

POL2012: Theories and Models in Political Economy

Evolutionary economics

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The Other Cannon

32

The Evolution of the Two Different Approaches

FAMILY TREE OF ECONOMICS

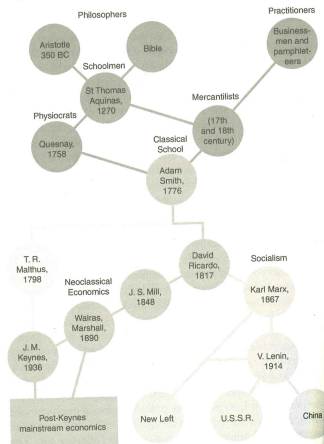
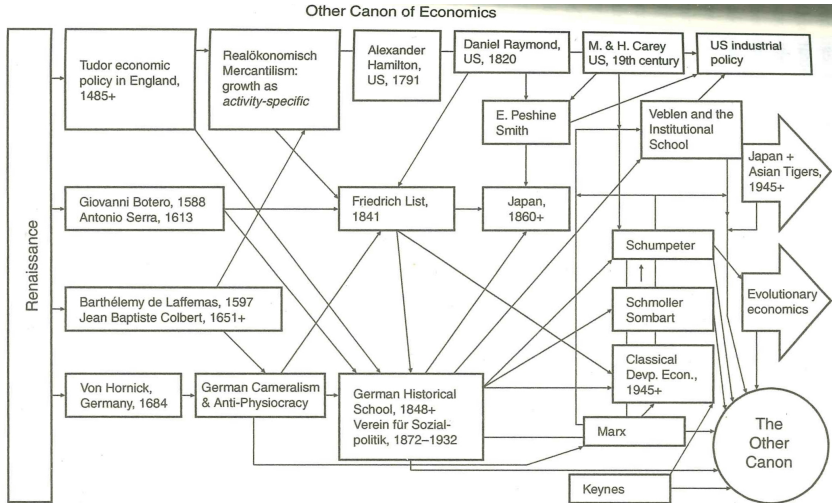


Figure 2 Samuelson's family tree of economics, 1976

The Other Cannon



Evolutionary economics

- ▶ How and why has the economy evolved historically?
- ▶ What causes and shapes economic growth?
- ▶ Historical analysis

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Joseph Schumpeter (1883-1950)

- ▶ Structural change
- ▶ Creative destruction

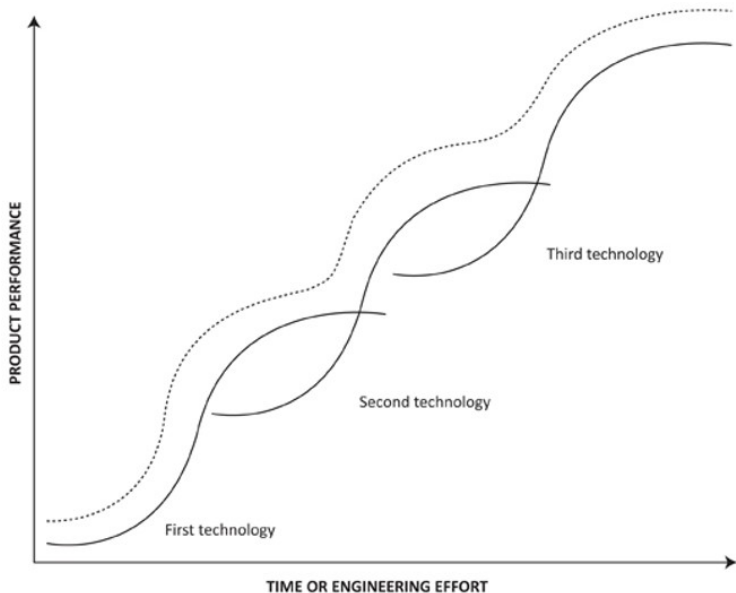


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Joseph Schumpeter (1883-1950)



Is it as simple as Schumpeter made it look?

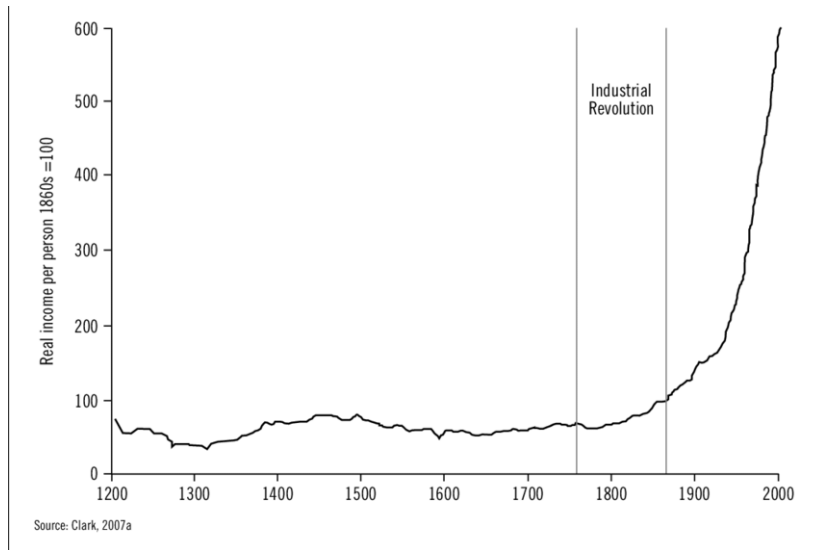
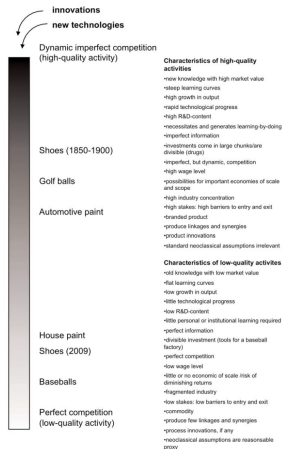


Figure: The Quality of Economic Activity

The Quality of Economic Activity

- Production not exchange
- Moving up the value-chain

Figure 1. The Quality Index of Economic Activities

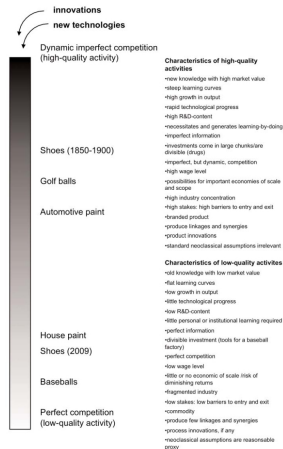


Source: Reinert 2007.

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Trade and Production

- ▶ Sequencing
- ▶ "I saw clearly that free competition between two nations which are highly civilised can only be mutually beneficial in case both of them are in a nearly equal position of industrial development, and that any nation which owing to misfortunes is behind others in industry, commerce, and navigation ... must first of all strengthen her own individual powers, in order to fit herself to enter into free competition with more advanced nations." - Friedrich List (1841)

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Trade and Production

	1820	1875	1913	1925	1931	1950
France		12-15	20	21	30	18
Germany	8-12	4-6	13	20	21	26
Denmark	25-35	15-20	14	10		3
Sweden		3-5	20	16	21	9
UK	45-55	0	0	5		23
US	35-45	40-50	44	37	48	14

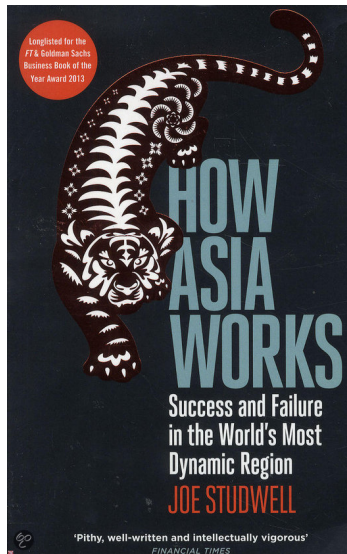
Figure: Tariff rates (%)

Trade and Production

- ▶ Sequencing
- ▶ Tool to climb the ladder

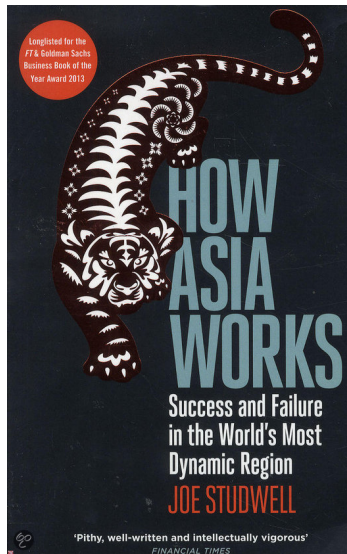
How Asia did it

- ▶ Land reform
- ▶ Manufacturing focus anchored in export discipline
- ▶ Financial manipulation to these ends



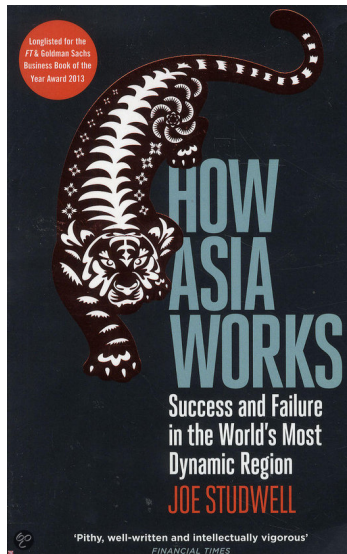
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Summary

- ▶ Country or Regional level
- ▶ Structural change
- ▶ Free trade?
- ▶ Production capitalism vs. financial capitalism

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Shortcomings of evolutionary economics?