Sessions 1-3: Sponsored by the Association for Evolutionary Economics @ EEA Joint Sessions
Organized by Robert Scott III (Monmouth University)

Session 1: Title: Development Finance and Inequality

Chair: Robert H. Scott, III, Monmouth University, rscott@monmouth.edu

A. ***Economic Dependency and National Debt in Balance of Payment Constrained Economies: The Case of North Africa***
Mehdi Ben Guirat, Laurentian University, mbenguirat@laurentian.ca

B. ***Capable (developmental) state and democracy in pre-industrial countries***
Luiz Carlos Bresser-Pereira, Getulio Vargas Foundation, bresserpereira@gmail.com

C. ***Ethical Finance in Development: Principles, Practices and Potentials***
Hao Cheng, Nanchang University, chenghao0351@yahoo.com

D. ***Does Resilient Too-Big-To-Fail Banks or the Renewal of European Prosperity? Rethinking Globalized Finance in Europe***
Gary Dymski, University of Leeds, G.Dymski@leeds.ac.uk

Discussants:

a. Neal Wilson, University of Missouri-Kansas City

b. Feridun Yilmaz, Uludag University

c. Matthew Berg, University of Missouri-Kansas City

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ABSTRACTS

Economic Dependency and National Debt in Balance of Payment Constrained Economies: The Case of North Africa

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The current underdevelopment situation among North African (NA) countries is the result of historical, political, and economic processes that have unfolded over centuries. A key component of this economic underdevelopment is the inappropriate development policies heavily based on export-led growth models that resulted in chronic balance of payment disequilibria and increasing indebtedness. These policies institutionalized the inability of these countries to fully control and appropriate productive resources in a coherent, efficient, and coordinated way to guarantee sustainable long-term growth. It follows that some of the indebted NA countries (and a lot of underdeveloped countries in general) have relinquished, whether willingly or unwillingly, some of their institutional sovereign rights which resulted in a situation in which their own development is subject to decisions made abroad. It is not just a situation of reliance but it is also one of *dependency*. This work will identify the sources of economic underdevelopment and show that structural balance of payment disequilibria will perpetuate indebtedness and a situation of dependency vis-à-vis major trade partners. Economic policies for a sustainable economic growth will be formulated accordingly.

Capable (developmental) state and democracy in pre-industrial countries

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This paper distinguishes three types of countries (rich, middle-income, and pre-industrial) and focus on the later ones. Its main question is which is the possibility that pre-industrial countries are well governed and display consolidated democracies, given the fact that no

country made its industrial and capitalist revolution within a political regime that could be defined as democratic – that assured civil rights and the universal suffrage. Nevertheless, these countries are today pressured from the bottom (its people) and from the top (the rich countries) to turn democratic. Historically, all industrial revolutions were the outcome of a developmental strategy, and none of them were accomplished in the realm of democracy. This is the main contradiction and the main challenge faced by populist leaders who try to develop their countries, having as adversaries the local liberal oligarchy and the rich countries. They must build a capable state, but their poorly organized societies do not help. They must give priority to economic growth, but the people ask for more social services. They must industrialize, but rich countries press for liberalization and democracy. Thus, to govern these countries is extremely difficult.

Ethical Finance in Development: Principles, Practices and Potentials

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Money and Finance are at the core of modern economy as they provide key resources allocating vast other scare resources in economy. Mainstream researches ever since Goldsmith(1969) have suggested that the better developed a country's financial markets, the faster the economy will grow. However, just like what has been noted by ecological economists that western ethics with radical anthropocentrism which pursuing unlimited growth has brought to ecological crisis threatening sustainability of human beings of current and future generations, typical financial systems based on peculiar efficiency preference rather than fairness, performing regardless of the value of environment and social consequences have also resulted in disasters seeing increasingly frequent financial and economic crisis and tremendous burden of debts to majority of communities. More and more people are adopting new patterns of financial behaviors with respect of not only profit or maximization of the interest of shareholders, but also other interest relevant parties such as ecological environment, social justice and equality, etc. Four types of ethical finance, known as Green Banking(GB), Ethical Investment(EI), Social Responsible Investment(SRI), and Islamic Finance(IF) are compared in such dimensions as principles, practices, and performances, future development potentials and policy implications are also discussed.

Resilient Too-Big-To-Fail Banks or the Renewal of European Prosperity? Rethinking Globalized Finance in Europe

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The European Union is basing its hopes for economic resurgence on an innovation-focused competitiveness policy, which can lead the way to a smarter, export-oriented European future. A key organizing concept for this policy thrust is the idea of resilient regions: combining evolutionary logic with spatial agglomeration theory suggests that viable "regional worlds" can function as more coherent action-spaces than nation-states, whose powers and scope have been restricted in the neoliberal era.

Europe seems to offer a perfect opportunity to unleash policies that support regional resilience. Europe appears, in the *Horizon 2020* vision, as a series of interconnected city-states and high-tech villages ready to produce and export the Schumpeterian innovations that will lead to a brave new green post-capitalist world.

One key precondition for the broad-based industrial/commercial expansion envisioned in this approach is a supply of productive credit and of non-predatory financial services. But the functionality of finance in the global North has been compromised in the years leading up to the global financial crisis, and then by the dynamics of the crisis itself. In the past twenty years, deregulation and competition from Wall Street and the City of London have incentivized European financial firms to emulate the practices of the New York-London financial nexus, and to buy or imitate the instruments it generates.

This led to crisis, but demonstrated the resilience of precisely the largest firms in the globalized financial landscape. Megabanks across the global North were acknowledged as too big to fail in the most desperate days of the crisis of 2008; governments added mightily to their deficits and/or used their central banks' expandable balance sheets to support their super-leveraged banks and to avoid finding out whether forcing their insolvency would bring down the intertwined money markets that bound one to another across time and space.

So this megabanking complex has proved very resilient indeed. It has blocked efforts to pass post-crisis laws and rules that would limit, tax, and scale back its fee-generating activities and its freedom to play zero-sum speculation games. Europe's industrial resurgence requires the transformation of its financial system, and specifically its strategic uncoupling from the unchecked, spillover-generating, risk-transferring practices of the world of globalized finance. This implies stark policy choices – specifically, the end of the double-mechanism of a "single-market" European Union distinct from a currency-sharing European Monetary Union.

JEL: G18, E50

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Session 2: Title: Habit, Heterodoxy and Humans

Chair: Luiz Carlos Bresser-Pereira, Getulio Vargas Foundation, bresserpereira@gmail.com

E. ***The Nature of Orthodoxy in Economics: Pluralism or preserving the status quo***
Feridun Yılmaz, Uludag University, fyilmaz@uludag.edu.tr

F. ***Time Systems and their Adoption***
Neal Wilson, University of Missouri-Kansas City, njw2b7@mail.umkc.edu

G. ***John Dewey's Notion of Habit and Ongoing Research on Human Nature***
James Webb, University of Missouri-Kansas City, webbj@umkc.edu

H. ***Re-examining Malthus's thesis with evidences from the over-populated Asia***
Ricardo Siu, University of Macau, fbars@umac.mo

Discussants:

d. Robert H. Scott III, Monmouth University

e. Mehdi Ben Guirat, Laurentian University

f. Luiz Carlos Bresser-Pereira, Getulio Vargas Foundation

g. Anna Soci, University of Bologna

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ABSTRACTS

The Nature of Orthodoxy in Economics: Pluralism or preserving the status quo

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Since the beginning of 1950s, economics has been dominated by neoclassical economics. The term 'neoclassical' is being employed to denote a substantive theory. This substantive theory strictly characterizes modern economics and it pervades the discourse of academic economics. This neoclassical orthodoxy depends on the so-called 'the wholy trinity' (Colander 2004). The wholly trinity consists of rationality, selfishness, and equilibrium. However it has recently been argued that neoclassical orthodoxy is in a process of transformation. The new research programmes including behavioural economics, experimental economics, neuroeconomics, evolutionary economics that emerge over the last two decades may lead an important departure from neoclassical economics (Davis 2008) and these developments may be considered as a way to more pluralistic view of economics. However this paper argues that the nature of orthodoxy in economics philosophically depends on naturalism. When it is considered on philosophical ground, the new research programs also lie on the same ground of naturalism. It can be argued that the new research programs would not lead a more pluralistic orthodoxy in economics, on the contrary, these developments might be considered as a radicalization of existing neoclassical orthodoxy on philosophical ground.

Time Systems and their Adoption

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The process of institutional economic adjustment involves understanding what problems face society and the development of actionable instrumental responses to those problems. Central to this process is the existence of a time standard that is in accordance with the technological character of society. The 1883 adoption of time zones is commonly understood as an example of private enterprise implementing instrumental adjustments without reference to outside pressure, the historical record however tells a more nuanced story. This paper considers examples of instrumental time with a special emphasis on the

use of overlapping time standards. Case studies include an industrial setting (the baking industry), a failed attempt at institutional change (the French revolution and decimal time) and the successful adoption of a new standard. This paper finds that we endeavor to adopt standards that are functional and flexible. The best standards engender the open ended potentialities which human activity persistently uncovers.

John Dewey's Notion of Habit and Ongoing Research on Human Nature

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John Dewey's conceptualization of habit provides a coherent theoretical basis for the dynamic relationship between individual cognitive and personality development, on the one hand, and the socialization process via institutional and social structures, on the other. "Habit" is relevant as well to understanding needs of effective praxis on policy and ethical matters. To do this requires an appreciation of the novel and unique conceptualization of habit in Dewey's lexicon. Habits have their origin in biologically innate "impulses" but the character of any given habit, though tending to be enduring is malleable and subject to interpenetration by other habits. The usefulness of habit as per Dewey requires understanding Dewey's novel conceptualization of habit as it contrasts with everyday conceptualizations of habit, in particular the necessary role of intelligent habits in promoting the possibility of an informed, functioning democratic community.
As with any good-faith, empirically grounded inquiry, Dewey's conceptualization of habit is coherent with contemporary research in neurophysiology and experimental psychology, as exemplified by the work of Kahneman and his associates. Moreover, Dewey's notion of habit is coherent with the work of C. S. Peirce and Veblen and carries their insights forward as part of an ongoing inquiry.

Re-examining Malthus's thesis with evidences from the over-populated Asia

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Abstract: Despite the fact that related evidences from the better developed western nations may not authenticate Malthus's *Principle of Population* (1798) and his anxiety about the continuous growth in population during the Industrial Revolution period in Europe, rapid population growth in Asia since the middle of the 20th century, especially in China and India, may see relevant. Indeed, the world population size had been doubled in the second half of the 20th century, in which Asia contributed to 70% of this

growth. According to the UN Population Division's estimation, the world's population will be further increased by another 3 billion between 2000 and 2050, and the source of this growth mainly comes from Asia and the less developed countries.

To check with the possible adverse social and economic impacts from continuous population growth, public policies to control family size have been commonly found in various Asian countries since the last two decades of the 20th century. For example, the "one-family, one-child" policy as imposed by the Chinese Government since the beginning of the 1980s is probably a most evident form of preventive check as proposed by Malthus. Nevertheless, related policies to control the population growth may lead to new puzzles under the particular contextual settings in Asia in the long run. In this study, the dynamics of related public policies which shape the future growth of population in Asia, and the spillover effects in the Asian economic societies will be analyzed and disclosed.

Session Sponsored by the Association for Evolutionary Economics

Session 3: Title: Habit, Heterodoxy and Humans

Chair: James Webb, University of Missouri-Kansas City, webbj@umkc.edu

A. ***A Stock-Flow Consistent Input-Output Model with Applications to Energy Price Shocks, Interest Rates, and Heat Emissions***
Matthew Berg, University of Missouri Kansas City, mbq88@mail.umkc.edu
Brian Hartley, The New School for Social Research
Oliver Richters, Carl von Ossietzky University Oldenburg

B. ***Income inequality—How much do our votes and institutions matter?***
Kosta Josifidis, University of Novi Sad, josifidis@gmail.com
Novica Supić (corresponding author), University of Novi Sad
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C. ***Does inequality harm democracy? An empirical investigation on the UK***
Anna Soci, University of Bologna (anna.soci@unibo.it); Anna Maccagnan, University of Bologna; Daniela Mantovani, University of Modena and Reggio Emilia

D. ***Can Zero Economic Growth Have Positive Environmental Effects and Reduce Poverty and Inequality Too?***
Robert H. Scott, III, Monmouth University, rscott@monmouth.edu
Steven Pressman, Monmouth University

Discussants: Discussion among presenters

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ABSTRACTS

A Stock-Flow Consistent Input-Output Model with Applications to Energy Price Shocks, Interest Rates, and Heat Emissions

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By synthesizing Stock-Flow Consistent (SFC) models, Input-Output (IO) models, and aspects of Ecological macroeconomics, a method is developed to simultaneously model monetary flows through the financial system, flows of produced goods and services through the real economy, and flows of physical materials through the natural environment. This paper highlights the linkages between the physical environment and the economic system by emphasizing the role of the energy industry. A simple baseline model is developed in general form, extendable in principle to an arbitrary number of sectors, capital goods, and commodities. Connections to the agent-based, econophysics, and complexity economics literature are emphasized. First, the model is applied to analyze the role of energy price shocks in contributing to recessions, incorporating several propagation and amplification mechanisms. Second, it is demonstrated that contrary to some claims, 0% interest rates are not a necessary condition for a stationary economy in stock-flow equilibrium, although this does not necessarily imply that the economy is also ecologically sustainable. Third, implied heat emissions from energy conversion and the effect of anthropogenic heat flux on climate change are considered in light of a minimal single-layer atmosphere climate model, although the model is only implicitly, not explicitly, linked to the economic model.

Income inequality—How much do our votes and institutions matter?

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This paper attempts to highlight the dynamics of income inequality in the affluent Western democracies. We explicitly consider the impact of the selected economic, institutional and political variables on the extent and direction of post-tax income inequality. Then, we discuss the obtained results in the terms of different approaches to welfare state. Empirical evidence is presented for a sample of 21 Western countries for the period 1980–2011. The panel econometric analysis indicates that different political preferences, expressed as party votes as a percentage of total votes, don't have the equal power in shaping redistributive policies. The preferences to right political parties are more efficient in achieving their interest in redistribution processes compared with the preferences to left political parties, whereas legal institutions serve as a key non-economic factor in promoting equality in the society. Such results call for a reinterpretation of the current assumptions and reveal the new realities about redistributive consequences of political processes.

OPT-OUT

Does inequality harm democracy? An empirical investigation on the UK

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Anna Maccagnan, University of Bologna
Daniela Mantovani, University of Modena and Reggio Emilia

This paper presents an empirical investigation about the effect of an increase in economic inequality on some aspects of the quality of a democracy. The main novelty of the paper lies in its methodology: it applies to a single country (instead of a pool of countries) - the UK - in a long run perspective. Using survey data, we select three questions and check whether an increase in inequality alters the answers to these questions, subject to other control variables. Another novelty is the use of several measures of inequality (rather than the usual GINI only) both for disentangling what happens in the different parts of the income distribution and for avoiding the dependence of the results on the choice of the indicator. The main finding is that a higher level of income inequality impacts negatively on citizens' satisfaction with democracy and positively on their political participation.

Can Zero Economic Growth Have Positive Environmental Effects and Reduce Poverty and Inequality Too?

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This paper explores whether a zero economic growth model designed to lessen environmental destruction and pollution is compatible with various policies to reduce poverty and inequality. We assert that policies designed to reduce poverty and lower inequality are not incompatible with zero growth and may, in fact, be necessary for achieving and more importantly sustaining a no-growth threshold. Our rationale is simple: zero economic growth (as it is traditionally measured) will initially lower aggregate demand and create tighter profit margins for businesses. As a result, unemployment will rise—putting greater strain on the economy. However, policies to increase public sector workers (in many different areas) could have the joint benefit of curbing econo require lower wages, perhaps less work or jobs re-directed toward greater social purposes rather than profit maximization (or consumption maximization).