by changes in institutions and technologies. An important part of this re-conceptualization of labor is to look at employer-employee relations, contractual arrangements and conflicts, alienation and exploitation, and therefore the challenges for labor politics and trade union movements in the 21<sup>st</sup> century.

## Symposium Details

You are kindly requested to send in a (provisional) title to Mikhail Sinyutin as soon as possible but **before**

February 23, 2006. A 600 word abstract for all paper and session proposals is required by **March 31<sup>st</sup>, 2006** to the local organizers at [sp6eaepe@soc.pu.ru](mailto:sp6eaepe@soc.pu.ru). These can be uploaded at the EAEPE site [www.eaepe.org](http://www.eaepe.org). Upon acceptance of your abstract, you will need to register for the symposium. A final version of accepted papers is requested by **April 30, 2005**.

The symposium registration fee will be **Euro 50** for EAEPE members, while nonmembers should add EAEPE membership fees (see [www.eaepe.org](http://www.eaepe.org)). Everyone is urged to volunteer to serve as a session chair. The registration fee covers two lunches and regular coffee breaks, book of abstracts and working materials, and some activities during the symposium. Selected papers will be considered to be published as a book volume.

The symposium is open to everyone working on labour markets across the social sciences.

## Scientific committee

- Oleg Ananyin (Moscow, Russia)
- Gráinne Collins (Dublin, Ireland)
- John Groenewegen (Delft, The Netherlands)
- Maria Lissowska (Warsaw, Poland)
- Pascal Petit (Paris, France)
- Irina Peaucelle (Paris, France)
- Mikhail Sinyutin (St.Petersburg, Russia)
- Yuri Veselov (St.Petersburg, Russia)

## Venue

St-Petersburg State University, University Centre at Smolny, is situated at the historical part of the city. The sociological faculty which hosts EAEPE meeting occupies a wing of a large architectural ensemble of Smolny Cathedral. For more details see [www.soc.pu.ru](http://www.soc.pu.ru). Participants are invited to be lodged at the hotels near by the University Centre.

## Further information

Detailed information about visas will be after acceptance of papers (you may choose either university or

tourist visas). For further information please contact the local organizers:

- Kapoustkina Elena (secretary)
- Sinyutin Mikhail (chair)
- Karapetyan Ruben

- Burganova Elina

sp6eaepe@soc.pu.ru Saint-Petersburg State University, Faculty of Sociology, Smolny Cathedral Building, Ul. Smolnogo 1/3, entrance 9, room 202, Saint-Petersburg, 193060 Russia. Tel. (812) 274-9706

## EAEPE Awards 2005

### The Gunnar Myrdal Prize to Christian Sartorius for his monograph "An Evolutionary Approach to Social Welfare"

Sartorius, C. (2004). *An Evolutionary Approach to Social Welfare*, London: Routledge, 247pp. Hardback 0415323355, £80.

**Synopsis** There is a broad agreement among enlightened people that whatever happens within a society should basically be (intended to be) to the best of all its members. But there is no agreement as to how the social order that meets this goal best should look like. To make things worse, even a generally agreed upon methodology for the assessment of people's best is missing. While it is generally taken for granted that the high degree of organization in modern societies is among the fundamental causes for their high wealth, many people living in these societies evidently do not participate in it or even do worse. Not to mention the conjecture that at least part of this wealth could be at the expense of the less wealthy societies. How is the decrease in well-being of the unlucky people to be weighted against the increasing well-being of the lucky ones? How are the individual contributions assessed and aggregated to yield a measure for social welfare? Basically, it is social values that provide the solution to this problem. With regard to the large number of existing normative standards, however, it needs to be asked which one(s) ought to constitute the basis for such an assessment. In the past, economists either did not address this problem by deliberately excluding issues of distribution from their research agenda or failed to find a solution after reconciling the necessary normative assumption with their general claim of (extreme) methodological individualism. By contrast, philosophers approaching this issue usually arrived at least at some conclusion but never succeeded in meeting with unanimous approval.

Social welfare and its reconstruction from indi-

vidual well-being is also the core issue of this book. However, the approach chosen here differs markedly from most, if not all, other approaches to this subject. On the one hand, it acknowledges social interaction and the specific social values resulting from it as necessary preconditions for the interpersonal comparison of well-being. On the other hand, it recognizes that any theory based on too strong (i.e. too specific) normative assumptions will necessarily fail in finding general acceptance. In order to reconcile these seemingly contradictory claims, it has to be understood that different societies employing their respective sets of norms and social values do not coexist independently. Rather, it is presumed that groups or societies have to compete for a given set of resources and that the sets of norms and values they hold influences the likelihood of their prevailing or being displaced - with obvious consequences for the welfare in the respective groups. In order to confirm this hypothesis, a two-step approach is chosen. Since it is evident that, from the individual perspective, the adoption of, and compliance with, normative principles is not a trivial process, human behavior and learning in general, and the effect of normative principles on individual action in particular are studied in part I of the book. Thereby, the evolutionary perspective is supported by approaches from evolutionary biology, cognitive science, motivation theory and social psychology. Once it is evident that social interaction is a necessary prerequisite for establishing social norms and values as determinants of behavior as well as welfare, the social perspective is adopted. Accordingly, the evolution of order in social and economic contexts, the bringing about of cooperation between rational agents, and the consequences of all this for the welfare achievable in the respective groups are discussed in part II of the book including approaches from game theory, evolutionary biology, social anthropology and social choice theory.

It is crucial to recognize that the evolutionary approach to social welfare is indeed a positive approach: instead of relying on social norms and values as specific normative assumptions underlying the analysis of specific social contexts, it includes so-

cial norms and values as variables that explicitly influence their holders' welfare. Doing so, it accounts for distributive effects on social welfare and, at the same time, bridges the gap between different groups. Accordingly, the theory presented in this book allows for an assessment of welfare within societies or social groups as well as a comparison between them. Unlike a social Darwinist theory, it does not allow for making judgements about the evolutionary process and its outcomes. So, while making some claims as to which social norms and values may give rise to higher welfare, it does not qualify them as better or worse.

Christian Sartorius

## The Herbert Simon Young Scholar Prize to Pasquale Tridico for his paper "Institutional Change and Human Development in Transition Economies"

The paper may be downloaded from EAEPE's web site (EAEPE members only). Please log in and follow the link [http://eaepe.org/papers/Tridico-Eaepe\\_paper\\_05.pdf](http://eaepe.org/papers/Tridico-Eaepe_paper_05.pdf).

**Synopsis** Transition economies (i.e. Central Eastern Europe Countries and Former Soviet Union Republics) have undergone an enormous transformation since 1989-1991. After the recession of the early 1990's, some of these economies experienced a GDP recovery, at a different pace, with different out-

comes in terms of economic growth and social performance (i.e. human development, employment, poverty, etc). The aim of this paper is to answer the following research question: was human development concurrent with economic growth during transition towards the market economy? I claim that economic growth is not always concurrent with human development: economic growth can contribute to increase the level of human development, but is not "the means" to human development. The income is not the final aim. On the contrary, the final aim is the well-being of individuals and the human development. Human development is considered to be a process which allows for an environment where people enjoy long, healthy and creative lives (as defined by the United Nations Development Programme, UNDP). I observed a considerable GDP recovery after a recession in several CEECs, while in other former communist countries, economic performances are very poor. I investigated whether development, also took place or worsened. Development was measured using the UNDP Human Development Indexes, which involve three factors such as: life expectancy, education, and a GDP per capita at PPP. Using an OLS model, human development variables were correlated with GDP per capita. I found out that, in transition economies, investing in human development is a sufficient, yet not a necessary condition for economic growth. GDP growth, then, requires human development. In this context, institutions and institutional policies are crucial for a development process. In fact, for better distribution and access to resources as well as for social cohesion, well-designed institutions are needed.

Pasquale Tridico

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## Activities in EAEPE's research areas

### Economic History Research Area Symposium in Athens

The Economic History Research Area of the European Association of Evolutionary Political Economy (EAEPE) and the Economic Policy Laboratory (EMOP-Athens University of Economics and Business) are organising a joint two day Colloquium. It will take place in May 12<sup>th</sup> and 13<sup>th</sup> 2006 at Athens University of Economics and Business. The theme will be *The variety of economic institutions under the many forms of capitalism*.

Geoffrey Hodgson (University of Hertfordshire) is invited as a keynote speaker. The scientific com-

mittee consists of Panagiotis Korliras of Athens University of Economics and Business (chair), Ioanna Minoglou of Athens University of Economics and Business, and Pascal Petit, the President of EAEPE and Research Director of the Centre d'Etudes Prospectives d'Economie Mathématique Appliquées à la Planification-CEREMAP.

The call for papers for this Symposium has already expired. Details on its outcomes will be given in a future issue of this Newsletter.



## Reports from Research Area coordinators on their panels at the EAEPE Conference in Bremen 2005

### Research Area 'Structural and Institutional Change in Eastern Europe'

General objective of the session of this Research Area was to analyze the overlapping processes of transition, rapid development of the New Economy and globalization. Nevertheless, the other topics were discussed as well, from general theory of transition to some problem- and country-oriented. The debates took place around the following topics:

1. *New Economy*. The issues of the New Economy were discussed by several authors. Even if theoretically a chance of a 'jump' into the New Economy stage exists, its development is hampered by institutional deficits (U.Berkis). The challenges of the role of transition countries in the global division of labour together with hopes - only partly fulfilled - for the positive technological influence of the FDI were the subject of J.Hardy. M.Lissowska underlined the crucial role of absorptive capacities of the firms and deficiency of industrial and innovation public policy with this respect.
2. *General development of countries in transition*. The issue of temporal and logical interaction between formal and informal institutions existing in the institutional theory has been presented by B.Chavance together with its relevance to the historical experience of transition countries. The role of formal and informal institutions was analyzed by G.Hodgson on the basis of econometric research of the factors of economic performance of the counties undergoing transition. Contrary to the common wisdom, the dominant factors of performance were not property rights, corruption, economic freedom, but long-lasting institutional factors as West Christian tradition. The differentiated role of small entrepreneurs as a part of (still weak) middle class in promoting reforms and democracy was the subject of C.Vincensini.
3. *Human capital and socio-political factors*. The empirical research on the level of human capital and its relation to growth, strongly connected to the ideas of Hodgson, was presented by P.Tridico. A broader problem, of social capital, cooperativeness and reliability has been developed as building private institutions of social responsibility of firms (Koleva et al.) and as the role of public agents in creating innovative regions of high education asset (Mamica).

4. *Different trajectories of institutional change and governance in transition*. The topic of the quality of institutional reforms and especially of privatization as a source of deficient governance has been analyzed with respect to less advanced transition countries as Croatia (Racic), Ukraine (Nosova, Bazhal, Dementiev) and Russia (Mathivet).

The discussions held in Bremen prove that transition countries are still a promising field of research on diversity of trajectories over which the transition takes place. The studies may be continued on interaction of formal and informal institutions, on differentiated national and sectoral dynamics, on corporate governance and social dimension of transition, on different ways of integration to European and global economy. The outcome of Bremen Conference in Research Area I paves directly the way to the next EAEPE Conference, in Istanbul.

Maria Lissowska  
lisso@sgh.waw.pl

### Research Area 'Economics of war'

It was the first public event organised by RAH, a RA which has been created on spring 2005.

Seven papers were presented in the sessions. The first session was focussed on *the economics of arms industry*, including the role of institutional investors (the prominent organisations of the modern finance capital) in the regeneration of the 'Military-industrial systems' throughout the 1990s in the US, the role of knowledge management in defence-oriented companies and their importance in technology policy (with France as a case study), the European consolidation issues in the arms industry (with the shipbuilding industry as a case study).

The second session mainly focussed on *the role of military issues in the shaping of the 2000s international economic and political relations*. The topics addressed whether the new course taken by the Bush Administration is laying the foundations for a new structural social accumulation (or new 'regime of accumulation'), the post-war reconstruction challenges in Kosovo, the role of military spending in a long-term perspective in Greece, and the use of the notion of rationality applied to Arms Races and Armed Conflict.

At the end of the sessions, a RAH meeting was organised, with the participation of Thea Harvey, from Economists for Peace and Security (EPS). The purpose of the meeting was to discuss the activity of RAH in coming months.

A first proposal was for RAH members to exchange information on their publications, on conferences and on the diffusion of other public activity which could be relevant for RAH. The latter would act as a platform for the dissemination of information. Thea Harvey presented EPS, its activities and

publications, including the EPS News Notes, which provides a large platform for information (seminars, conference, publications, etc.) on peace and security issues.

A second proposal was for RAH members to get an eye on and encourage further research on two major issues: - 'Arms industries: research which address industrial, technological, jobs-related, exports, etc..'

issues is welcome. - 'Defence and security in globalisation: the International political economy evolved in the last decade, shaping a quite different economic and geopolitical environment'. Research on the major countries' security agenda, 'new wars' and resource wars, etc... is welcome.

Claude Serfati, RAH coordinator  
Claude.Serfati@c3ed.uvsq.fr

## Paolo Sylos Labini (1920-2005): a tribute

by Alessandro Roncaglia<sup>1</sup>

Paolo Sylos Labini (1920-2005) was one of the greatest economists of the 20<sup>th</sup> century, and an extraordinary human being.

After graduating from the University of Rome with a dissertation on the economic consequences of inventions, he studied at Harvard University with Schumpeter and at Cambridge (UK) with Dennis Robertson. From the times he had been working on his dissertation Sylos was convinced that the traditional (marginalist) theory of value and distribution, based as it is on a static notion of equilibrium, has little to say on the really important phenomena of modern economies, i.e. development (as distinct from purely quantitative growth) and technical change. This is why he decided to study with Schumpeter; at the same time he also acquired first-hand knowledge of classical economists, particularly Smith, Ricardo and Marx.

Active in the Italian post-war economic debate, he contributed to the 'Piano del lavoro' proposed by the trade unions for the reconstruction of the Italian economy, and on topics such as the dualism between North and South (the 'Mezzogiorno', still today a central problem of the Italian economy, and a constant concern for him throughout his life: cf. Sylos Labini, *Scritti sul Mezzogiorno*, 2004). He also wrote a few theoretical papers, some of which concern an interpretation of the trade cycle along the lines of Marx and Schumpeter (the main paper, 1954, is reprinted in *The forces of economic growth and decline*, 1984); and was part (with the jurist Guarino) of a two-men enquiry team on the international petroleum industry which was to provide the basis for the Italian petroleum legislation.

His main contribution came in 1956, with *Oligopolio e progresso tecnico* (English edn., *Oligopoly and technical progress*, Harvard University Press 1962). The book was thus published more or less simultane-

ously with J. Bain's *Barriers to new competition* (1956). The two works were then grouped together in a widely read article by Franco Modigliani, 'New developments on the oligopoly front' (JPE, 1958), and it is in Modigliani's version that they came to be accepted as part of the mainstream theory of non-competitive market forms. However, with his model Modigliani (a lifetime friend of Sylos, since the late forties) deprived Sylos' theory of its original Classical context, thus devising a 'neoclassical synthesis' analogous to the one he had provided for Keynesian theory with his 1944 and 1963 articles. In doing so he left aside its dynamic aspects which were worked out in the second part of the 1956 book.

Sylos Labini's notion of oligopoly is based on the Classical economists' notion of competition, as freedom of entry into a sector of economic activity. When there are barriers to entry, there is oligopoly. Thus oligopoly becomes the general case, while competition (absence of any difficulty of entry) and monopoly (insurmountable barriers) are but limit cases, quite rare in practice. Explaining the barriers to entry - their nature and size - thus becomes the central object of the theory of market forms. While Bain focused on 'differentiated oligopoly', where the product is perceived as different according to the firm producing it and investment in advertising generates a barrier to entry, Sylos Labini focused on 'concentrated oligopoly', where it is the large efficient scale of plants which represents barriers to entry for new producers. Even if existing producers obtain a profit rate higher than the competitive one, new producers will not enter the sector, since their production would constitute a relevant addition to supply, bringing prices down. The barrier to entry thus depends on the size of the market, on the efficient scale of new plants, on the elasticity of demand (which determines by how much the price should fall, following the increase in supply brought out by the new plant) as well as on the rate of growth of the mar-

<sup>1</sup>Alessandro Roncaglia is full professor of economics at the department of economics of the University of Rome 'La Sapienza'. He was a disciple and a colleague of Paolo Sylos Labini. A full bibliography and some writings by Paolo Sylos Labini are available at [www.syloslabini.info](http://www.syloslabini.info).

ket (which determines how long the fall in price will last). This latter element introduces a dynamic aspect into the theory, which is then (in the second part of the book) developed in order to keep into account technical change and the implications of oligopolistic market forms for the dynamics of the economy; mark-up pricing is interpreted as a rule of thumb for price changes rather than as a way for determining equilibrium prices.

An econometric model of the Italian economy, the first of this kind in Italy, was presented in 1967 (in *BNL Quarterly Review*). It considers a three-sector economy: agriculture, where competition prevails; manufactures, where oligopoly is the rule; and the services sector, characterised by monopolistic competition. Demand and the liquidity situation of the economy determine investments in manufacturing, the leading sector in the economy, hence the process of accumulation and growth of the whole economy, so that a variant of the Keynesian principle of effective demand determines employment, with an important role attributed to income distribution. Prices in the three sectors follow different dynamic rules, due to the different market forms. This model provides an interpretative scheme for analysing the problems of the Italian economy, as well as a reference point for further analytical enquiries (concerning for instance the link between mark-up pricing and income distribution, *JPKE* 1979), extended to empirical analyses of other economies as well.

This line of research is developed further in *Sindacati, inflazione e produttività* (1972; English edn., *Trade unions, inflation and productivity*, Saxon House 1974). Wages and prices are not determined in fully competitive markets; utilisation of mark-up pricing on the side of oligopolistic firms interacts with bargaining over money wages between trade unions and industrial confederations, affecting - together with technical change - the path of income distribution.

These themes reappear in many subsequent contributions; an idea of the width and depth of Sylos Labini's analysis is provided by *The forces of economic growth and decline* (MIT Press, 1984), a carefully chosen and well organised selection of his papers.

The most widely known of Sylos Labini's books, among the Italian public at large, is his best-seller, *Saggio sulle classi sociali*<sup>2</sup> (1974, translated in many languages - as many of his writings - but not in English), at the boundaries between economics, politics and sociology. In it Sylos Labini criticises the Marxian dichotomy between capitalists and proletariat, and stresses the central role of the 'middle classes'. The book gave rise to a lively political debate, contributing to the dramatic change of attitude of the strongest party of the Italian left, the Communist Party.

The 'Smithian' view of economic development is apparent in Sylos Labini's contributions to the underdevelopment issue, the object of some books and articles, among which the recent *Underdevelopment: a strategy for reform* (CUP 2001). Stressing the great variety of economic trajectories in developing countries, Sylos is led to propose a strategy of institutional reforms. For instance, for Africa he recommends organisational reforms, including a programme to eradicate illiteracy and to promote rural and industrial districts.

Sylos Labini opposed to the 'arc' view of neoclassical economics (from scarce resources to the satisfaction of consumers' wants and desires) the 'spiral' of classical political economy (where the 'spiral' is akin to Sraffa's 'circular flow', but with stress laid on development and change), characterised by cumulative phenomena. From this view spring many of his writings on technical change - mainly in the 1980s - where he proposed a 'productivity function'. It embodies a 'dynamic substitution effect' where the relative price of machinery in terms of wages affects the pace of mechanisation and technical progress.

In all his works, Sylos Labini conceives the economy as inseparable from institutions, political vicissitudes and civic virtues. This complex vision of human societies provides the background to his interventions in Italian politics, in recent years in opposition to the Berlusconi government, fustigating the moral feebleness and lack of dignity and civic sentiments dominant in the political leadership and in the country at large. His newspaper articles and books have been favourably received by many, but certainly not by those in power, who feared his strong and always well-documented criticisms, in the tradition of his old mentors and friends, Gaetano Salvemini and Ernesto Rossi. He was also at the origin of a constant flow of practical proposals, the most recent of which was a scheme for supporting industrial districts.

His writings reflect his personality, in which intelligence and passion, culture and morality were combined in a unique and fascinating way. A real force of nature, Sylos Labini was a natural leader. He preferred research and teaching to a political career, but considered political involvement as a duty for every citizen. Many Italian and non-Italian economists have been his pupils, and many more have been influenced by his views; with his example, he set an extraordinarily high standard of seriousness and moral rigour in research, in teaching and in lifestyle, coupled with a warm interest in others. His humanity will be missed by all those who had the fortune of knowing him.

January 2006

<sup>2</sup>Transl.: *Essay on the social classes*.

# Teaching Economics *at the grassroots*: The Tax Justice Campaign of ATTAC Austria

by Miriam Rehm<sup>1</sup>

'Taxes must be cut' is a statement most mainstream economists, politicians and the media support. At the same time, financial restrictions are among the most common arguments for privatisation and social spending cuts. The connection between the funding of the state budget and the provision of public services seems to have vanished from public conscience. That is why Attac Austria started a tax campaign to increase the awareness of the inequalities in the tax system and of the relation between taxes and public services.

**What is Attac?** Attac is a network critical towards the neoliberal form of globalisation which was established 1998 in France. Today Attac exists in more than 40 countries. In Austria Attac was founded in 2000. Originally concerned mainly with a Currency Transaction Tax (Tobin Tax), broader macroeconomic questions are today in the center of the work of Attac - stressing a multidisciplinary approach which takes into account political, sociological as well as historical and ethic viewpoints. The topics range from financial markets, global trade, the debt crises, to international financial institutions and the EU to tax systems. The main goal of Attac is to start critical debates about economic policy and to point towards alternatives to neoliberalism on global, national but also local levels. Attac works together with NGOs and networks from different backgrounds - environmental, development, social, etc. - as well as with unions and academic researchers in order to stress the importance of a multidisciplinary approach to economic issues. A goal is to find ways to inform people from very different backgrounds about economic developments, problems and alternatives because broad public debates are necessary to change current one-dimensional economic policies. Attac therefore concentrates strongly on debates and discussions - so-called 'economic alphabetisation' is intended to make people feel able to participate in public debates about economic issues. Attac furthermore tries to get in contact with decision makers and opinion leaders to raise awareness of alternative policies.

**Campaigns** Due to the broad topics Attac Austria has focused on topics to concentrate energies and build cooperations. The first campaign was the Stop-GATS campaign starting in 2003 which was orga-

nized by Attac but joined by over 50 organisations. The cooperation with organisations from very different backgrounds was an important feature of the campaign which showed the broad influence of an agreement like GATS with the goal to liberalize services on many aspects of people's lives. Discussions were organized in many cities and villages and municipalities could declare themselves as 'GATS-free' through resolution by the municipal council. More than 300 municipalities in Austria passed this resolution.

**Tax Justice Campaign** The tax system is one of the most overlooked areas in progressive political debates. The media presents taxation one-sided and suggestions to increase taxes are met with categorical rejection, no party dares to raise the issue of increasing taxes and also civil society groups don't talk about taxes or tax justice because the topic is seen as unattractive and too complex. However, because of this silence very unsocial policies have been pursued. Thus, Attac started its second campaign in 2004 about tax justice. The goal of the campaign was to bring taxes back into the public debate and to stress the redistributory aspects of the taxation system as well as the connection between public revenues and expenditures. Further the campaign wanted to unmask alleged 'external pressures' popular among many economists and politicians which state that there is no alternative. Contrary the campaign had the goal to show that there are alternatives at a European but especially for Austria also at a national level.

**Race to the Bottom** In the last twenty years almost all countries have been competing in reducing taxes on profits, and capital gains. In the industrialised countries the average tax on business profits has dropped from 51 to 35% since 1985. Tax on interest yield from 47 to 33% and the top income tax bracket plummeted from 52 to 42%. Some multinational corporations don't pay taxes at all - they file their profit tax returns in tax havens, they use tax loopholes or sometimes even manipulate their balance sheets. Some examples for Austria: Creditanstalt (1998 and 99) the Spar AG (1997 and 98) and Shell Austria (1977) or the Immuno AG (1977). This is not just unfair for the community, but also for the small and medium sized businesses that can't use these 'creative possibilities'. Lost taxes on profit and

<sup>1</sup>Miriam Rehm is a student of economics at the Vienna University of Economics and Business Administration and has participated in various Attac working groups (Tax Justice, Debt relief, EU-Latin America, etc.). The views expressed herein do not necessarily reflect the opinion of EAEPE or its Council. This contribution is to encourage critical discussion. Comments may be sent to the editor.

wealth are so big that other taxes have to be increased - mainly taxes on wages and salaries (and for small businesses). In 1998 EU Commissioner Mario Monti stated that in the last 15 years the average taxation on wages and salaries rose from 35 to 42%, while taxation on capital fell from 45 to 35% within the same period. This is unfair and further the acceptance of taxation and the welfare state is reduced if some groups participate in its advantages without contributing.

Developing countries are sometimes named as beneficiaries of this tax competition but on average they are one of the biggest losers. Oxfam calculated that developing countries lose 50 Billion Dollars yearly because of tax competition in profit and capital gains taxes. As a comparison, the yearly global development aid accounts for about 53 Billion Dollars.

**Tax System in Austria** Austria is not a victim of these developments. The taxation of business profits lies well below the EU average, and the wealth tax is the lowest of all OECD-countries. The contribution made by wealth taxes to state finances has declined in the last thirty years by two thirds, despite a strong growth of wealth. The creation of the 'private foundation' (Privatstiftung) in 1993 has the effect that in Austria the richest pay the lowest taxes on their income. The Austrian taxation system today does not have overall effects on income distribution violating the ability-to-pay principle underlying the Austrian taxation system. In 2005 Austria again reduced the nominal tax rates on profits 34 to 25%, even though effective tax rates had already been far below that. Furthermore, group taxation was introduced, which allows international corporations to set off profits and losses from subsidiaries. This might have devastating impacts on corporate tax revenues in Austria, a major accounting firm already called corporate taxes in Austria 'voluntary contributions'. If wealth and profit taxes in Austria were at the average EU level then Austria would have received around 5 billion Euro per year more in taxes, and so achieved a budget surplus - without budget cuts.

**Austria's role at the EU-Level** Austrian policies have also effects on the EU level. These are on the one hand indirect effects, through the maintenance of the banking secret which provides possibilities for tax evasion in other countries and through the participation in the race to the bottom of profit taxes. But there are also more direct influences. Austria is, together Belgium or Luxemburg, repeatedly blocking EU regulations designed to reduce negative effects of the tax race. These three countries refused to vote for the directive on exchange of information between member states on income from interest earned by foreign nationals. Despite the directive's shortcomings - its confined to interest income thus distorting allocation between interest-bearing and other forms

of investments and not taking into account all capital gains - this directive would be an important first step.

**Alternatives** There are more possible steps: Tax havens could be closed easier than it is generally thought because most of them are protectorates of industrialized nations which were deliberately developed to give wealthy people and companies the opportunity to avoid tax laws and regulations. They could be closed by simple means such as by informing foreign tax authorities about income of non-residents. The EU could further harmonize taxes on profits of corporations. The EU achieved a single currency thus it should not be a problem to harmonize corporation taxes. Austria could lift its bank secrecy and increase wealth taxes to the EU-average. Further the UN could collect a single solidarity tax for euro and dollar cash millionaires at a rate of 1% of their fortune. This would bring in 300 Billion Dollars per year, enough to end the worst poverty and environmental damage, and pave the way for sustainable development around the globe. An international taxation agency within the UN framework will ultimately be necessary to combat tax evasion and tax fraud on an international level. This institution could also levy international taxes on natural resources, on kerosene and on currency transactions.

How can the tax system be made fairer? Strategies of the tax-justice campaign In order to change policies public debates are necessary - a prerequisite for that is information about the tax system, its problems and about alternatives. It is not an easy task to inform a broad audience about the complicated and not very attractive topic taxes. Whereas other campaigns of Attac Austria 'happened' to turn out well, the tax justice campaign was the first campaign of Attac to have been planned and to a certain extent maneuvered strategically. The aims of the campaign were divided into different categories; namely discourse goals, positioning goals, mobilisation goals and goals of 'real politics'.

The first aimed at changing public views of tax evasion, making people more sensitive to the negative repercussions it has on the society. The principal audience were therefore journalists of high-quality media, the church's more progressive organisations, 'citoyens' and in general morally perceptive people. Attac tried to reach this persons in various ways. We produced a 15-minute film which demonstrates the consequences of tax reductions on the regional and local level. This filmlet is intended especially for discussions and lectures in communities, since revenues of local authorities have decreased as a result of international tax competition, while these local governments are the main providers of public services. In particular the linkage between taxes and expenditures for public infrastructure and services and the existence of alternatives on European and

national levels to make the tax system more equitable and enable it to finance important public services is stressed. One of the goals of the film is to make political representatives on the local level realise that their financial difficulties are linked to political decisions on the national and international level. And that it is not a long-term solution to fight with other communities or the states over the distribution of the available tax revenues. But that they should concentrate on the question why there is less money to distribute for all government levels. Thus the aim of the filmlet was to point to the broader context of the financial problems communities are experiencing.

Influence on the public discourse was reinforced by the positioning goal. This aimed at putting Attac into a position to be asked to participate actively in public debates concerning tax evasion. It was thus intended to make Attac an actor which was perceived by media and organisations close to us to be both professional and pro-taxation and that Attac would thus fill a vacuum in public discussions. This was tried to achieve by writing newspaper articles and opinion columns in local and national media. This was also helped by TV presence. On three occasions, Attac was present in nation-wide transmitted TV.

Mobilisation goals referred to the people active in Attac. Experience has shown that internal mobilisation was reached best by a common goal and activities. In addition, the heightened public attention Attac received during its campaigns led to notable increases of paying members. However, this campaign did not achieve the envisaged numerical results in this area.

Lastly goals for 'real politics' were specified, which hoped to attain specified legislation or credible commitment to Attac's demands by parties in government. The main addressee for activities in this field were politicians, but also party academies and pressure groups such as labour and business chambers or unions. Most hope for favourable reception existed with leftist organisations, but center-right parties were specifically to be approached since the majority of municipal governments come from this party. Particular emphasis was to be put on the municipal level as they feel the results of the tax race most immediately. Lectures were held across Austria where Attac has thus been able to reach a public not commonly susceptible to its arguments. On a municipal level, politicians of all parties were presented possible explanations of and solutions to their financial malaises. Printed material was produced and distributed. Among the material was a four-paged 'position paper' of Attac analyzing the history, current state, problems of and possible solutions for the Austrian but also European tax system. For those interested in the main information without details, Attac developed a pocket-folder showing the 12 main statements concerning tax systems. To avoid simplicity in this short space was a special challenge. Fur-

thermore, a home-page was built, again presenting the main message in a limited space and putting it in plain and understandable terms.

For an audience already familiar with the matter and to provide further education for activists, Attac organized a symposium in November 2005, whose lectures, discussion rounds and seminars allowed the participants to deepen their knowledge in several more specialized topics discussed by international experts from Switzerland, Germany and Slovakia.

The main problem of the Attac campaign was that several core activists were not able to put the effort which they had envisaged into the campaign. So for instance courses for future Attac lecturers took place, but there were few people holding lectures who they could accompany so as to take their first steps in becoming multipliers themselves. Furthermore, Attac had to realize that as an organisation it is not strong enough to promote an issue which is not supported by some external event or force in Austria's media landscape. It was certainly able to raise the topic of tax justice in some points and circumstances, but it did not manage to make it a question of general interest or of broad discussion.

Although it would therefore be exaggerated to call the campaign 'self sustaining' in the sense that Attac need not push it ahead, there are still remarkable successes in spreading the message. One of the goals of Attac's campaigns is to strengthen our topics in other organisations. Attac believes that it is necessary to strengthen progressive elements in society by breaking taboos and starting public debates on important topics. International trade and the WTO critique have already gone a long way, and the tax justice campaign will hopefully improve the public climate in this respect.

In the first half of 2006, during the Austrian EU presidency, Attac Austria will raise the campaign on the EU level while at the same time extending the topics. Economic policies of the European Union - especially tax policies - are often not concentrating on the well-being of people, but on the maximisation of profits. Lectures, discussion rounds and cultural events surrounding the Austrian EU presidency will claim the right of the people to 'our' EU. The campaign will culminate in an 'alternative ECOFIN' in April 2006 in Vienna, a conference to demonstrate scientific support for alternative economic policies.

One goal of this conference is to strengthen links between heterodox economists and Attac. The work of civil society groups like Attac depends vitally on alternative academic research. Scientific arguments play a central role in the justification of policies, and economic research has an important influence on public opinion. Thus, broader publicity of non-mainstream economic theories is necessary to increase public awareness of alternatives to common policy prescriptions. Attac therefore works for establishing broad coalitions between economists, activists and civil society to change neoliberal policies.

# Intellectual Trajectories: Paul Davidson

by Paul Davidson<sup>1</sup>

I have been a 'professional economist' for almost five decades. My career as an economist, however, began rather later than usual. I graduated from Brooklyn College in 1950 with majors in chemistry and biology. I never took a course in economics during my undergraduate years at Brooklyn College.

From 1950 to 1952, I went on to graduate training in biochemistry at the University of Pennsylvania where I easily completed my courses while working as an instructor in biochemistry at the Medical and Dental Schools of the University of Pennsylvania. I decided to do a Ph.D. thesis regarding DNA (this was before the discovery of the 'double helix'). Although I had enjoyed my teaching duties I quickly lost interest in biochemical research and withdrew from the program.

Not knowing what I would 'do for a living', I returned to New York and enrolled at City University of New York in a business program to prepare me for the world of commerce. While there I was required to take a course in the principles of economics. As a biochemist trained in the questions of experimental design and statistical inference, I was appalled by the misuse of empirical data by the leading econometricians at that time. It was then that I decided that this was a field where I could return to a teaching occupation that I had enjoyed, while making a mark for myself and a contribution to society and the economics profession.

In 1953, during the Korean War, I was conscripted into the US Army. I was properly identified as a scientific and professional person. After my basic military training as an infantryman I was assigned to an Army biochemical research team. After completing my military service I returned to City University to complete my course work and earn my MBA degree. At graduation I was the first recipient of the Leon Levy Award in Finance and Investments (Leon Levy was the prime benefactor in establishing the Levy Institute For Economic Research at Bard College).

While completing my work for the MBA, I applied to various universities for some form of Fellowship remuneration to study for a Ph. D. I received offers from MIT, Stanford, Brown, Chicago and the University of Pennsylvania. Given my biochemistry background I preferred to go to MIT.<sup>2</sup> The University of Pennsylvania, however, made an offer that was more than twice as large as the MIT stipend. Consequently, the "in visible hand" of graduate student fellowship money led me to enroll in the graduate economics program at the University of Pennsylvania.

There I came under the influence of Sidney Weintraub who was just completing his masterpiece *An Approach to the Theory of Income Distribution*, (Chilton Press, 1958). Sidney was the advisor on my doctoral dissertation, entitled *Theories of Relative Shares*, (Rutgers University Press, 1960). This dissertation explains my early interest in macroeconomics, and especially income distribution. My first academic job after receiving my Ph. D. was as an assistant professor at Rutgers University. My first published article, 'A Clarification of the Ricardian Rent Share', (*Canadian Journal of Economics*, 1959) was in this area of income distribution. Although Weintraub had an important influence on my thinking over the years, we collaborated only on one published paper "Money as Cause and Effect" (*Economic Journal*, 1972) which dealt with the question of exogenous vs endogenous changes in the money supply. The connection between inflation, income distribution, and money was only vaguely perceived by Weintraub in those days. His discussion of the Keynes's Finance Motive seemed to me oddly disjointed when combined with Sidney's masterful exposition of the aggregate supply-demand interdependence of Keynes's *General Theory*. It was not until I 'cracked the nut' of Keynes's Finance Motive analysis and showed my results to Roy Harrod (who happened to be visiting the University of Pennsylvania at the time), that I got a glimmer of the true role of money in the Keynesian Revolution. Harrod was very enthusiastic about my finance motive paper and sent it on to the editor of the Oxford Economics Papers with his recommendation for publication. With characteristic English reserve, Harrod wrote to me from Christ Church, Oxford, on 27 May 1964 indicating that he believed the editor "to be favourably disposed to it".

It was the publication of my 'Keynes's Finance Motive' article that provided me with the confidence to strike out on my own in attempting to integrate monetary analysis into Keynes's revolutionary *General Theory*. My paper "Money, Portfolio Balance, Capital Accumulation and Economic Growth" (*Econometrica*, 1968) was written in 1965 and submitted to *Econometrica* in March 1966. The paper began with a specific criticism of Tobin's 1965 *Econometrica* money and growth model. My paper presented an alternative approach to money and capital accumulation more in tune with Keynes's *General Theory*. My alternative to Tobin's 1965 accumulation analysis involved utilizing the ratio of the spot market price of capital to the forward market price for capital, i.e. the market price of existing real capital relative to the cost of producing new capital, as the relevant 'invisi-

<sup>1</sup>New School of Social Research, New York, USA, e-mail: pdavidson@utk.edu, web: <http://econ.bus.utk.edu/Davidson.html>. Paul Davidson is the editor of the Journal of Post-Keynesian Economics. He was one of the keynote speakers at EAEPE's 17<sup>th</sup> Annual Conference held in November 2005 in Bremen.

<sup>2</sup>Had I gone to MIT I would have probably been a student of either Paul Samuelson or Robert Solow.

ble hand' ratio directing the entrepreneurial determination of the rate of investment or disinvestment in real capital each period. This spot to forward price of capital ratio is, of course, the equivalent of the famous  $q$ -ratio that Tobin was to discover three years later in 1968.

The story of this paper's history from its submission until its publication in *Econometrica* two years later in 1968 may have a moral for fledgling economists just beginning their career. Nine months after submission, on 6 January 1967, Robert Stoltz, the editor of *Econometrica* sent back two referees' reports. He indicated that "Both referees have found much in the paper of merit, but both feel that it falls short of being publishable in its present form ... [because it] is not precise enough in its analytic content". Stoltz encouragingly indicated that he would be "very willing to consider a revision that would be more analytic in character". Both referees had noted what they perceived as a lack of analytical precision. One referee specifically stated his displeasure at the paper's "essayistic and nonanalytical character". Although the originally submitted manuscript that the referee's believed lacked "precision" utilized the same supply and demand geometric diagrams as the published paper, the original manuscript was devoid of any algebraic expressions. This absence of algebra was apparently the basis for the referees's characterization of the manuscript's 'non-analytical' character. I revised the paper by merely introducing a simple algebraic equation for each supply and demand relationship in the text just before the verbal description of these relationships and their geometric representations. The result was the addition of a total of fourteen equations. Otherwise, the textual exposition and geometric diagrams remained virtually unchanged. On 13 April 1967, the editor informed me that this revised version of the manuscript was now apparently precise enough for him to accept it for publication. I was overjoyed, and expected the editor would follow normal publication protocol and request a rejoinder from Tobin that would be published in the same issue as my paper. I thought a response from such an eminent economist as Tobin - even if his comments were very critical (which I could not conceive as possible) - would be extremely useful for promoting my standing in the economics profession. My paper was finally published in the April 1968 issue without any comment from Tobin. Instead, Tobin published a paper announcing his discovery of the  $q$ -ratio in a different journal later in the same year. Although I still believe this *Econometrica* article was one of my best papers, and even though it appeared in a very prestigious journal, it apparently failed to create any stir in the profession. I decided that it would be necessary to write a book which would tie all my thoughts on money and employment together in a bundle that could not be overlooked. That book, which was written during my

stay at Cambridge University in 1970-1, was *Money and The Real World* (Macmillan, 1972).

My visit to Cambridge was one of the most productive investments of my life. I gained tremendously from the almost daily interactions with Basil Moore (who was also visiting), as well as less frequent, but still fruitful, discussions with Nicky Kaldor, Richard Kahn, Michael Posner and Ken Galbraith (also visiting). Most important was my relationship with Joan Robinson. We immediately embarked on heated discussions regarding drafts of various chapters of my manuscript of *Money and The Real World*. Joan was clearly unhappy with my arguments regarding the Cambridge post-Keynesian approach. I remember her being particularly distressed with my criticisms of Kaldor's neo-Pasinetti theorem. After a few weeks of such discussions, she finally refused to speak to me further about my work. Nevertheless, almost every morning when I arrived at my office at the Faculty building on Sidgwick Avenue, I would find on my desk a blank sheet of paper with a question across the top in Joan Robinson's easily recognizable handwriting. Just as she would when she tutored an undergraduate student at Cambridge, Joan was setting me a daily essay to write. I diligently wrote my answer and when she went up for morning coffee, I would place the paper with my answer to her question on the desk in her office. After lunch I would find my essay paper back on my desk with her easily recognizable scrawl indicating why the various points I had made in my essay were either wrong-headed or just plain wrong. I learned a tremendous amount from these daily essay exercises - and, although she did not admit it at the time, I believe so did Joan Robinson. For in the years following my visit to Cambridge, I would often receive notes from Joan indicating when she especially liked a published paper of mine. For example, on 3 July 1978 she wrote about my paper 'Money and General Equilibrium' which was published in the French journal *Economie Applique* (1977) - a journal produced by the Institut des Sciences Mathematiques et Economiques Appliquee, or ISMEA) - "I much enjoyed your piece in ISMEA. I hope you will put the same points where they will be read in the USA." And on 13 September 1978, regarding my paper "Why Money Matters" that appeared in the inaugural issue of the *Journal of Post Keynesian Economics* (1978) [JPKE], Joan wrote: "I like your piece about 'crowding out'. This ought to settle the matter."

My friendship with John Hicks began after we met at the International Economics Association's Conference on The Microfoundations of Macroeconomics in 1975 at S' Agora in Spain. The invited participants at this conference represented various schools of thought: neoclassical Keynesians, Monetarists, General Equilibrium Walrasian theorists, and the emerging group of what was to be called Post Keynesians. All the participants apparently agreed



that the meeting was a failure. Hicks recognized this in his introduction to the final meeting of this conference where he stated that "our discussions had so far not done what we had set out to do. We had met to discuss a rather central issue in economics; but it had been shown that economists were not in a good state to discuss central issues ... we were each shooting off on our own paths, and we were lucky if we could keep in sight even our closest neighbour" (quoted in *The Microfoundations of Macroeconomics*, edited by G. C. Harcourt, Macmillan, 1977, p. 373). Nevertheless, Hicks told me after he heard my paper "Discussion of Leijonhufud's Social Consequences of Inflation" (printed in *The Microfoundations of Macroeconomics*, Macmillan, London, 1977) that he [Hicks] believed that his views on the microfoundations of macroeconomics were closer to mine than to anyone else's at this conference. After this S' Agora conference, Hicks and I started to correspond and I believe I had some impact on his changing view regarding the importance of ISLM model. Hick's ultimately rejected the ISLM approach in an article published in the *Journal of Post Keynesian Economics*. In our continuing correspondence and at several personal meetings at the Atheneum in London and at his home in Blockley during these years, Sir John provided me with some very useful insights - which though difficult to specify, no doubt had an influence on my developing thought, especially in regard to time, liquidity, contracts and expectations. On 13 February 1983, Hicks wrote to me regarding my paper 'Rational Expectations: A Fallacious Foundation' (*Journal of Post Keynesian Economics*, Winter 1982-83): "I do like it very much. I have never been through that RE literature; you know that I don't have proper access to journals; but I had just enough to be put off by the smell of it. You have now rationalized my suspicions, and have shown me that I have missed my chance, of labelling my own point of view as non-ergodic. One needs a name like that to ram a point home."

My interest in resource economics developed from a brief interlude in my academic career in 1960-1, when, because of my low salary at Rutgers University and the financial needs of my growing family, I took a position as the Assistant Director of the Economics Division of the Continental Oil Company (Conoco) in Houston, Texas. At Conoco, I headed a small group of staff economists who were primarily involved in providing economic projections and evaluating investment projects for the Management Executive Committee of the corporation. The experience of participating in managerial decisions of a large corporation, even though it was in a staff rather than line position, was invaluable in clarifying in my mind the fundamental flaws of the neo-classical theory of entrepreneurial expectation formation and decision-making. My 1963 *American Economic Review* article "Public Policy Problems of the Domestic Crude Oil Industry" represents the distilla-

tion of analytical arguments that I developed (based on Keynes's "user cost" analysis of *The General Theory*), while working for Conoco, to affect both the decision making of management at Conoco and the positions the corporation should take relative to the new economic policy agenda of President Kennedy. Although I do not believe that I was very successful in changing Conoco's strategies, I apparently impressed the President of the firm sufficiently that he asked me to help write his public speeches - which in those days were numerous. My AER paper regarding the domestic crude oil industry was apparently quite well regarded in the profession. Several well-known scholars in the field, for example A. F. Kahn, M. Adelman and R. H. Heflebower, initiated some further correspondence and discussions with me. Years later, when A. F. Kahn was appointed the US "energy czar" by President Jimmy Carter, Kahn invited me to his office in the Executive Office Building for a one-on-one discussion of US energy problems and policies. One of these kind people, i.e., Kahn, Adelman, or Heflebower - I never found out which one - recommended my name to Allen Kneese of Resources for the Future (RFF) as a potential principal investigator on the demand for water recreational activities. Apparently, Kneese did not believe in the age-old adage that oil and water do mix. Kneese and RFF provided a generous grant for me to do an empirical study of 'The Social Value of Water Recreational Facilities'. The results of my study 'The Social Value of Water Recreational Facilities Resulting from an Improvement in Water Quality in an Estuary: The Delaware - A Case Study', was published in a RFF volume entitled *Water Research*, (edited by A.V. Kneese and S.C. Smith, John Hopkins University Press, 1966). The success of this initial study brought forth new invitations to take on additional environmental studies, e.g., 'An Analysis of Recreation Use of TVA Lakes', (*Land Economics*, 1968) and 'An Explorator Study to Identify and Measure the Benefits Derived From the Scenic Enhancement of Federal - Aid Highways' *Highway Research Record*, 1967. A further invitation to undertake a massive empirical study of two national recreation surveys for the US Bureau of Outdoor Recreation resulted in a book entitled, *The Demand and Supply for Outdoor Recreation* (Washington: Government Printing Office, 1968). In 1973, with the OPEC embargo and resulting oil price spike, the question of crude oil and energy was again on the nation's mind. Art Okun of the Brookings Institution contacted me and asked me to do an analysis regarding oil production and consumption and President Nixon's Project Independence. At approximately the same time, people at the Ford Foundation's Energy Policy Project requested a study regarding incentives and the oil industry. My studies for the Brookings Institution and Ford Foundation were "Oil: Its Time allocation and Project Independence" *Brookings Papers on Eco-*

*conomic Activity*, 1974, and 'The Relations of Economic Rent and Price Incentives to Oil and Gas Supplies' in *Studies in Energy Tax Policy* edited G. M. Brannon, Ballinger Publishing, Cambridge, Mass, 1975. During the 1970s, the 'energy problem' was continually on the public's mind. Between 1973 and 1979, I was asked to testify nineteen times before various Congressional Committees on some aspect of this problem.

In 1980, I decided that Keynes's General Theory analysis had been (wrongly) discussed primarily in a closed economy context. With the growth of a global economic perspective, I decided Keynes's analysis had to be presented in a clear and unambiguous open economy context. Accordingly with the publication of my book *International Money and the Real World* (Macmillan, London, 1982) I began two decades of work on bringing the principle of effective demand into contact with the real world economic problems of a globalized economy. This required integrating Keynes's Bretton Woods analysis with his General Theory framework as well as explaining (1) why the Ricardian law of comparative analysis was a classical theory holdover that had little importance for modern developed economies in a globalized trading system and (2) full employment stability for a global economy was not a question of fixed vs. flexible exchange rates. What was required was changing the rules of the economic game so that the onus of adjusting to persistent deficits in a nation's current account was shifted primarily to the creditor and not the debtor nation. The result was my proposal for new international financial architec-

ture via an International Monetary Clearing Unit institution (or IMCU). My work on the open globalized economy culminated in my book *Financial Markets, Money and The Real World* (Elgar, Cheltenham, 2002). By the early 1990's I felt that all the available macroeconomic textbooks had abandoned any semblance of Keynes's *General Theory* analysis. Accordingly I wrote what I hoped would be a widely adopted macroeconomics textbook that would re-install Keynes's principle of effective demand into macroeconomic textbooks. My book was entitled: *Post Keynesian Macroeconomic Theory: A Foundation for Successful Economic Policies for the Twenty-First Century* (Elgar, Cheltenham, 1994). I have been disappointed by the unwillingness of even heterodox economists to accept this book as a useful first step tool to displace the conventional orthodoxy of our professional colleagues.

As I look over the almost fifty years of my professional activities. I have very little regrets. David Colander has told me that I would have been more successful in the profession if I could have been more accommodating to my mainstream professional acquaintances in tailoring my brand of Post Keynesian economics to fit within their view of economics. I have preferred my attempts to propagate Keynes's revolutionary analysis of our entrepreneurial system even if they have not met with the full measure of success that I had hoped for, rather than bending my knee to their classical theory based vision of macroeconomic problems.

November 2005

## FEED

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# Book Review: 'The Past and Future of America's Economy. Long Waves of Innovation that Power Cycles of Growth'

by Angelo Reati<sup>1</sup>

Atkinson, Robert D. (2004). *The Past and Future of America's Economy. Long Waves of Innovation that Power Cycles of Growth*, Cheltenham: Edward Elgar, 368pp. Hardback 1843769557 £67.50, 368pp. Paperback 1845425766 £23.96

The author is a senior member of the Progressive Policy Institute, Washington DC, a pro-business think-tank for the US Democratic Party. In this easy-reading and interesting book he provides a description and assesses the problems of the so-called 'new economy' - i.e. the economy resulting from the technological revolution in ICT that started in the 1970s. The theoretical inspiration of the book is the long-wave theory, a conceptual framework that is particularly useful to understand what is happening now and that, by the same token, can provide the best guidelines for economic policy. Indeed, what the author names the 'new economy' is the fifth long-wave of the history of capitalism that, in the USA, begun around 1995.

The book is divided in two parts. Part I starts with a general introduction to long-wave theory, which is followed by a detailed description of the progressive unfolding of the fifth long wave. Part II is on the economic policy that can result from the previous analysis.

The first two chapters of part I are introductory. In chapter 1 Atkinson explains briefly and persuasively why and how the US developed into a 'new economy'; in chapter 2 he surveys the long-wave theory, referring essentially to Schumpeter and to few other scholars such as Christopher Freeman and Carlota Perez. While, on the whole, this chapter is satisfactory, I was surprised by the neglect of other major contributions of the Schumpeterian school (Nelson, Winter, Dosi, Soete, Lundvall, just to quote the most prominent scholars), that provided crucial theoretical advances to the understanding of the process of diffusion of technological change by relating it to the type and structure of organisations and institutions and by elaborating new concepts such as the technological paradigms and trajectories as well as the national systems of innovation.

Chapter 3 describes the second, third and fourth long waves in the USA (from the 1840s to the 1990s) considering the technology system, the new forms of business organization, the urban system and the gov-

ernance. The analysis of these waves is interesting and well presented, although it does not rely on the deeper theoretical support that we find in other studies (for instance Freeman and Louçã (2001)). The focus on the US induces the author to ignore the first long-wave (1780s-1848), as it was a European phenomenon led by Britain, France and Belgium and followed by the German States and the Netherlands.

Chapters 4, 5 and 6 are dedicated to 'today's entrepreneurial, knowledge based economy' which is 'a combination of a new technology system, a new global marketplace, a new organization of work and business, and a new workforce' (p. 95), that is, the fifth long wave. This reference to long-waves provides the thread for the thorough and very interesting description of the 'new economy' that appears in chapter 4. Chapter 5, on the productivity issue, recalls, first, the fundamental cause of the productivity slowdown of the 1970s, resulting from the fact that 'the dominant technological path was exhausted and further gains came with increasing difficulty' (p. 147). Then the author convincingly addresses the 'productivity paradox'<sup>2</sup>, explaining that it was due to the fact that, in the 1980s and early 1990s, ICT were not cheap enough, not well developed and firms did not use computer networks. Since 1995 the phenomenon has statistically disappeared (in the USA, at least), although further progress is needed in linking firms into networks. The digital economy will raise productivity in at least three ways, by: (i) machine-to-machine communication, that will replace person-to-person interaction; (ii) person-to-computer communication, that will lead to widespread self-service applications; (iii) re-engineering internal processes of firms and automate interactions with suppliers and business customers. The emerging economy will thus be characterized by a minimal amount of paper transactions, the automation of routine telephone transactions (via the reduction of telephone operators), the minimization of face-to-face transactions through the development of self-service transactions and, in general, the elimination of intermediaries by the e-commerce.

Atkinson considers all these developments as unambiguous steps towards progress and strongly criticizes all those who oppose such changes. This is the theme of chapter 6 ('The new economy and its discontents'), that concludes part I. Atkinson's attack to what he calls the 'anti-progress forces' is radical

<sup>1</sup>av. Emile de Beco 55 - 1050 Bruxelles, e-mail: [angelo.reati@skynet.be](mailto:angelo.reati@skynet.be).

<sup>2</sup>'We see computers everywhere but in the productivity statistics', (Solow.)

and ranges on 360°, covering business protectionism acting against e-commerce, the Unions who resist labor saving automation, consumer groups who protect 'the rights of consumers against business, even if the result is lower productivity' (p. 194), the civil society that opposes genetically modified organisms, therapeutic cloning and stem cells research as well as globalization.... He admits that all these organizations have 'important and vital roles to play', but they can do this 'without opposing productivity-enhancing changes that benefit all Americans' (p. 200). In any case, 'ultimately the liberating forces of the new technology will win out' (id.).

The second part of the book - on economic policy - is based on the (right) idea that the main task of government action is to foster the full disclosure of the new economy potential. The topic is introduced by a chapter on the policy legacies of the past where, among other things, the author emphasizes 'the failure of the left's and right's economic doctrines' to promote productivity. He writes: 'the right wants to cut taxes...to drive investment. The left wants to give more money to workers to drive consumer demand. [...] Neither liberal nor conservative economics focuses on the right goal, helping consumers. [...] But while over 45 percent of Americans are investors, 100 percent are consumers. [...] While 71 percent of American adults are workers, 100 percent are consumers (sic !). [...] The interests of workers are not always the same as the interest of consumers and the overall economy. [...] The only long-term answer to improving economic well-being is to boost productivity' (p. 241).

The suggested policies (chapters 8 and 9) are not particularly new (at least for the European reader); they should: (i) stimulate technological innovation and R&D; (ii) foster the transformation to a digital economy; (iii) boost education and skills; (iv) promote entrepreneurship. All this should be done maintaining fiscal discipline.

The book ends with a panegyric on 'Building a more humane economy' (chapter 10) in which, after declaring his faith that 'today's New Economy is unleashing a host of forces that could enable a more humane economy' (p. 298), the author strongly criticizes the liberal elements of the Democratic party that 'often place less emphasis on productivity-oriented policies and more on redistributionist ones' (p. 325), and who 'even question the benefit of productivity' (ibid.). 'With some Americans still mired in poverty<sup>3</sup> and some workers still exploited on the job, many liberals will see a humane economy agenda<sup>4</sup> as a luxury that diverts attention from the real job of boosting opportunity for those at the bottom of the labor market' (p. 326). This kind of criticism, that in my view does not deserve com-

ments, leads me to evince the less valuable points of the book.

I think, for instance, that the accent the author puts on consumers is excessive and misplaced: what is the advantage of having cheaper products and wider choice if, at the same time, the consumer loses his/her job and there is no realistic possibility of finding an equivalent one within a reasonable delay? E-commerce certainly improves productivity. However, considering the absence of personal relationships that it entails, can it be always considered as a step towards a more humane economy? Also, what about the loss of personal contact with doctors or the absence of chemist's counseling that results from e-medicine? As one 'leading liberal economist' quoted by Atkinson - and wrongly criticized by him - stated: 'automation and high productivity in areas such as health care, education, and entertainment are sign of a poor society, not a rich one, and should be resisted' (p. 325).<sup>5</sup>

The author strongly and repeatedly argues in favor of productivity: in his view, everything should be subordinated to productivity growth. Everything is positive as long as it serves productivity. Obviously, generally speaking productivity increase is positive. However, is it really desirable to put the productivity objective above any other goal, such as a more egalitarian or convivial society? Also, how can the productivity goal justify the neglect of fundamental ethical principles? Atkinson does not state this clearly (he would even say the opposite!), but what I said is just a crude way to make the true meaning of his positions explicit.

To conclude, I think that the theoretical reference to long-waves in this book is particularly good, not only to understand what is happening now but also to direct economic policy. I also agree with the author's idea that (one of) the main task of economic policy is to favour the full deployment of the incipient long-wave (Reati and Toporowski (2004)). However, I am far from sharing his enthusiasm for everything that is announced under the label of the 'new economy'. In particular, I would be very reluctant to sacrifice everything on the altar of productivity, on the naive faith that it will solve all our problems: everybody will be richer, new technologies will substantially improve working conditions, people will benefit of more leisure time.... One of the merits of this book will be to stimulate the reader to think on these themes and help him to form his personal opinion.

<sup>3</sup>Consider that the word 'some' means 31 million persons (datum on p.323), i.e. slightly more than 10% of total US population!

<sup>4</sup>In clear, an economy all centered on productivity.

<sup>5</sup>Unfortunately the author does not give the name of the 'leading liberal economist' he refers to.

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# Book Review: 'The Economics of Demand-led Growth. Challenging the Supply-side Vision of the Long Run.'

by Engelbert Stockhammer<sup>1</sup>

Mark Setterfield (ed): *The Economics of Demand-led Growth. Challenging the Supply-side Vision of the Long Run.* Cheltenham: Edward Elgar 2002, 320pp., Hardback ISBN 1840641770 £71.10

Growth theory has experienced a revival in the last decades and half. This is not only witnessed by the rise to prominence of endogenous growth theory, but probably even more so by the fact that most (intermediate) Macroeconomics textbooks have been reorganised such that growth theory, which usually means the Solow model, is presented before the short run analysis such as the ISLM scheme. Both the Solow model and endogenous growth theory are essentially supply-side theories of growth, though government policies can matter in endogenous growth models. The book *The Economics of Demand-led Growth* edited by Mark Setterfield aims at collecting various schools of growth theories that emphasise the role of demand in the determination of growth. Three families of growth theories are presented in the book: Kaldorian growth theory, Kaleckian growth theory and Transformational Growth Theory. The book is organised in five parts. Part One prepares the ground in discussing general issues of demand-led growth theories. In fact, what the authors of this part are referring to are Keynesian demand-led theory (thus not the Transformational growth theory). *Mark Setterfield* in his useful intro-

duction points out key differences to neo-classical growth theory. First, "the role of demand in influencing the utilization of productive resources is understood to be chronic: there is no supply-determined equilibrium acting as a centre of gravity towards which the level of economic activity is inevitably and inexorably drawn." (p. 4) Second, "the very development of productive resources over time is influenced by demand. Supply conditions do not define the potential output path of the economy independently of the demand-determined actual output path." (p. 4) *Tom Palley* discusses the relation between neo-classical, endogenous and Keynesian growth theories. *Halevi and Taouil* take the Marxian theory of accumulation as their starting point and then show how a changes in capacity utilization undermine the profit-wage trade off and open the way to a role for investment in determining output. *H. Sonmez Atesoglu* provides some evidence that investment, government expenditures, export and real money supply affect output in the long run. While interesting in its own right, his analysis remains preliminary in that it does not address the issue of causality and thus cannot discriminate between competing theories. Part Two deals with Kaldorian growth models with endogenous productivity growth depending on demand growth and demand growth depending crucially on export growth, thus allowing for what is called cumulative causation.. *Setterfield and Cornwall* present a neo-such a model and point out that the parameters of such a model will be de-

<sup>1</sup>Vienna University of Economics and Business Administration, Austria, e-mail: Engelbert.Stockhammer@wu-wien.ac.at.

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terminated by the institutional regime, i.e. they will vary with institutional changes. Another variante of the Kaldorian models, the Balance of Payment Constraint Growth (BPCG) model is discussed by *McCombie and Roberts*. Following the seminal work by Thirlwall 1979 it is argued that in the long run growth will crucially depend on export growth. Neither devaluation nor capital inflows are regarded as effective in the long run to loosen balance of payment constraints. In the final paper of this part Palley offers a critique of the BPCG focusing on the issue of variable capacity utilisation. He argues that variable capacity utilisation is an inappropriate assumption for long run models and proposes an alternative model that effectively makes demand growth adjust to supply growth. After reading this part the reader wonders, why no mention of the French regulationists, in particular the work of Robert Boyer was made. Boyer based his theoretical model explicitly along neo-Kaldorian lines and Setterfield and Cornwall's "institutional regime" seems close to, if less developed than, the "mode of regulation". Part Three is on Kaleckian growth models. These assume exogenous income distribution and variable capacity utilisation. *Robert Blecker* offers an excellent survey of neo-Kaleckian growth models and focuses on the question of whether an exogenous change in income distribution will have a positive or negative effect on growth. The other two papers deal with complementing standard Kaleckian growth models with conflict inflation models. *Marc Lavoie* uses the latter to address the issue of whether propose capacity utilisation is flexible in the long run. He proposes a model where deviations from the target profit rate leads to adjustment behaviour on part of capitalist, but utilisation is still variable in the long run. *Mario Cassetti* offers a sophisticated taxonomy and formal analysis of dynamics that a Kaleckian growth model cum conflict inflation can give rise to. It remains unclear however, why two papers on conflict inflation were included, rather than other extensions such as interest rate policies or labour markets. Part Four consists only of one paper where Setterfield tries to reconcile Kaldor's demand to abandon the notion of equilibrium for the notion of history with Kaldorian growth model that are essential equilibrium models. In doing so he elaborates the notion of the traverse, which describes the adjustment path from one equilibrium point to another. He emphasises that such a adjustment may take too long to be economically relevant that the equilibrium points. Moreover the equilibria themselves may be changed in course of adjustment. Rather than forming a separate part, this paper would have fit well in the Part One. In Part Five models of Transformational Growth are

discussed. This theory emphasises the structural dynamics that stem from changes in the composition of demand. Demand for particular goods are tied to certain lifestyles that are historically dynamic and tied to class and other identities. Due to the desire to move up the social ladder, new lifestyles are created. For each good, thus, Engels curves hold, with new products being developed. *George Argyros* gives a broad sweep of economic history from the pre-industrial age to mature capitalism. *Edward Nell* presents the theory more formally and *Petit and Soete* discuss the effects of technological change on distribution and consumption pattern. For the latter it is not clear why it is found in a collection of demand-led growth theories. Given the one-sidedness of the current revival of growth theory the book is a welcome contribution to broaden the analysis of growth. Does it live up to its aims? How successful is the challenge of the Supply-side Vision as written in the subtitle? The theories presented are well chosen and represent the currently most debated demand-led approaches. The contributions are readable for the interested general economist as well as for the expert in the field. In particular, *McCombie and Roberts* and *Blecker* provide useful surveys and *Setterfield and Cornwall* and *Nell* provide good introductions. A serious omission is a final chapter that compares the theories discussed. Are the theories competing or complementary? Only in the Second Part is a critical paper included. It would have been refreshing to have some critical discussion also on the Kaleckian and the Transformational approaches. The book is certainly successful in presenting different approaches and thus highlighting the very existence of a different way of looking at the process of economic growth. It is short on a critique of the mainstream discussion. More importantly, it becomes apparent how far a way heterodox economists still have to go in seriously challenging the mainstream. The theories and debates presented are still concerned with rather fundamental model building. The empirical arguments often remain sketchy compared to the extensive econometric work done by neoclassical growth theorists. Moreover, many of the hotly debated issues of the current debate like explaining cross-country differences in economic performance or the role finance, to name but a two, are hardly touched upon. Applications like these will arguably be necessary to eventually impact on economic policy formation. While this shows the limitations of the book, it also illustrates the need for it. The book is a valuable collection of state-of-the-art articles on the subject and is recommended as starting point for further research on demand-led growth theories.

# Publications

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Further details and instructions to authors for submission can be found on the EAEPE web site <http://eaepe.org/> or directly at the web site of the publisher Cambridge University Press [http://www.cambridge.org/uk/journals/journal\\_catalogue.asp?historylinks=ALPHA&mnemonic=JOI](http://www.cambridge.org/uk/journals/journal_catalogue.asp?historylinks=ALPHA&mnemonic=JOI).

## Table of Contents of the recent JOIE issue: vol. 1(1), May 2005

- **Editorial:** Introduction to the inaugural issue by the Editor-in-Chief Geoffrey M. Hodgson

### • Research articles

- 'What is an institution?' by John R. Searle
- 'Market and state: the perspective of constitutional political economy' by Viktor J. Vanberg
- 'Models of knowledge and systems of governance' by Cristiano Antonelli
- 'Endogenizing fractionalization' by Peter T. Leeson
- 'Why only some industries unionize: insights from reciprocity theory' by Sean Flynn

### • Fragments

- 'The present position of economics' by Alfred Marshall

## Table of Contents of the recent JOIE issue: vol. 1(2), December 2005

### • Research articles

- 'On the evolutionary character of North's idea of institutional change' by Michel Zouboulakis
- 'The coevolution of morality and legal institutions: an indirect evolutionary approach' by Werner Güth and Axel Ockenfels
- 'Ideology, interest groups, and institutional change: the case of the British prohibition of wages in kind' by Elaine S. Tan
- 'Improving institutional incentives for public land management: an econometric analysis of school trust land leases' by Matthew H. Bonds and Jeffrey J. Pompe
- 'Institutionalism, critical realism, and the critique of mainstream economics' by Matthew Wilson

### • Fragments

- 'Institution' by Walton H. Hamilton

### • Miscellaneous

- List of Referees

For viewing the abstracts go to <http://journals.cambridge.org/action/displayJournal?jid=JOI>.

## Publications by EAEPE Members and PhD abstracts

In this section we list recent or forthcoming publication by EAEPE members. It is necessarily incomplete, but it should give EAEPE members an overview on the work of other EAEPE members. We therefore invite all, but especially less senior or younger EAEPE members to submit to the editors a list of their publications published or forthcoming the year 2005, together with web-links to the work and a short abstract. This is a way to inform other people about your research.

### Papers

1. Boucher G., Collins, G. (2005). The New World of Work: Labour markets in Contemporary Ireland, Dublin: Liffey Press.
2. Collins, G., Wickham J. (2006). Experiencing Mergers: A Woman's Eye View. In Risberg, Annette (ed) *Mergers and acquisitions: A critical reader*. London: Routledge.
3. Collins, G. (2006). Germs, Globalisation and Gender: The Making of a Food Scare. *Irish Sociological Chronicles* 5. Edited by Mary P. Corcoran and Michel Peillon.
4. Collins, G. (2005). Seven Reasons why Mergers are Gendered. *Gender Work and Organisation* 12, 270-289.
5. Collins, G., Browne, J. (2005). Taking fathers seriously: A study of flexible working in an Irish Company. In Boucher G. and Collins G. (eds.) *The New World of Work: Labour markets in Contemporary Ireland*. Dublin: Liffey Press.
6. Collins, G. (2005). Trust in post-bureaucratic organizations in Finch, J. and Orillard, M. (eds.) *Complexity and the Economy. Implications for Economic Policy*. Cheltenham: Edward Elgar, 247-278.
7. Collins, G., Wickham, J. (2004). Inclusion or exploitation? Irish women enter the labour force, *Gender, Work and Organization* 11, 26-46.
8. Hölzl, W. (2005) Tangible and intangible sunk costs and the entry and exit of firms in a small open economy: The case of Austrian manufacturing. *Applied Economics* 37, 2429-2443.
9. Hölzl, W. and Reinstaller A. (2005). Sectoral and aggregate technology shocks: is there a relationship?, *Empirica* 32, 45-72.
10. Klein Woolthuis, R., Hillebrand, B., Nootboom, B. (forthcoming). Trust, contract and relationship development. In *Organization Studies*.
11. Reinstaller, A. (2005). Policy entrepreneurship in the co-evolution of institutions, preferences, and technology. Comparing the diffusion of totally chlorine free pulp bleaching technologies in the US and Sweden. *Research Policy* 34, 1366-1384.
12. Reinstaller A., Sanditov B. (2005). Social structure and consumption: on the diffusion of consumer good innovation, *Journal of Evolutionary Economics* 15, 505-531.
13. Wickham, J., Collins, G. (2004). The Call Centre: A Nursery for New Forms of Work Organisation, *Service Industries Journal* 24, 1-18.
14. Wuyts S., M. Colombo, S. Dutta & B. Nootboom, Empirical tests of optimal cognitive distance, forthcoming in *Journal of Economic Behaviour and Organization*.

### Monographs

1. Morroni M., *Knowledge, Scale and Transactions in the Theory of the Firm*, forthcoming May 2006. Hardback ISBN-10: 0521862434. Cambridge: Cambridge University Press, Cambridge, <http://www.cambridge.org/uk/catalogue/catalogue.asp?isbn=0521862434> £50.
2. Dolfsma W. and Soete L., *Understanding The Dynamics Of A Knowledge Economy*. Cheltenham: Edward Elgar. Forthcoming in April 2006 (see section EAEPE Books for details).
3. Rodriguez Fuentes, C. J. (2005), *Regional Monetary Policy*. London: Routledge. Hardback ISBN : 0-415-32763-6, £70.00.
4. Finch, J. and Orillard, M. (2005), *Complexity and the Economy Implications for Economic Policy*. Cheltenham: Edward Elgar. Hardback ISBN 1-84376-668-X, £75.00.

### EAEPE Books

EAEPE has published a list of volumes with Edward Elgar Publishing. These volumes are available to EAEPE members at a highly discounted price from Laura Wyer at the Publicity and Marketing Department Edward Elgar Publishing. Details are available at the EAEPE web site under the <http://eaepe.org/eaepe.php?q=node/view/62>. We invite the readers to visit this page.



## Recently published or forthcoming volumes

**Complexity and the Economy Implications for Economic Policy.** Cheltenham: Edward Elgar. Hardback ISBN 1-84376-668-X, £75.00.

Edited by John Finch, Senior Lecturer in Economics, University of Aberdeen Business School, UK and Magali Orillard, Professor, GREQAM, Université Paul Cézanne Aix-Marseille III, France. Complexity and the Economy brings together a range of perspectives from internationally-renowned scholars. The book surveys conceptual approaches to understanding complexity as a key subject in evolutionary and political economy.

The authors examine the causes and consequences of complexity among the broadly economic phenomena of firms, industries and socio-economic policy. The book makes a valuable contribution to the increasingly prominent subject of complexity, especially for those whose interests include evolutionary, behavioural, political and social approaches to understanding economics and economic phenomena. Complexity has become something of a leitmotif among scholars with these interests. This book contributes specific, distinctive and policy-oriented elaborations, criticisms, applications and analyses of economic phenomena as interpreted complexly.

Drawing together strands of research with the aim of applying complexity theory, this book will be of great interest to researchers of political economy and evolutionary economics.

Recently the EAEPE series has been relaunched with the aim to produce more focused volumes consisting of conference contributions but also invited papers. The first book in the relaunched series is forthcoming in April 2006:

**Understanding The Dynamics Of A Knowledge Economy**, forthcoming in April 2006, 256pp., Hardback ISBN 1845423070, Cheltenham: Edward Elgar £58.50.

Edited by Wilfred Dolfsma, Economist and Philosopher, Erasmus University Rotterdam and Maastricht University, Corresponding Editor, Review of Social Economy and 2005/6 NIAS Fellow, The Netherlands and Luc Soete, Joint Director, United Nations University-Institute for New Technologies (UNU-INTECH) and the Maastricht Economic Research Institute on Innovation and Technology (MERIT) and Professor of International Economics, Maastricht University, The Netherlands

The 'knowledge economy' is a concept commonly deemed too ambiguous and elusive to hold any significance in current economic debate. This valuable new book seeks to refute that myth. Presenting an important collection of views, from a number of leading scholars, this innovative volume

visibly demonstrates that knowledge and information are a prime resource in driving the dynamics of an economy.

It is argued that in order to understand the knowledge economy, a diverse set of insights and approaches are required, which shed new and striking light on the roots of present day economic dynamics. Using both theoretical and empirical material, this interdisciplinary collection offers a range of macro and micro perspectives. It draws on a variety of scientific backgrounds, and uses and develops a number of different methodologies, some of which may not be familiar to mainstream economics. The approaches adopted by historians, economists, systems theorists, management scholars and geographers which are explored in this book, are central to encouraging a new and practical way forward in reading the dynamics of the knowledge economy.

In offering these key insights, this important volume makes an invaluable contribution to the lively debate surrounding the knowledge economy. An essential read for economists, this book will also find widespread appeal amongst scholars of management, cultural studies and geography.

More details are available under [http://www.e-elgar.co.uk/Bookentry\\_Main.lasso?id=3799](http://www.e-elgar.co.uk/Bookentry_Main.lasso?id=3799)

## Other electronic Newsletters and Reviews of interest to EAEPE members

### Fred Lee's Heterodox Economics Newsletter

The Fred Lee's Heterodox economics newsletter Fred Lee maintains a email list of people interested in heterodox economics issues. He also maintains a website <http://1.web.umkc.edu/leefs/htn.htm> which has information on calls for papers, conferences, jobs vacancies, papers, journals, books and website. In fact pretty much everything that is going on in heterodox economics. He produces a regular newsletter which is posted out on email and is on the site (check out the latest issue at <http://1.web.umkc.edu/leefs/htn21.htm>). If you are not on his mailing list, how have you escaped? If you would like to be on this very useful list contact Fred on [leefs@umkc.edu](mailto:leefs@umkc.edu).

### The Post-Autistic Economics Review

The Post-Autistic Economics Review is edited by Edward Fullbrook and publishes on a regular basis articles by heterodox economists on methodological issues. Please visit the web site [http://www.btinternet.com/~pae\\_news/join.htm](http://www.btinternet.com/~pae_news/join.htm).

## Journals with reduced-rate subscriptions for EAEPE members

Paid-up EAEPE members receive substantial discounts on subscriptions to the following five journals

### Cambridge Journal of Economics

Among all general and heterodox, economics journals in the world, the CJE is consistently the most highly-cited. Founded in the tradition of Marx, Keynes, Kalecki, Joan Robinson and Kaldor, the CJE provides a focus for theoretical, applied, interdisciplinary and methodological work, with strong emphasis on realism of analysis, the development of critical perspectives, the provision and use of empirical evidence, and the construction of policy.

The editors welcome submissions in this spirit on economic and social issues. Articles should be submitted in triplicate to Ann Newton, Faculty of Economics and Politics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DD, UK.

EAEPE members are entitled to a 20% discount. The reduced rate is £37.60/\$60 (normally £47/\$75). Contact: Journals Marketing Dept, Oxford University Press, Walton Street, Oxford OX2 6DP, UK. Tel: (44) 1865 556 767.

### Industrial and Corporate Change

An interdisciplinary journal committed to the study of corporate and industrial change, drawing from disciplines such as economics, sociology, organisation theory, political science, and social psychology. Topics covered include: internal structures of firms, history of technologies, evolution of industries, nature of competition, decision rules and strategies, firms and their institutional environment, management and workforce, performance of industries over time, labour process and organisation of production, relationships between and boundaries of organisations and markets, nature of the learning process underlying technological and organisational change.

EAEPE members are entitled to a 20% discount. The reduced rate is £39.20/\$68.80 (normally £49/\$86). Contact: Journals Marketing Dept, Oxford University Press, Walton Street, Oxford OX2 6DP, UK. Tel: (44) 1865 556 767.

### International Review of Applied Economics

IRAE is devoted to practical applications of economic ideas. It embraces empirical work and the application of economics to the evaluation and development of economic policies. The interaction between empirical work and economic policy is an important feature of the journal. The journal is inter-

national in scope. Articles that draw lessons from the experience of one country for the benefit of others, or make cross-country comparisons are particularly welcomed. Contributions which discuss policy issues from theoretical positions neglected in other journals are also encouraged.

Malcolm Sawyer is the editor of the IRAE at the School of Business and Economic Studies, University of Leeds, Leeds LS2 9JT, UK. Tel: (44) 1532 334484. Email: mcs@bes.leeds.ac.uk EAEPE members are entitled to a 55% discount. The reduced rate is £23/\$42 (normally £52/\$90) Contact: Carfax Publishing Company, PO Box 25, Abingdon, Oxfordshire OX14 3UE, UK. Tel: (44) 1235 401 000. Fax: (44) 1235 401 550.

### Review of International Political Economy

RIPE is an interdisciplinary journal, based on an analytical synthesis between politics and economics. In particular, RIPE:

- addresses the internationalisation of the state: the structures of political authority, diplomacy, and institutional regulation
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**EAEPE Office Manager:** Albert Jolink (interimistic)

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### EAEPE Scientific Development Plan Officer:

Hardy Hanappi, Argentinierstrasse 8, 1040 Vienna, Austria, tel +43 1 58801 175 55, fax +43 1 58801 175 99, email

[hanappi@econ.tuwien.ac.at](mailto:hanappi@econ.tuwien.ac.at)

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Andrew Barendse (Netherlands),

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Charlie Dannreuther (UK), [c.dannreuther@leeds.ac.uk](mailto:c.dannreuther@leeds.ac.uk),

Wolfram Elsner (Germany), [welsner@uni-bremen.de](mailto:welsner@uni-bremen.de),

John Groenewegen (Netherlands),

[j.p.m.groenewegen@tbm.tudelft.nl](mailto:j.p.m.groenewegen@tbm.tudelft.nl),

Hardy Hanappi (Austria), [hanappi@pop.tuwien.ac.at](mailto:hanappi@pop.tuwien.ac.at),

Albert Jolink (Netherlands), [ajolink@rsm.nl](mailto:ajolink@rsm.nl),

Klaus Kubeczko (Austria), [Klaus.Kubeczko@arcs.ac.at](mailto:Klaus.Kubeczko@arcs.ac.at),

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Pascal Petit (France), [pascal.petit@cepremap.cnrs.fr](mailto:pascal.petit@cepremap.cnrs.fr),

Andreas Reinstaller (Austria),

[Andreas.Reinstaller@wu-wien.ac.at](mailto:Andreas.Reinstaller@wu-wien.ac.at),

Mikhail Siniountine (Russia), [sin@soc.pu.ru](mailto:sin@soc.pu.ru),

Aurora Teixeira (Portugal), [ateixeira@fep.up.pt](mailto:ateixeira@fep.up.pt).

## Editorial Information:

Newsletter of the European Association for Evolutionary Political Economy (EAEPE). A Pluralistic Forum.

### Editor:

Andreas Reinstaller, Wirtschaftsuniversität Wien, Department of Economics (VW7), Augasse 2-6, 1090 Vienna, Austria, tel +43 1 313 36 52 54, fax +43 1 313 36 92 09, email [Andreas.Reinstaller@wu-wien.ac.at](mailto:Andreas.Reinstaller@wu-wien.ac.at).

### Co-editor:

Werner Hölzl, Austrian Economic Research Institute (WIFO), Arsenal, Objekt 20, 1103 Vienna, Austria,

email [Werner.Hoelzl@wifo.ac.at](mailto:Werner.Hoelzl@wifo.ac.at).

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