

Evolutionary Economy and Modern PE

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Introduction

- Reminder: today's seminar will be on writing a term paper
- Far less on Evolutionary economics in Stillwell than I remembered. I will upload an article, and put more text in today's slides

The other Canon

- Other canon, evolutionary economics experienced-based economics, historical economics, reality economics etc.
- A response to the gap between the classical theories and the actual policy pursued by their proponents
- Biology not physics
- Induction not deduction
- Production not exchange or distribution

National economics

- Friedrich List (1789-1846)
- A word of caution!
- Right, not more or or less
- Development through stages
 - HUGE political influence,
 - theoretically it took a while to catch on.
 - Free trade, protection, free trade. Temporary sacrifice likened to education

Schumpeter, creative destruction

- Builds on Marx, List and others
- The road through Galbraith to socialism
 - Innovation is the key to progress
 - Capitalism unleashed the beast, but will ultimately tame it to its own detriment
- The legacy of Schumpeter
 - Innovation is the key to progress! ... And is cool!

But, is it that simple?

- Economic growth? Yes, but progress?
- Two stories, Socialist or QEA

Quality of economic activity

- Reiterates and synthesises the “canon”
- Production! Sequencing! Pulling up the ladder!

- “Adds” synergies, activities dependent on human capital (last figure)
- Increasing vs decreasing returns
 - Production expands -> prod.cost per unit falls
 - * Economies of scale
 - As opposed to “regular labor” and agriculture

Protectionism or free trade?

What is Modern PE?

- The current state of the field
- Reigning orthodoxy
 - Neo-classical + Keynesianism + Monetarism
 - * Monetarism $MV === PQ$, fight inflation
- Reigning political movements - Neo-liberalism (US) - Populism? Protectionism? Anti-globalization...ism? Patriotism?

Dissidents

- Evolutionary economy
- Marxists
- Institutionalists
- Common features:
 - Relationship between capital, labor and state
 - Studying change over time rather than static equilibrium
 - Processes of circular and cumulative causation
 - How resources are created/destroyed, not just allocated
 - Role of politics (active/transformational)
- Feminism
 - How is the economy gendered?
- Environmentalism % Both have strong normative elements
- Behavioral economics - Behavioral/social psychology - Importance of how economic decisions are “framed” - Consumer is NOT king - unless we crown him - Thaler & Sunstein: Nudge - Fast becoming part of the orthodox synthesis

“New” Themes in Political Economy

- Nature
 - Environment
- Technology
 - Industry, work
- Society
 - Class, gender, ethnicity
- State - Themes that “modern political economists” grapple with