

Chapter 1 : Evolutionary Economics Home Page

Hodgson explores the ambiguities inherent in biology and the problems involved in applying ideas of past economic thinkers--including Malthus, Smith, Marx, Marshall, Veblen, Schumpeter, and Hayek--and argues that the new evolutionary economics can learn much from the many differing conceptions of economic evolution.

Development economics The scope of economic development includes the process and policies by which a nation improves the economic, political, and social well-being of its people. The concept, however, has been in existence in the West for centuries. Modernization , Westernisation, and especially Industrialisation are other terms people have used while discussing economic development. Economic development has a direct relationship with the environment. Although nobody is certain when the concept originated, some people agree that development is closely bound up with the evolution of capitalism and the demise of feudalism. According to Schumpeter and Backhaus , the changes in this equilibrium state to document in economic theory can only be caused by intervening factors coming from the outside. In , during his inaugural speech, President Harry Truman identified the development of undeveloped areas as a priority for the west: Their food is inadequate, they are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas. For the first time in history humanity possesses the knowledge and the skill to relieve the suffering of these people I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better lifeâ€¦ What we envisage is a program of development based on the concepts of democratic fair dealing Greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of modern scientific and technical knowledge. From the s to the s the state played a large role in promoting industrialization in developing countries, following the idea of modernization theory. This period was followed by a brief period of basic needs development focusing on human capital development and redistribution in the s. Neoliberalism emerged in the s pushing an agenda of free trade and removal of import substitution industrialization policies. In economics, the study of economic development was borne out of an extension to traditional economics that focused entirely on national product , or the aggregate output of goods and services. Hirschman , a major contributor to development economics , asserted that economic development grew to concentrate on the poor regions of the world , primarily in Africa , Asia and Latin America yet on the outpouring of fundamental ideas and models. Growth and development[edit] Economic growth deals with increase in the level of output, but economic development is related to increase in output coupled with improvement in social and political welfare of people within a country. Therefore, economic development encompasses both growth and welfare values. Dependency theorists argue that poor countries have sometimes experienced economic growth with little or no economic development initiatives; for instance, in cases where they have functioned mainly as resource-providers to wealthy industrialized countries. There is an opposing argument, however, that growth causes development because some of the increase in income gets spent on human development such as education and health. According to Ranis et al. According to them, the first chain consists of economic growth benefiting human development, since economic growth is likely to lead families and individuals to use their heightened incomes to increase expenditures, which in turn furthers human development. At the same time, with the increased consumption and spending, health, education, and infrastructure systems grow and contribute to economic growth. In addition to increasing private incomes, economic growth also generates additional resources that can be used to improve social services such as healthcare , safe drinking water , etc. By generating additional resources for social services, unequal income distribution will be mitigated as such social services are distributed equally across each community , thereby benefiting each individual. Concisely, the relationship between human development and economic development can be explained in three ways. First, increase in average income leads to improvement in health and nutrition known as Capability Expansion through Economic Growth. Second, it is believed that social outcomes can only be improved by reducing income poverty known as Capability Expansion through Poverty Reduction. Lastly, social outcomes can also be improved with essential

services such as education , healthcare , and clean drinking water known as Capability Expansion through Social Services. After analyzing the existing capitalistic growth-development theoretical apparatus, he introduces the new model which integrates the variables of freedom, democracy and human rights into the existing models and argue that any future economic growth-development of any nation depends on this emerging model as we witness the third wave of unfolding demand for democracy in the Middle East. Micro knowledge is what an individual learns from school or from various existing knowledge and macro knowledge is the core philosophical thinking of a nation that all individuals inherently receive. How to combine both these knowledge would determine further growth that leads to economic development of developing nations. Yet others believe that a number of basic building blocks need to be in place for growth and development to take place. For instance, some economists believe that a fundamental first step toward development and growth is to address property rights issues, otherwise only a small part of the economic sector will be able to participate in growth. That is, without inclusive property rights in the equation, the informal sector will remain outside the mainstream economy, excluded and without the same opportunities for study. The economic development of countries can also be implicated or contributed by the multinational corporations companies. Economic development goals[edit] The development of a country has been associated with different concepts but generally encompasses economic growth through higher productivity, [9] political systems that represent as accurately as possible the preferences of its citizens, [10] [11] the extension of rights to all social groups and the opportunities to get them [12] and the proper functionality of institutions and organizations that are able to attend more technically and logistically complex tasks i. With this in mind, economic development is typically associated with improvements in a variety of areas or indicators such as literacy rates , life expectancy , and poverty rates , that may be causes of economic development rather than consequences of specific economic development programs. For example, health and education improvements have been closely related to economic growth, but the causality with economic development may not be obvious. In any case, it is important to not expect that particular economic development programs be able to fix many problems at once as that would be establishing unsurmountable goals for them that are highly unlikely they can achieve. For example, if a nation has little capacity to carry out basic functions like security and policing or core service delivery it is unlikely that a program that wants to foster a free-trade zone special economic zones or distribute vaccinations to vulnerable populations can accomplish their goals. Governments that can raise a significant amount of revenue from this source are less accountable to their citizens they are more autonomous as they have less pressure to legitimately use those resources. Economic development policies[edit] In its broadest sense, policies of economic development encompass three major areas: Governments undertaking to meet broad economic objectives such as price stability, high employment , and sustainable growth. Such efforts include monetary and fiscal policies, regulation of financial institutions , trade , and tax policies. Job creation and retention through specific efforts in business finance , marketing , neighborhood development , workforce development , small business development, business retention and expansion, technology transfer , and real estate development. This third category is a primary focus of economic development professionals. One growing understanding in economic development is the promotion of regional clusters and a thriving metropolitan economy. International trade and exchange rates are a key issue in economic development. Currencies are often either under-valued or over-valued , resulting in trade surpluses or deficits. Furthermore, the growth of globalization has linked economic development with trends on international trade and participation in global value chains GVCs and international financial markets. The last financial crisis had a huge effect on economies in developing countries. Economist Jayati Ghosh states that it is necessary to make financial markets in developing countries more resilient by providing a variety of financial institutions. This could also add to financial security for small-scale producers. The practitioners have two key roles: Economic development practitioners generally work in public offices on the state, regional, or municipal level, or in publicâ€™private partnerships organizations that may be partially funded by local, regional, state, or federal tax money. These economic development organizations function as individual entities and in some cases as departments of local governments. Their role is to seek out new economic opportunities and retain their existing business wealth. There are numerous other organizations whose primary function is not economic

development that work in partnership with economic developers. They include the news media, foundations, utilities, schools, health care providers, faith-based organizations, and colleges, universities, and other education or research institutions. With over 4, members across the US and internationally, serving exclusively the economic development community, IEDC membership represents the entire range of the profession ranging from regional, state, local, rural, urban, and international economic development organizations, as well as chambers of commerce, technology development agencies, utility companies, educational institutions, consultants and redevelopment authorities. Many individual states also have associations comprising economic development professionals, who work closely with IEDC. Development indicators and indices[edit] There are various types of macroeconomic and sociocultural indicators or "metrics" used by economists and geographers to assess the relative economic advancement of a given region or nation. GDP per capita $\hat{=}$ " growing development population[edit] GDP per capita is gross domestic product divided by mid year population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidizes not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. With the struggle to attract and retain business, competition is further intensified by the use of many variations of economic incentives to the potential business such as: IEDC places significant attention on the various activities undertaken by economic development organizations to help them compete and sustain vibrant communities. Additionally, the use of community profiling tools and database templates to measure community assets versus other communities is also an important aspect of economic development. Job creation, economic output, and increase in taxable basis are the most common measurement tools. When considering measurement, too much emphasis has been placed on economic developers for "not creating jobs". However, the reality is that economic developers do not typically create jobs, but facilitate the process for existing businesses and start-ups to do so. Therefore, the economic developer must make sure that there are sufficient economic development programs in place to assist the businesses achieve their goals. Those types of programs are usually policy-created and can be local, regional, statewide and national in nature.

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Major expenses in building are for land, materials, and labour. In each case they are high when the commodity is scarce and low when it is abundant, and they influence planning more directly when they become restrictive. Definition No one has ever succeeded in neatly defining the scope of economics. Perhaps the only foolproof definition is that attributed to Canadian-born economist Jacob Viner: Difficult as it may be to define economics, it is not difficult to indicate the sorts of questions that concern economists. Among other things, they seek to analyze the forces determining prices – not only the prices of goods and services but the prices of the resources used to produce them. This involves the discovery of two key elements: These questions are representative of microeconomics, the part of economics that deals with the behaviour of individual entities such as consumers, business firms, traders, and farmers. The other major branch of economics is macroeconomics, which focuses attention on aggregates such as the level of income in the whole economy, the volume of total employment, the flow of total investment, and so forth. Here economists are concerned with the forces determining the income of a country or the level of total investment, and they seek to learn why full employment is so rarely attained and what public policies might help a country achieve higher employment or greater price stability. But these examples still do not exhaust the range of problems that economists consider. There is also the important field of development economics, which examines the attitudes and institutions supporting the process of economic development in poor countries as well as those capable of self-sustained economic growth for example, development economics was at the heart of the Marshall Plan. In this field the economist is concerned with the extent to which the factors affecting economic development can be manipulated by public policy. Cutting across these major divisions in economics are the specialized fields of public finance, money and banking, international trade, labour economics, agricultural economics, industrial organization, and others. Economists are frequently consulted to assess the effects of governmental measures such as taxation, minimum-wage laws, rent controls, tariffs, changes in interest rates, changes in government budgets, and so on. Historical development of economics The effective birth of economics as a separate discipline may be traced to the year 1776, when the Scottish philosopher Adam Smith published *An Inquiry into the Nature and Causes of the Wealth of Nations*. There was, of course, economics before Smith: The unintended effects of markets The *Wealth of Nations*, as its title suggests, is essentially a book about economic development and the policies that can either promote or hinder it. In its practical aspects the book is an attack on the protectionist doctrines of the mercantilists and a brief for the merits of free trade. That is, each person takes prices as they come and is free only to vary the quantities bought and sold at the given prices. But this is true only if the competitive system is embedded in an appropriate legal and institutional framework – an insight that Smith developed at length but that was largely overlooked by later generations. Their imperfections notwithstanding, these theories became the building blocks of classical and modern economics. This book acted, in one sense, as a critical commentary on the *Wealth of Nations*. Ricardo invented the concept of the economic model – a tightly knit logical apparatus consisting of a few strategic variables – that was capable of yielding, after some manipulation and the addition of a few empirically observable extras, results of enormous practical import. At the heart of the Ricardian system is the notion that economic growth must sooner or later be arrested because of the rising cost of cultivating food on a limited land area. Although wages are held down, profits do not rise proportionately, because tenant farmers outbid each other for superior land. As land prices were increasing, Malthus concluded, the chief beneficiaries of economic progress were the landowners. Since the root of the problem, according to Ricardo, was the declining yield *i*. He assumed that within a given country labour and capital are free to move in search of the highest returns but that between countries they are not. Ricardo showed that the benefits of international trade are determined by a comparison of costs within each country rather than by a comparison of costs between countries. International trade will profit a country that specializes in the production of the goods it can produce relatively more efficiently the same country would import everything else. For example, India might be able to

produce everything more efficiently than England, but India might profit most by concentrating its resources on textiles, in which its efficiency is relatively greater than in other areas of Indian production, and by importing British capital goods. The beauty of the argument is that if all countries take full advantage of this territorial division of labour, total world output is certain to be physically larger than it will be if some or all countries try to become self-sufficient. As a result, many of the late 19th-century economists devoted their efforts to the problem of how resources are allocated under conditions of perfect competition.

Marxism Before proceeding, it is important to discuss the last of the classical economists, Karl Marx. The first volume of his work *Das Kapital* appeared in 1867; after his death the second and third volumes were published in 1885 and 1895, respectively. To say that one is a Marxian economist is, in effect, to share the value judgment that it is socially undesirable for some people in the community to derive their income merely from the ownership of property. Since few professional economists in the 19th century accepted this ethical postulate and most were indeed inclined to find some social justification for the existence of private property and the income derived from it, Marxian economics failed to win resounding acceptance among professional economists. The Marxian approach, moreover, culminated in three generalizations about capitalism: In addition, Marxian economics had little to say on the practical problems that are the bread and butter of economists in any society, such as the effect of taxes on specific commodities or that of a rise in the rate of interest on the level of total investment.

The marginalists The next major development in economic theory, the marginal revolution, stemmed essentially from the work of three men: See utility and value. Indeed, it was the consistent application of marginalism that marked the true dividing line between classical theory and modern economics. The classical economists identified the major economic problem as predicting the effects of changes in the quantity of capital and labour on the rate of growth of national output. Through the last three decades of the 19th century, economists of the Austrian, English, and French schools formulated their own interpretations of the marginal revolution. The Austrian school dwelt on the importance of utility as the determinant of value and dismissed classical economics as completely outmoded. The English school, led by Alfred Marshall, sought to reconcile their work with the doctrines of the classical writers. Marshall based his argument on the observation that the classical economists concentrated their efforts on the supply side in the market while the marginal utility theorists were concerned with the demand side. In suggesting that prices are determined by both supply and demand, Marshall famously used the paradigm of a pair of scissors, which cuts with both blades. It is not difficult to analyze the conditions under which equilibrium is possible for a single product. This is true of every market. It is not too much to say that nearly the whole of modern economics is Walrasian economics, and modern theories of money, employment, international trade, and economic growth can be seen as Walrasian general equilibrium theories in a highly simplified form. The three schools of marginalist doctrines gradually coalesced into a single mainstream that became known as neoclassical economics. The theory of utility was reduced to an axiomatic system that could be applied to the analysis of consumer behaviour under almost any circumstance. This era also saw a gradual development of monetary theory which explains how the level of all prices is determined as distinct from the determination of individual prices, notably by Swedish economist Knut Wicksell.

The critics Before going on, it is necessary to take note of the rise and fall of the German historical school and the American institutionalist school, which leveled a steady barrage of critical attacks on the orthodox mainstream. The German historical economists, who had many different views, basically rejected the idea of an abstract economics with its supposedly universal laws: While they gave impetus to the study of economic history, they failed to persuade their colleagues that their method was invariably superior. The institutionalists are more difficult to categorize. Institutional economics, as the term is narrowly understood, refers to a movement in American economic thought associated with such names as Thorstein Veblen, Wesley C. Mitchell, and John R. These thinkers had little in common aside from their dissatisfaction with orthodox economics, its tendency to cut itself off from the other social sciences, its preoccupation with the automatic market mechanism, and its abstract theorizing. Moreover, they failed to develop a unified theoretical apparatus that would replace or supplement the orthodox theory. This may explain why the phrase institutional economics has become little more than a synonym for descriptive economics. Particularly in the United States, institutional economics was the dominant style of economic

thought during the period between World Wars I and II. At the time there was an expectation that institutional economics would furnish a new interdisciplinary social science. It was through the innovations of the 1930s that the theory of monopolist, or imperfect, competition was integrated into neoclassical economics. The theory produced the powerful conclusion that competitive industries, in which each seller has a partial monopoly because of product differentiation, will tend to have an excessive number of firms, all charging a higher price than they would if the industry were perfectly competitive. Since product differentiation and the associated phenomenon of advertising seems to be characteristic of most industries in developed capitalist economies, the new theory was immediately hailed as injecting a healthy dose of realism into orthodox price theory. Unfortunately, its scope was limited, and it failed to provide a satisfactory explanation of price determination under conditions of oligopoly. This was a significant omission, because in advanced economies most manufacturing and even most service industries are dominated by a few large firms. The resulting gap at the centre of modern price theory shows that economists cannot fully explain the conditions under which multinational firms conduct their affairs.

Keynesian economics The second major breakthrough of the 1930s, the theory of income determination, stemmed primarily from the work of John Maynard Keynes, who asked questions that in some sense had never been posed before. Keynes was interested in the level of national income and the volume of employment rather than in the equilibrium of the firm or the allocation of resources. When effective demand falls short of productive capacity, the result is unemployment and depression; conversely, when demand exceeds the capacity to produce, the result is inflation. Central to Keynesian economics is an analysis of the determinants of effective demand. The Keynesian model of effective demand consists essentially of three spending streams: Foreign trade is ignored. Keynes attempted to show that the level of effective demand, as determined in this model, may well exceed or fall short of the physical capacity to produce goods and services. He also proved that there is no automatic tendency to produce at a level that results in the full employment of all available human capital and equipment. His findings reversed the assumption that economic systems would automatically tend toward full employment. By remaining focused on macroeconomic aggregates such as total consumption and total investment and by deliberately simplifying the relationships between these economic variables, Keynes achieved a powerful model that could be applied to a wide range of practical problems. Others subsequently refined his system of analysis some have said that Keynes himself would hardly have recognized it, and it became thoroughly assimilated into established economic theory. Still, it is not too much to say that Keynes was perhaps the first economist to have added something truly new to economics since Walras put forth his equilibrium theory in the 19th century.

Postwar developments The year period following World War II can be viewed as an era in which the nature of economics as a discipline was transformed. First of all, mathematics came to permeate virtually every branch of the field. As economists moved from a limited use of differential and integral calculus, matrix algebra represented an attempt to add a quantitative dimension to a general equilibrium model of the economy. Matrix algebra was also associated with the advent of input-output analysis, an empirical method of reducing the technical relations between industries to a manageable system of simultaneous equations. A closely related phenomenon was the development of linear programming and activity analysis, which opened up the possibility of applying numerical solutions to industrial problems. This advance also introduced economists to the mathematics of inequalities as opposed to exact equation. Likewise, the emergence of growth economics promoted the use of difference and differential equations. The development of econometrics had an impact on economics in general, since those who formulated new theories began to cast them in terms that allowed empirical testing. New developments in economics were not limited to methodological approaches. Out of these concerns came the field of development economics, with offshoots in regional economics, urban economics, and environmental economics. This transformation brought prestige the Nobel Prize in Economic Sciences was first awarded in 1929 but also new responsibility to the profession: The radical critics declared that economics had become a defense of the status quo and that its practitioners had joined the power elite. The marginal techniques of the economists, ran the argument, were profoundly conservative in their bias, because they encouraged a piecemeal rather than a revolutionary approach to social problems; likewise, the tendency in theoretical work to ignore the everyday context of economic activity amounted in practice to the tacit

acceptance of prevailing institutions. The critics said that economics should abandon its claim of being a value-free social science and address itself to the great questions of the day—those of civil rights, poverty, imperialism, and environmental pollution—even at the cost of analytical rigour and theoretical elegance. It is true that the study of economics encourages a belief in reform rather than revolution—yet it must be understood that this is so because economics as a science does not provide enough certitude for any thoroughgoing reconstruction of the social order.

Evolutionary economics is part of mainstream economics as well as a heterodox school of economic thought that is inspired by evolutionary blog.quintoapp.com like mainstream economics, it stresses complex interdependencies, competition, growth, structural change, and resource constraints but differs in the approaches which are used to analyze these phenomena.

More than a century has passed, and since there has been a notable increase in the use of evolutionary ideas in economics. Get Economics in your inbox But what might the future development of an evolutionary perspective mean? This is the idea that any behavioural assumption, including in the social sciences, must be capable of causal explanation in evolutionary terms, or at least be consistent with a scientific understanding of human evolution. A number of economists and other social scientists have addressed evolutionary explanations. There is a large and valuable literature that considers how humans have evolved in groups and how human propensities for altruism and cooperation have emerged, alongside more selfish and competitive tendencies. Evolution and the maximization of utility But Veblen made an even more radical point, which is still difficult for many economists to swallow. He argued that the idea of the utility-maximizing individual is inconsistent with the principle of evolutionary explanation. It is simply assumed. Some economists have tried to show why humans evolved to maximize their utility. But these claims are rather empty, because all possible exhibited behavior can be made consistent with some utility function. Utility functions are summaries of observed behavior, rather than true causal explanations of it. Fitting a utility function to data is not the same as providing an evolutionary and causal explanation. We need to explain the evolution of the particular traits and dispositions that make us human. Yet it is widely argued by economists that other species are utility maximizers as well. Throughout mainstream economics, the utility-maximizing model retains its gravitational pull. If he were alive today, Veblen would be unhappy with the enduring affection by economists for the utility-maximizing model of rational choice. Instead he pointed to developments in psychology that drew on Darwinian evolutionary theory, particularly the work of the pragmatist philosopher-psychologist William James. He tried to develop a more specific theory of human behavior. Instincts and habits Veblen took the view that humans were driven by habit. Habits are guided by both inherited propensities – called instincts – and existing institutions. A habit is a learned capacity to act or think in a particular way. Instead of beliefs being prime movers, they too are based on habits. As the pragmatist philosopher John Dewey argued eloquently in his book *Human Nature and Conduct*, deliberate choices occur when our habitual propensities clash and we are forced to make a decision between them. Generally, habit drives reason and choice, rather than the other way round. This way of putting instinct first, habit second, and reason third is consistent with our understanding of human evolution. The instinct-habit-reason ordering is consistent with the sequence in which these emerged long ago in the evolution of our species. It is also consistent with the way in which they develop in each human individual, from infancy to adulthood. This evolutionary perspective on human agency is very different from the mind-first, or beliefs-first, perspectives that still dominate economics and much of social science. The evolution of morality The evolutionary perspective on human agency is important for another reason, noted by Veblen, stressed by the dissident British economist John A. Hobson, and researched today by leading scholars such as Frans de Waal and Christopher Boehm. Moral systems evolve in societies because they enhance group cohesion and survival. This does not mean that humans are unselfish. We are both selfish and capable of acquiring and heeding moral values. Sometimes morality is mentioned. As moral philosophers such as Richard Joyce argue, utility-maximizing models have difficulty accommodating genuine altruism or morality. Adam Smith also rejected a utilitarian perspective for this reason. The evolution of institutions Veblen saw a further extension of the evolutionary perspective in economics and the social sciences more generally. While there was competition and cooperation between individuals in the struggle for survival, there were also social processes that lead to some institutions being more successful than others: This insight is important because it opens up the possibility of a dynamic theory of social change, involving both the selection and development of institutions, entailing human agency but never entirely by design. The key

point here is that the implications of evolutionary thinking for economics and the social sciences have only partially been explored. Economics, in particular, is not yet an evolutionary science. Get Economics in your inbox To take economics forward would require a widening perspective, where ideas and approaches from several other disciplines were taken into account. The standard apparatus of utility maximization and rational choice would be regarded as an interim position, rather than an adequate, evolutionary explanation of human behavior. We would be closer to the discursive economics of Adam Smith, Alfred Marshall and Thorstein Veblen, rather than the technique-driven concerns that dominate much of economics today. The words of John Maynard Keynes would once again be relevant: He must reach a high standard in several different directions and must combine talents not often found together. He must be mathematician, historian, statesman, philosopher – in some degree. He must understand symbols and speak in words. He must contemplate the particular in terms of the general, and touch abstract and concrete in the same flight of thought. He must study the present in the light of the past for the purposes of the future. And Changing the World. We spend hundreds of hours and lots of dollars each month creating, curating, and promoting content that drives the next evolution of economics.

Chapter 4 : What is Economic Development? | Salmon Valley Business Innovation Center

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These notes were originally put together around the turn of the millennium for a series of tutorials in the English language to help Eastern European students of market economics to think about economics as the science of choice and the co-operative institutions which have evolved to guide choices. Have a look at the site map here to find your way around. It must be one of the three The last time we looked happening were a tad more complicated than that. Darwin suggested a counter-intuitive bottom up process of adaptation - the simple differential survival of inherited variants. It is misleading to think of the output of economies as the result of deliberate, rational, purposeful, intentional, planning Probe into any of the alternatives to natural selection and they simply fall apart. Nevertheless Darwinism has always proved very difficult for folk to grasp Richard Dawkins described the learning problem as akin to the flip flopping Necker Cube All economic science is about behaviour, human behaviour is embedded in institutions and all institutional custom and practice is relentlessly Darwinian In the following pages four examples of economic breakthroughs are explored with the help of evolutionary thinking; the gist of the exploration is four Why? NB different people, at different times, in different places suggested different answers to these questions Economics is Evolutionary Economics there is no evidence of any alternative. Economic activity is a process of natural selection, not intelligent design but rather the weeding out of failures. Why are some economies rich and some poor? If trade shaped the world; Why tariffs? The evidence suggests that it could be adaptive efficiency that defines economic efficiency. Any notion of domination by divine right, natural authority or elitist designers claiming access to survival elixirs is evolutionarily unstable and economically inefficient. Evolution diversifies knowledge and skill widely and differently amongst the global population. The critical issue enabling economic growth is the diversity of competing institutions. Confirmed in spades by Charles Darwin in The Universal Declaration of Human Rights is a good summary of the evolving economic principles of freedom and democracy Human rights are a matter for the natural law of the land, they could not be a matter for State legislation Liberal Democracy is not the best economic system, just better than the alternatives which have been tried from time to time Why is wealth creation so difficult to plan? Only a very few of the ideas spurting from the brains of folk, survive and grow to become institutionalised. Synergies are impossibly difficult to plan as there are many more ways of being dead than alive. Evolution needs a constant stream of energy to run faster and faster in diverse directions just to stand still. Cooperation is the greatest survival trick for all social animals. But cooperation is risky. To enable wealth accumulation defence systems must co-evolve We are ignorant of what it is we do not know Read a little snippet about James Watt and his steam engine and get the idea In their ignorance folk survive only if they adopt behavioural rules of thumb about cooperating and responding to threats which enable the discovery of synergies and the accumulation of benefits in institutions. Markets are accountable human beings facing the consequences of their deals. Markets are not a result of any overarching purposeful design, but merely the failure of price fixing alternatives. Jefferson et al set up a robust constitution which failed to stop a civil war and had difficulties with the politicisation of justice All folk clubs have rules of behaviour involving biological systems - universal moral sentiments which nurture cooperation Why is this impracticable? It is the way we can be us without stopping you from being you There is no secret Students of the evolutionary process are challenged to test for themselves its explanatory power through debate and discussion of four examples of significant economic issues from recent history - why did the scientific revolution take place in Western European when it did and where it did, around - in parts of Western Europe? An introduction and some essay notes are here why did liberal democracy spread so rapidly from only one third of global Nation States in to more than two thirds in and still growing? An introduction and some essay notes are here why did Eastern European economic planning collapse with the Berlin wall in ? An introduction and some essay notes are here Why? Physics is an excellent foundation for all understanding, and at the moment empirical science is only the start point for the understanding of complex human behaviour. Hirak Bhattacharya born in , a postgraduate

engineer from the Indian Institute of Technology, Kharagpur who has served in the public and private sector in India for about 25 years and is currently working as a freelance management consultant. His paper explores the feasibility of applying theories of complexity to the study of International Development and is awaiting publication

Chapter 5 : Economic development - Wikipedia

Evolutionary economists believe that economic organization is a dynamic process involving ongoing transformation, and that economic behavior is determined by both individuals and society as a whole.

Predecessors[edit] In the mid 19th century, Karl Marx presented a schema of stages of historical development, by introducing the notion that human nature was not constant and was not determinative of the nature of the social system; on the contrary, he made it a principle that human behavior was a function of the social and economic system in which it occurred. Marx based his theory of economic development on the premise of developing economic systems ; specifically, over the course of history superior economic systems would replace inferior ones. Inferior systems were beset by internal contradictions and inefficiencies that make them incapable of surviving over the long term. This was followed shortly after by the work of the American pragmatic philosophers Peirce , James , Dewey and the founding of two new disciplines, psychology and anthropology , both of which were oriented toward cataloging and developing explanatory frameworks for the variety of behavior patterns both individual and collective that were becoming increasingly obvious to all systematic observers. The state of the world converged with the state of the evidence to make almost inevitable the development of a more "modern" framework for the analysis of substantive economic issues.

Veblen [edit] Thorstein Veblen coined the term "evolutionary economics" in English. He began his career in the midst of this period of intellectual ferment, and as a young scholar came into direct contact with some of the leading figures of the various movements that were to shape the style and substance of social sciences into the next century and beyond. Veblen saw the need for taking account of cultural variation in his approach; no universal "human nature" could possibly be invoked to explain the variety of norms and behaviors that the new science of anthropology showed to be the rule, rather than the exception. The "ceremonial" was related to the past, and conformed to and supported the tribal legends; "instrumental" was oriented toward the technological imperative to judge value by the ability to control future consequences. The "Veblenian dichotomy" was a specialized variant of the "instrumental theory of value" due to John Dewey, with whom Veblen was to make contact briefly at the University of Chicago. Arguably the most important works by Veblen include, but are not restricted to, his most famous works *The Theory of the Leisure Class* ; *The Theory of Business Enterprise* , but his monograph *Imperial Germany and the Industrial Revolution* and the essay entitled *Why is Economics not an Evolutionary Science* have both been influential in shaping the research agenda for subsequent generations of social scientists. TOLC and TOBE together constitute an alternative construction to the neoclassical marginalist theories of consumption and production, respectively. Both are founded on his dichotomy, which is at its core a valuational principle. The ceremonial patterns of activity are not bound to any past, but to one that generated a specific set of advantages and prejudices that underlie the current institutions. This line of analysis was more fully and explicitly developed by Clarence E. Ayres of the University of Texas at Austin from the s. A seminal article by Armen Alchian argued for adaptive success of firms faced with uncertainty and incomplete information replacing profit maximization as an appropriate modeling assumption. More narrowly the works Jack Downie [12] and Edith Penrose [13] offer many insights for those thinking about evolution at the level of the firm in an industry. Joseph Schumpeter , who lived in the first half of 20th century, was the author of the book *The Theory of Economic Development* , transl. It is important to note that for the word development he used in his native language, the German word "Entwicklung", which can be translated as development or evolution. Schumpeter, in his later writings in English as a professor at Harvard, used the word "evolution". The current term in common use is economic development. He based his theory on the assumption of usual macroeconomic equilibrium , which is something like "the normal mode of economic affairs". This equilibrium is being perpetually destroyed by entrepreneurs who try to introduce innovations. A successful introduction of an innovation i. These authors have focused mostly on the issue of changes in technology and routines , suggesting a framework for their analysis. If the change occurs constantly in the economy, then some kind of evolutionary process must be in action, and there has been a proposal that this process is Darwinian in nature. Then, mechanisms that provide

selection, generate variation and establish self-replication, must be identified. Milton Friedman proposed that markets act as major selection vehicles. As firms compete, unsuccessful rivals fail to capture an appropriate market share, go bankrupt and have to exit. Both products and practices are determined by routines that firms use: By imitating these routines, firms propagate them and thus establish inheritance of successful practices. From the evolutionary equation that describe life processes, an analytical formula on the main factors of economic processes, such as fixed cost and variable cost, can be derived. The economic return, or competitiveness, of economic entities of different characteristics under different kinds of environment can be calculated. This is the process of evolution of economic systems. In recent years, evolutionary models have been used to assist decision making in applied settings and find solutions to problems such as optimal product design and service portfolio diversification. Behavioral economics and Neuroeconomics A different approach is to apply evolutionary psychology principles to economics which is argued to explain problems such as inconsistencies and biases in rational choice theory. A basic economic concept such as utility may be better viewed as due to preferences that maximized evolutionary fitness in the ancestral environment but not necessarily in the current one. Loss aversion may be explained as being rational when living at subsistence level where a reduction of resources may have meant death and it thus may have been rational to place a greater value on losses than on gains. An evolutionary approach may also explain differences between groups such as males being less risk-averse than females since males have more variable reproductive success than females. While unsuccessful risk-seeking may limit reproductive success for both sexes, males may potentially increase their reproductive success much more than females from successful risk-seeking. Frequency-dependent selection may explain why people differ in characteristics such as cooperative behavior with cheating becoming an increasingly less successful strategy as the numbers of cheaters increase. The ancestral environment likely had relatively little trade, division of labor, and capital goods. Technological change was very slow, wealth differences were much smaller, and possession of many available resources were likely zero-sum games where large inequalities were caused by various forms of exploitation. Humans therefore may have poor intuitive understanding the benefits of free trade causing calls for protectionism, the value of capital goods making the labor theory of value appealing, and may intuitively undervalue the benefits of technological development. Large income inequality may easily be viewed as due to exploitation rather than as due to individual differences in productivity.

Chapter 6 : Economics - The Next Evolution of Economics

Economics and Evolution is a rich and rewarding analysis of how evolutionary theory can be used (and misused) in the service of social science." Dr Peter A. Corning, Journal of Social and Evolutionary Systems, 18(4),

In the first place, I am unqualified to write such a paper. So I am in no position to write about his larger vision. Furthermore, while I am a great admirer of *The Strategy of Economic Development*, I do not think that it was helpful to development economics. To put it briefly, however, I regard the intellectual strategy that Hirschman adopted in writing that book as an understandable but wrong response to what had become a crisis in the field of economic development. Perversely, the very brilliance and persuasiveness of the book made it all the more destructive. If this paper is not about Hirschman, what is it about? It is some reflections on two intertwined themes. One is the strange history of development economics, or more specifically the linked set of ideas that I have elsewhere Krugman called "high development theory". This set of ideas was and is highly persuasive as at least a partial explanation of what development is about, and for a stretch of about 15 years in the 1950s and 1960s it was deeply influential among both economists and policymakers. Yet in the late 1960s high development theory rapidly unravelled, to the point where by the time I studied economics in the 1970s it seemed not so much wrong as incomprehensible. Only in the 1980s and 1990s were economists able to look at high development theory with a fresh eye and see that it really does make a lot of sense, after all. The second theme is the problem of method in the social sciences. As I will argue, the crisis of high development theory in the late 1960s was neither empirical nor ideological: High development theorists were having a hard time expressing their ideas in the kind of tightly specified models that were increasingly becoming the unique language of discourse of economic analysis. They were faced with the choice of either adopting that increasingly dominant intellectual style, or finding themselves pushed into the intellectual periphery. It is a rich book, full of stimulating ideas. Its most important message at that time, however, was a rejection of the drive toward rigor. In effect, Hirschman said that both the theorist and the practical policy-maker could and should ignore the pressures to produce buttoned-down, mathematically consistent analyses, and adopt instead a sort of muscular pragmatism in grappling with the problem of development. Unfortunately, they perished there. The irony is that we can now see that high development theory made perfectly good sense after all. But in order to see that, we need to adopt exactly the intellectual attitude Hirschman rejected: This paper, then, is a meditation on economic methodology, inspired by the history of development economics, in which Albert Hirschman appears as a major character. I hope that it is clear how much I admire his work; he is not a villain in this story so much as a tragic hero. Loosely, high development theory can be described as the view that development is a virtuous circle driven by external economies -- that is, that modernization breeds modernization. Some countries, according to this view, remain underdeveloped because they have failed to get this virtuous circle going, and thus remain stuck in a low level trap. Such a view implies a powerful case for government activism as a way of breaking out of this trap. Although Myrdal is essentially a tract that emphasizes the importance of "circular and cumulative causation" without -- unlike Hirschman, which is often treated as a counterpart work -- providing much in the way of concrete examples of how it might arise. The distinctive features of high development theory came out of its explanation of the nature of the positive feedback that can lead to self-reinforcing growth or stagnation. In most versions of high development theory, the self-reinforcement came from an interaction between economies of scale at the level of the individual producer and the size of the market. The story then went something like this: So if modernization can be gotten started on a sufficiently large scale, it will be self-sustaining, but it is possible for an economy to get caught in a trap in which the process never gets going. The clearest and simplest version of this story is in the original paper by Rosenstein Rodan himself. In that seminal paper, he illustrated his argument for coordinated investment by imagining a country in which 20% of the population receive wages substantially higher than their previous income in natura. Both key assumptions are clearly present: Admittedly, some of the classics of high development theory differed in their emphasis from this central vision. On the other side, some authors, notably Fleming, argued that owing to the role of intermediate goods in production -- what Hirschman would later memorably dub forward and backward

linkages -- self-reinforcing development could conceivably occur even without dualism. There were also disputes over the nature of the policies that might be required to break a country out of a low-level trap. Rosenstein Rodan and others appeared to imply that a coordinated, broadly based investment program -- the Big Push -- would be required. Hirschman disagreed, arguing that a policy of promoting a few key sectors with strong linkages, then moving on to other sectors to correct the disequilibrium generated by these investments, and so on, was actually the right approach. Indeed, Hirschman structured his book as an argument with what he called the "balanced growth" school. He did not acknowledge that he had far more in common with Rosenstein Rodan and other "balanced growth" advocates like Nurkse than any of them had with the way that mainstream economics was going. For mainstream economics was, by the late s, becoming increasingly hostile to the kinds of ideas involved in high development theory. Above all, economics was going through an extended period in which increasing returns to scale, so central to that theory, tended to disappear from discourse. It may not be obvious just how crucial economies of scale were to high development theory. One of the characteristics of the writing of many of its expositors was a certain vagueness that makes it hard to know exactly what the essence of their arguments were -- a vagueness that, as we will soon see, was no accident. Still, if reads carefully, one finds that increasing returns are invariably crucial to the argument. Forward linkages are also defined by Hirschman as involving an interaction between scale and market size; in this case the definition is vaguer, but seems to involve the ability of an industry to reduce the costs of potential downstream users of its products and thus, again, push them over the threshold of profitability. So economies of scale were crucial to high development theory. Why did that present a problem? Because economies of scale were very difficult to introduce into the increasingly formal models of mainstream economic theory. You might have supposed that the process would have been more or less linear: In the 15th century, maps of Africa were, of course, quite inaccurate about distances, coastlines, and so on. Thus the maps showed Timbuktu, the River Niger, and so forth. Admittedly, they also contained quite a lot of untrue information, like regions inhabited by men with their mouths in their stomachs. Still, in the early 15th century Africa on maps was a filled space. Over time, the art of mapmaking and the quality of information used to make maps got steadily better. The coastline of Africa was first explored, then plotted with growing accuracy, and by the 18th century that coastline was shown in a manner essentially indistinguishable from that of modern maps. Cities and peoples along the coast were also shown with great fidelity. On the other hand, the interior emptied out. The weird mythical creatures were gone, but so were the real cities and rivers. In a way, Europeans had become more ignorant about Africa than they had been before. It should be obvious what happened: Second-hand reports of the form "six days south of the end of the desert you encounter a vast river flowing from east to west" were no longer something you would use to draw your map. Only features of the landscape that had been visited by reliable informants equipped with sextants and compasses now qualified. And so the crowded if confused continental interior of the old maps became "darkest Africa", an empty space. Of course, by the end of the 19th century darkest Africa had been explored, and mapped accurately. In the end, the rigor of modern cartography led to infinitely better maps. But there was an extended period in which improved technique actually led to some loss in knowledge. Between the s and the s something similar happened to economics. A rise in the standards of rigor and logic led to a much improved level of understanding of some things, but also led for a time to an unwillingness to confront those areas the new technical rigor could not yet reach. Areas of inquiry that had been filled in, however imperfectly, became blanks. Only gradually, over an extended period, did these dark regions get re-explored. Economics has always been unique among the social sciences for its reliance on numerical examples and mathematical models. Nonetheless, in the early 20th century economic analysis was, by modern standards, marked by a good deal of fuzziness. In the case of Alfred Marshall, whose influence dominated economics until the s, this fuzziness was deliberate: By the way, I personally regard Marshall as one of the greatest of all economists. His works remain remarkable in their range of insight; one only wishes that they were more widely read. From the point of view of a modern economist, the most striking feature of the works of high development theory is their adherence to a discursive, non-mathematical style. Economics has, of course, become vastly more mathematical over time. Nonetheless, development economics was archaic in style even for its own time.

Hirschman made a significant contribution to the formal theory of devaluation in the s, while Fleming helped create the still influential Mundell-Fleming model of floating exchange rates. Moreover, the development field itself was at the same time generating mathematical planning models -- first Harrod-Domar type growth models, then linear programming approaches -- that were actually quite technically advanced for their time. Almost certainly for one basic reason: The essential problem is that of market structure. From Ricardo until about , what economists knew how to model formally was a perfectly competitive economy, one in which firms take prices as given rather than actively trying to affect them. There is a standard theory of the behavior of an individual monopolist who faces no comparably-sized competitors, but there is no general theory of how oligopolists, firms who have substantial market power but also face large rivals, will set prices and output. Still less is there any general approach to modeling the aggregate behavior of a whole economy largely peopled by oligopolistic rather than perfectly competitive industries. Since the mid s economists have broken through this barrier in a number of fields: The way they have done this is essentially by making some peculiar assumptions that allow them to exploit the bag of tricks that industrial organization theorists developed for thinking about such issues in the s. So development theorists were placed in an awkward bind, with basically sensible ideas that they could not quite express in fully worked-out models. And the drift of the economics profession made the situation worse. In the s and even in the s it was still possible for an economist to publish a paper that made persuasive points verbally, without tying up all the loose ends. Some development theorists responded by getting as close to a formal model as they could. This is to some extent true of Rosenstein Rodan, and certainly the case for Fleming , which gets painfully close to being a full model. But others at least professed to see a less formal, less disciplined approach as a virtue rather than an awkward necessity. It is in this light that one needs to see Hirschman and Myrdal. These authors are often cited today by me among others as forerunners of the recent emphasis in several fields on strategic complementarity. In fact, however, their books marked the end, not the beginning of high development theory.

Chapter 7 : Economics – The Evolution Institute

How evolutionary ideas can be used to reconstruct economics. Economic theory is currently at a crossroads, where many leading mainstream economists are calling for a more realistic and practical orientation for economic science. Indeed, many are suggesting that economics should be reconstructed on.

The preference subjectivism of canonical welfare economics is of little help here as it treats the motivations underlying individual behavior as an unexplained "black box". The present paper therefore reviews several motivational hypotheses suggested by biology, behavioral science, and cognitive psychology. They point to a strong influence of cognitive and noncognitive learning processes on the underlying motivations or, in economic terminology, the emergence and change of individual preferences. As a consequence, subjective welfare assessments tend to follow a drift process once a certain level of prosperity has been accomplished by economic growth. The normative relevance of the resulting preference relativism is argued to be particularly momentous, if the value basis of normative judgments is extended beyond the welfare criterion to justice and fairness considerations.

Volland The History of an Inferior Good: Beer Consumption in Germany The question whether alcohol in general, and different types of alcoholic beverages in particular e. Based on recently developed theories of preference adjustment this paper argues that the answer to this question may not be independent of the level of income itself. It therefore applies a gradual switching regression approach to aggregate beer consumption data in Germany from to This method allows elasticities to change over time, without prior specifications of the time and speed of adjustments. Results suggest that an important behavioral change is present in the data, as elasticities of beer demand shifted considerably between and In particular, they demonstrate that over this period beer shifted from being a normal to being an inferior good.

Kaus Signalling to whom? Conspicuous spending and the local density of the social group income distribution We empirically evaluate two competing explanations about how the dispersion of income within social groups affects household spending on visible goods. Using South African household expenditure data, we find evidence that precisely the reverse of the effect predicted by Charles et al. Our results instead support rank-based models of status competition since the number of within-group peers who possess a similar income level is found to be positively correlated with household spending on visible goods. How the range of visible goods used to signal wealth expands as household income grows is also explored.

Schwesinger Phylogenetic Footprints in Organizational Behavior An evolutionary tool kit is applied in this paper to explain how innate social behavior traits evolved in early human groups. These traits were adapted to the particular production requirements of the group in human phylogeny. We argue that these attitudes are still present in modern humans and leave their "phylogenetic footprints" also in present-day organizational life. We discuss the implications of this hypothesis for problems arising in firm organizations in relation to the coordination and motivation of organization members.

Lades The impact of differential satiation dynamics on changing consumer behavior, wellbeing, and innovative activity This paper presents a formal model in which differential satiation dynamics of various consumer needs translate into long-run changes of consumer behavior when income rises. In the model individuals allocate their income to the consumption categories proportional to need deprivation states corresponding to the consumption categories, a decision making process called matching. The paper compares the Engel curves obtained from matching with the Engel curves obtained from traditional constrained maximization. The latter allocation is used as a normative benchmark of the behavior that leads to the highest utility. While superficially both ways to allocate income generate similar results, matching allows to explain some empirical regularities that maximization cannot account for. For example, only by using matching one can reconstruct that income elasticities for food tend to decrease with rising income. Moreover, the comparison of both ways to allocate income shows that the deviations from rational behavior are greater for relatively poor individuals than for richer individuals so that the inequality in terms of welfare can be stronger than the inequality in terms of income. Innovations influencing the satiation patterns can strengthen this effect.

Explaining shapes of Engel curves: Journal of Evolutionary Economics, , doi: Beck Social Darwinism "In the distant future I see open fields for far more important researches. Light

will be thrown on the origin of man and his history. Aware of the difficulties his biological propositions would encounter, Darwin thought it wise to leave the delicate question of human evolution aside for the time being. He was nonetheless fully conscious that his theory would revolutionize the way we think about ourselves and our cultures. The term has been used mainly to decry doctrines that justify some form of individual, social, or racial superiority through evolutionary principles. Yet many of the positions typically attached to social Darwinism do not correspond to this stereotypical description. Even among the main proponents of evolutionary theory in the nineteenth century - Darwin, Wallace, Huxley, and Spencer - there were important disagreements concerning the process of evolution in humans and its results. This article offers an examination of their claims, as well as some related and antagonistic viewpoints, in two main areas: Chai Sustainable Consumption and Consumer Sovereignty There is a growing consensus in Ecological Economics that consumer preferences are neither fixed nor given, but rather endogenously determined by socio-economic and institutional factors. Hence, policy may promote "green" preferences directly. Yet any intervention in processes of preference formation seems to conflict with widely held liberal intuitions, imperfectly represented by the principle of Consumer Sovereignty CS. We argue that a suitably refined, dynamic version of CS may not stand in the way of certain preference-shaping policies. By exploring different modes of consumer learning that imply varying degrees of behavioral lock-in, we show that there is a scope for policies that influence preference formation without violating CS. This extends the range of normatively acceptable sustainability policies. Two lessons are particularly pertinent to advancing the Schumpeterian enterprise. First, that the familiar one-dimensional models of economic evolution are useful but incomplete. Secondly, that, while much evolutionary thinking has naturally focused on the connection between the micro and the meso, we need also to consider the connection between the meso and the macro and in so doing connect to rich literatures in the field of economic growth and development. Witt Economic Cosmology and the Evolutionary Challenge The intellectual histories of economics and evolutionary biology are closely intertwined because both subjects deal with living, complex, evolving systems. Because the subject matter is similar, contemporary evolutionary thought has much to offer to economics. In recent decades theoretical biology has progressed faster than economics in understanding phenomena like hierarchical processes, cooperative behavior, and selection processes in evolutionary change. This paper discusses three very old "cosmologies" in Western thought, how these play out in economic theory, and how evolutionary biology can help evaluate their validity and policy relevance. These cosmologies, as manifested in economic theory are, 1 rational economic man, 2 the invisible hand of the market, and 3 the existence of a general competitive equilibrium. It is argued below that current breakthroughs in evolutionary biology and neuroscience can help economics go beyond these simple cosmologies. Decomposition and Meta-Regression Results Drawing on the Kaya identity, we assess the role of the main driver of the decline in carbon intensity, namely the economic energy intensity. Using meta-significance testing for a sample of 44 studies, dealing with the causality between energy and GDP, we find that both variables are strongly coupled. Hence, after having exhausted energy savings from nonrecurring structural changes, the economic energy intensity may soon converge than being arbitrarily reducible. We suggest, therefore, not to rely on further reductions of economic energy intensity but rather to invest in the reduction of the carbon intensity of energy to mitigate climate change. Volland The effects of income inequality on BMI and obesity: While much progress has been achieved in recent years in understanding the economic changes that contribute to this development, a little researched factor that has also been argued to exacerbate the prevalence of obesity is the distribution of income. Augmenting data from 12 consecutive waves of the Behavioral Risk Factor Surveillance System BRFSS , with a recently published data set on state-level income inequality based on tax payments, the present paper analyzes whether changes in income inequality can be considered a determinant of variations in body mass and obesity across the U. It finds that they have a significant positive effect on BMI and obesity. While the effect is small, it is in the range of other state-level determinants, suggesting that some form of redistributive policy may help containing the spread of unfavorable weight outcomes. Witt The Energy Paradox of Sectoral Change and the Future Prospects of the Service Economy Persistently rising energy prices have revived interest in the economic impact of changing energy costs. We explore the effects of these costs on sectoral change, particularly in relation to the rise and

future prospects of the "service economy". We hypothesize that the productivity differential results from the respective technological opportunities for substituting energy for labor in each of the sectors. To test our hypothesis, we analyze the U. By means of the Autoregressive Distributed Lags ARDL bounds test, we examine whether a cointegrating relationship exists, in a given sector, between labor productivity and variables from our model representing the technological substitution conditions. Our findings support this hypothesis. Therefore, we can conclude that productivity differentials between the sectors may vanish if, as a result of rising energy costs, the substitution incentives are likely to fade out. Such a development might put the future of the service economy at risk.

Schubert Opportunity and Preference Learning Robert Sugden has recently elaborated upon the case for a normative standard of freedom as "opportunity" that is supposed to cope with the problem of how to realign normative economics - with its traditional rational choice orientation - with behavioral economics. His standard, though, presupposes that people respond to uncertainty about their own future preferences by dismissing any kind of self-commitment. We argue that the approach lacks psychological substance: An alternative concept is introduced, and some policy implications are briefly discussed. We analyze this relationship and apply matching estimators to the large-scale British Household Panel Survey BHPS data set to estimate the causal impact of volunteering on happiness. We take into account personality traits that could jointly determine volunteering behaviour and happiness. We find that the causal impact of volunteering on happiness is positive and increasing over time if volunteering is sustained. In a quantile analysis, we find that this effect seems to be driven by reducing the unhappiness of the less happy quantiles of the well-being distribution. We test the robustness of our findings and discuss their relevance for public policy. *Journal of Economic Psychology* 34 1 , , , doi: Ciarli Structural interactions and long run growth: An application of Experimental Design to Agent Based Models We propose an agent-based computational model defining the following dimensions of structural change " organisation of production, technology of production, and product on the supply side, and income distribution and consumption patterns on the demand side " at the microeconomic level. We define ten different parameters to account for these five dimensions of structural change. Building on existing results we use a full factorial experimental design DOE to analyse the size and significance of the effect these parameters on output growth. We identify the aspects of structural change that have the strongest impact. We study the direct and indirect effects of the factors of structural change, and focus on the role of the interactions among the different factors and different aspects of structural change. We find that some aspects of structural change " income distribution, changes to production technology and the emergence of new sectors, " play a major role on output growth, while others "consumption shares, preferences, and the quality of goods, " play a rather minor role. Second, these major factors can radically modify the growth of an economy even when all other aspects experience no structural change. Third, different aspects of structural change strongly interact: These results on the different aspects of structural change provide a number of insights on why regions starting from a similar level of output and with initial small differences grow so differently through time.

Volland The vertical transmission of time use choices The present paper analyzes intergenerational correlations in leisure time use between parents and their adult children in order to gain an understanding of the importance of genetics and early childhood learning mechanisms in preference formation. Data from the British Household Panel Survey BHPS is used to regress time use choices of children on the behavior of their parents after the former have left to form their own household. A principal component analysis on eight time use items reveals two identifiable components, associated with personal leisure time use outside the home, and voluntary work. These results are robust to a wide array of robustness checks, including changes in estimation technique, model specification, and data restrictions, and suggest that these correlations can be ascribed to preference transmission from parental to filial generation rather than to coordination between generations. Aside from adding to the growing economic literature on preference transmission models, it also provides empirical support for the strong impact of non-parental sources of preferences formation, voiced particularly in models of dual inheritance.

Wadman The Disappearance of Hard Constraints in Neoclassical Economics This paper introduces variable quality into the general treatment of neoclassical economics. It also introduces subbudget decision making at all levels. The consequences of these introductions are enormous for traditional theory.

Chapter 8 : THE FALL AND RISE OF DEVELOPMENT ECONOMICS

Economic development is the process by which a nation improves the economic, political, and social well-being of its people. The term has been used frequently by economists, politicians, and others in the 20th and 21st centuries.

Development economics is easy to characterize as one of the three major subfields of economics, along with microeconomics and macroeconomics. More specifically, development economics resembles economic history in that it seeks to explain the changes that occur in economic systems over time. Economic development first became a major concern after World War II. As the era of European colonialism ended, many former colonies and other countries with low living standards came to be termed underdeveloped countries, to contrast their economies with those of the developed countries, which were understood to be Canada, the United States, those of western Europe, most eastern European countries, the then Soviet Union, Japan, South Africa, Australia, and New Zealand. As living standards in most poor countries began to rise in subsequent decades, they were renamed the developing countries. There is no universally accepted definition of what a developing country is; neither is there one of what constitutes the process of economic development. Developing countries are usually categorized by a per capita income criterion, and economic development is usually thought to occur as per capita incomes rise. Although there are a number of problems of measurement of both the level of per capita income and its rate of growth, these two indicators are the best available to provide estimates of the level of economic well-being within a country and of its economic growth. It is well to consider some of the statistical and conceptual difficulties of using the conventional criterion of underdevelopment before analyzing the causes of underdevelopment. The statistical difficulties are well known. To begin with, there are the awkward borderline cases. Even if analysis is confined to the underdeveloped and developing countries in Asia, Africa, and Latin America, there are rich oil countries that have per capita incomes well above the rest but that are otherwise underdeveloped in their general economic characteristics. Second, there are a number of technical difficulties that make the per capita incomes of many underdeveloped countries expressed in terms of an international currency, such as the U. These difficulties include the defectiveness of the basic national income and population statistics, the inappropriateness of the official exchange rates at which the national incomes in terms of the respective domestic currencies are converted into the common denominator of the U. Finally, there are conceptual problems in interpreting the meaning of the international differences in the per capita income levels. Although the difficulties with income measures are well established, measures of per capita income correlate reasonably well with other measures of economic well-being, such as life expectancy, infant mortality rates, and literacy rates. Other indicators, such as nutritional status and the per capita availability of hospital beds, physicians, and teachers, are also closely related to per capita income levels. While a difference of, say, 10 percent in per capita incomes between two countries would not be regarded as necessarily indicative of a difference in living standards between them, actual observed differences are of a much larger magnitude. The interpretation of a low per capita income level as an index of poverty in a material sense may be accepted with two qualifications. First, the level of material living depends not on per capita income as such but on per capita consumption. The two may differ considerably when a large proportion of the national income is diverted from consumption to other purposes; for example, through a policy of forced saving. Second, the poverty of a country is more faithfully reflected by the representative standard of living of the great mass of its people. This may be well below the simple arithmetic average of per capita income or consumption when national income is very unequally distributed and there is a wide gap in the standard of living between the rich and the poor. The usual definition of a developing country is that adopted by the World Bank: To be sure, countries with the same per capita income may not otherwise resemble one another: Centrally planned economies are also generally regarded as a separate class, although China and North Korea are universally considered developing countries. A major difficulty is that prices serve less as indicators of relative scarcity in centrally planned economies and hence are less reliable as indicators of the per capita availability of goods and services than in market-oriented economies. Estimates of percentage increases in real per capita income are subject to a somewhat smaller

margin of error than are estimates of income levels. Page 1 of 7.

Broad-based economic growth is essential to sustainable, long-term development. It creates the opportunities impoverished households need to raise their living standards, provides countries with the resources to expand access to basic services, and is "most important of all" enables citizens to chart their own prosperous futures.

Answering the four big objections from critics of UBI. Daniel Nettle The replacement of drivers will be one of the most dramatic, visible battlegrounds between automation and the human worker. Laurie Macfarlane Debunking the failed paradigm of traditional economics. Nick Hanauer Challenging outdated economics with rap and puppetry. Shin Jang-Sup Evolutionary theory meets artificial intelligence and the management of algorithms. Harold Eia Understanding what we mean by the most important word in economics. Steve Roth Once the system can discriminate on a multitude of data points, the commons collapses. Saxegaard Most of us are not conscienceless psychopaths but when we make investing decisions we often act as if we are. Lynn Stout When economic theory is a tower of babel. Nicholas Gruen How to build global cooperation. Steve Roth The argument between orthodox economists and their critics resembles one that occurred in weather forecasting in the mid-nineteenth century. Jag Bhalla How the agricultural revolution changed the trajectory of our social and economic evolution. Tom Streithorst A middle path between laissez faire and centralized planning. Wilson, Peter Barnes We need to rethink our relationships with the workplace. Louis Putterman You can be pro-market and anti-neoliberal. Simon Wren-Lewis The solution to just about everything: David Sloan Wilson The surprising factors driving murder rates: Maia Szalavitz He was arguing with Stalin, not Norway. Sam Bowles, David S. Wilson Page 1 of 2 3 4 And Change the World. We spend hundreds of hours and thousands of dollars spreading the word about The Next Evolution of Economics.