

AFEE ANNUAL CONFERENCE PROGRAM 2015

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ABSTRACTS

Session 1: Consumers, Debt, and Social Provisioning

Presiding: Mario Seccareccia (*University of Ottawa*)

Consumer Debt, Consumption and Economic Growth

Steven Pressman (*Monmouth University*)

Robert H. Scott, III (*Monmouth University*)

This paper studies how increased consumer debt among US households affects economic growth, with particular attention to the Great Recession. Prior to 2008, consumer debt levels were at record highs and savings rates at record lows. This increased spending and economic growth. But rising debt is not sustainable without rising income. During the Great Recession some consumer debt declined (credit cards and home equity loans) and some increased (student loans and installment loans), while aggregate debt levels declined. The problem is that repaying debt reduces consumption and economic growth. This paper investigates how consumer indebtedness affects economic growth. Greater consumer debt boosts aggregate demand beyond what is possible with current incomes. If incomes do not increase to equalize the discrepancy between income and expenses, households will experience financial problems. This relationship between consumer debt and growth has a short-run stimulus effect, but can reduce long-run economic growth due to two factors: (1) when the economy is in recession households will direct more of their income to pay off previous debts, which does nothing to increase growth (unless we are talking about banks exclusively); and (2) with tighter bankruptcy laws, households can fall into a debt spiral if they experience income shocks (job loss, divorce, illness) without the possibility for relief. This paper concludes with some policy prescriptions to achieve greater balance between income and consumer debt levels without sacrificing much economic growth.

Theorizing Household Savings Behaviors within the Social Provisioning Process

John R. Moreau (*University of Missouri-Kansas City*)

People exist within a social system of material provisioning. That system specifies how we provide for our needs and we define those needs. We are not born knowing our preferences. There is nothing natural about certain financial behaviors. We learn these ideas from our social environment. Our psychological make-up and our personal choices both contribute to how we respond to new ideas but are in turn shaped by the signs and meanings of our position within society. Every person must balance between structure and agency with their choices, large and small. At first glance, individual financial behaviors appear to be highly idiosyncratic. There exist as many different money management methods as there are money users. A different story emerges when we re-examine financial decision-making in the context of social provisioning.

Financial decision-making represents both knowledge of the system as well as our learned behaviors and habits. That bundle of activities and attitudes incorporate both structure and agency. The actions of an individual can be interpreted as either revealed preferences or a reflection of constructed preferences. When compared across individuals, financial behavior reveals common patterns of decision-making processes. When compared across households within the same social provisioning process, those patterns reflect the larger provisioning process. Behavioral economics has explored the psychological processes, such as mental accounting and the use of heuristics. This proposal outlines how my dissertation makes an original contribution to the literature by showing how social position and culturally specific learned behaviors intersect with those cognitive processes.

Paying for Debt: The Labor Markets Implications of Growing Household Debt

Bert M. Azizoglu (*The New School University*)

In recent decades US households have increasingly complemented their labor income with credit to sustain their consumption, housing and education expenses. This paper investigates whether and how growing household debt levels shape individuals' labor market engagement. On a macro level, Campbell and Hercowitz find that household debt drives up total hours worked. Since unemployment remains high and labor market participation has been falling, focusing on total hours might be covering up asymmetric and potentially dramatic effects on certain households. I therefore investigate how household debt translates into changes in the labor market status using micro-level data in order to get a more accurate picture of the stated labor supply effect. In a second step, I shift the attention to the debt and labor income relationship among households with employed members and analyze whether individuals with higher household debt also face a more disadvantageous wage bargaining position vis-à-vis their employers which manifests itself in lower wages relative to comparable employees without debt. The ultimate goal of this paper is to sketch out the function of debt as a factor further commodifying the labor effort in recent decades.

Social Provisioning for Financial Inclusion: Extending an Institutional Approach

Sherry Davis Kasper (*Maryville College*)

Since the mid-1990s the number of Alternative Financial Services Providers (AFSPs), or fringe banks, grew 10% annually to a \$100+ billion business, serving the financial needs of approximately 25% of the US population that is unbanked or underbanked. Currently the Consumer Financial Protection Bureau is investigating the best way to oversee this industry. This paper will explore how institutional economics could aid in developing these policies, updating John Commons' concept of working rules, Allan Schmid's "situation, structure, performance paradigm," and an institutionalist reading the Capabilities Approach to financial inclusion.

Social Provisioning and Financial Regulation: An Institutionalist-Minskyian Agenda for Reform

Faruk Ulgen (*University of Grenoble*)

This article seeks to put the social provisioning process into perspective with regard to financial regulation and financial instability issues of modern capitalism. Contrary to neoclassical equilibrium and neoliberal efficient market models, it aims at developing an alternative institutionalist analysis in the line of Hyman Minsky's endogenous financial instability assumption. Two arguments are then brought to the fore. First, the monetary/financial stability has a peculiar nature as a kind of specific/crucial public good, or in quite confused terms, as "the commons" as it concerns the whole society and its viability conditions; every member of a given economic society is a commoner even though she/he is not plainly involved in related economic relations. Directly or indirectly everyone uses it and is subjected to its systemic consequences. And second, the provision of "monetary/financial commons" is essentially a matter of public policy. It requires the intervention of public power that must play the role of referee and stand outside of the private and decentralized market relations in order to organize, supervise and regulate the production, the use and the evolution of the system of monetary/financial commons. Garrett Hardin's social dilemma of the "Tragedy of the Commons" - where common goods availability plummets mainly because of the public management of such goods - finds here an opposite interpretation since the increasing financial instability comes from the lack of publicly organized and supervised regulation in a financialized economy of which the continuity is assumed to be guaranteed by private self-adjustment mechanisms.

Session 2: Corruption of Social Provisioning under Capitalism

Presiding: Paula Cole (*University of Denver*)

Economic Surplus and Social Provisioning in the USA and Mexico

Kellin Chandler Stanfield (*Association for Evolutionary Economics*)

The US and Mexican economies have been following a development and integration model that has limited restrictions on trade and capital flows, liberalized domestic financial sectors, and increased the vulnerability of substantial segments of the populations to anomic market forces. Intra-national inequality and uneven development between Mexico and its NAFTA partners have increased as the economic surplus of the region is being transferred to the national elites and centre of the regional bloc. Moreover, Mexico has settled into a growth strategy based on the export of cheap labor with substantial dependency on the US consumer market and enclave economies. After exploring how the economic surplus of the US and Mexican economies has been distributed in recent decades in relation to social provisioning and socioeconomic restructuring, this paper considers policy reforms that would re-orient surplus production to productivity and sustainability enhancing investments in physical and human infrastructure along with promoting shared gains from economic integration.

Envy in Neoliberalism: Revisiting Veblen's Invidious Distinction

Mary V. Wrenn (*University of Cambridge*)

Cautionary tales admonishing against the evils of envy crowd religion and folklore across cultures. Pre-capitalist societies attempted to suppress envy; familial and community relations held the emotion of envy in check through social sanctions. Capitalism, however, encourages envy. The connection between capitalism and envy is not new. Marx explored ideas of envy in

his theory of commodity fetishism, while Veblen methodically addressed it in his explanation of invidious distinction. As capitalism has evolved into its present incarnation of neoliberalism, however, envy has also evolved. The evolution, nature, and role of envy within neoliberalism must be studied in order to understand more fully its consequences. This research seeks to examine the social ontology of envy. According to advocates of neoliberalism, inequality serves an important social function – it is the great motivator, without which, individuals would not have incentive to improve. Inequality and by extension envy, are thus heralded as the prime catalysts of economic activity. As well, this research examines the role of *schdenfreude* and the shaming of the poor.

Evangelii Gaudium, Capitalism, and Social Provisioning

Valerie K. Kepner (*King's College*)

Pope Francis' recent release of the Apostolic Exhortation *Evangelii Gaudium* has generated much needed reflection on the role of an economic system in the meeting of humanity's wants and needs. Too, *Evangelii Gaudium* highlights the difference between wants and needs and the negative consequences of the now entrenched "need" to consume "wanted" goods and services. Pope Francis points to the individualism that is central to the currently revered economic system, i.e., capitalism. However, this need not be the case, and if one were to truly examine the functioning economic system in the U.S., its resemblance to capitalism begins and ends with a partial reliance on markets and prices and a focus on the individual. Beginning with the widely-accepted definition of economics, a discussion of the often-overlooked value judgments in the mainstream definition will follow and then lead to a discussion of alternative definitions proposed by various heterodox economists. Following will be a discussion of the natural tendency for a capitalist economic system to (at the very least monetarily) reward those who subscribe to the primacy of the individual with the system further encouraging (even requiring) ever-increasing consumption. This is not inevitable, however. The paper will conclude with a discussion of the real possibility of utilizing a capitalist economic system to meet both the needs of the individual as well as society.

The Commodification of Society

Timothy A. Wunder (*University of Texas at Arlington*)

Mainstream economics has come to fetishize finance and, by doing so, has blinded its theoreticians with respect to understanding the substantive economy. Institutional economic theory teaches us not to conflate finance with material provisioning. The historical tradition that upholds this lesson has roots inside and outside Institutionalism. This tradition can be seen in Marx's discussion on private property as well as in Veblen's discussion on intangible assets. The evolution of this discussion can be followed in Minsky's writings on types of finance and is unavoidable in the current pages of the JEI. This paper will explore how the institution of private property evolved into intangible assets, then into finance capital, and is currently being altered through securitization. By concentrating on this evolution it will become evident that that securitization is a financial tool used to lock in a power relationship. Through securitization a block of student loans can become valued as a security and the value of that security is determined by the future stream of payments of the borrowers. This paper will explore how a system of student loan assets valued as equities (S.L.A.V.E.) is representative of the general

characteristic of securitization. Under securitization the capital owner no longer owns anything tangible, instead he owns the right to call upon government force to divert income from the debtor into his own pocket. This is a new incarnation of power relations and Institutional theory is well suited to explore and explain how it works.

The Provision of Social Costs when there is no Society: The Nihilism of Financialization

Gregorio Bonifaz Vidal (*Universidad Autonoma Metropolitana*)

Wesley C. Marshall (*Universidad Autonoma Metropolitana*)

Eugenia Correa (*Autonomous Mexico National University*)

In his 1980 television series *Free to Choose*, Milton Friedman sets out his vision for why collectivized social provisioning organized and carried out by governments should be eliminated. Around the same time, Margaret Thatcher could be heard saying 'there is no society'. A quarter of a century later, as financialization has firmly taken hold in advanced North Atlantic economies, such aspirations have increasingly become reality. As we argue in this paper, the hegemonic project of groups in constant competitions to capture society's surplus typically involve an ideology that justifies the project's regime of accumulation. In the case of financialization, the actions and words of financial plutocrats demonstrate their conviction that the project's profitability does not depend on an expansion of productive capacity and the sustainability of the labor force. In other words, workers are not invited to participate in financialization. This is not to say that workers have no place in financialization. Rather, they are simply seen to have more value as debt serfs than as workers or consumers.

The replacement of all moral codes in favor of the pursuit of money, of planning at a macro and global level in favor of the spontaneity of a not so free market, and of social provisioning for social parasitism, all point to nihilism as the underlying ideology of financialization, and dire consequences for humanity.

Session 3 AFEE/URPE Jointly Sponsored Session

Class and the Social Provisioning Process

Presiding: John F. Henry (*University of Missouri-Kansas City*)

Payday Lending on the Prairie: Deregulation, Predation, and a Potential Populist Response

Reynold F. Nesiba (*Augustana College*)

Lauren Thompson (*Augustana College*)

Paul Volcker, Governor Bill Janklow, and Citibank all played prominent roles in the dismantling of usury ceilings in South Dakota in 1980 and 1981. Three decades later, the wake of those policy decisions continues to influence both the banking and fringe banking industries.

According to the Center for Responsible Lending in 2010, South Dakota was home to 118 payday lenders originating over \$150 million in short-term high interest rate loans. A recent Pew study confirms that South Dakota—because of its unregulated interest rates—is one of the most expensive places in the nation take out a payday loan. Lenders there charge an average annual rate of interest of 575%. That rate is almost four-and-half-times higher than Colorado's 129%.

Drawing on historical documents, interviews, loan application documents, and court records, the authors explain the history, economic impact, and adverse effect payday lending has had on

South Dakota borrowers, charitable agencies, and the broader community. Opponents of predatory lending have proposed an initiated measure for the 2016 election cycle to cap payday loan rates at 35%. The paper concludes with a brief analysis of this proposal.

Role of Economic Class in Understanding Social Provisioning Processes in post-Soviet Transition: The Case of the Ukraine

Anna Klimina (University of Saskatchewan)

Using the economy of Ukraine as illustration, this paper argues that economic class, defined in relation to its actual control over the economy's productive assets, and thus, over social organization of surplus, is the most useful lens for exposing the neoliberal nature of the social provisioning process in post-Soviet transition and making clear that only ownership empowerment of propertyless working class can democratize the current oligarchic and corrupt Ukraine. Beginning with a historical overview of primitive capital accumulation in Ukraine, the paper clarifies that even at the start of transition, control over assets, in fact, belonged to an elite group of bureaucrats and former enterprise directors, while the labouring class remained propertyless and alienated. As a result of neoliberal reforms of 1996-2005 in the context of a highly concentrated industrial structure, privatization of large-scale state property has resulted in highly concentrated private equity ownership dominated by oligarchic groups. Meanwhile, the increasing impoverishment of a weakened working class resulted in the absence in modern Ukraine of an influential Left capable of altering established social standing. Consequently, to restructure Ukraine's social provisioning along more equitable and inclusive lines, comprehensive restructuring of large-scale oligarchic companies must be conducted, not through forced division into smaller companies, but first through their nationalization and then through a progressive reformation of large-scale state property to include shared ownership and worker participation in economic decision making. To secure equitable sharing of surplus, new property in social investment should also be generated through state-guaranteed jobs and state-funded social benefits.

Commodification of Waste: LDC's, Global Capitalism, Polanyi and Marx

Tara Natarajan (*Saint Michael's College*)

At the very extreme edge of commodification is the commodification of waste. Countries such as Bangladesh, India, and China are leaders in processing global waste. The Bangladeshi coast just north of Chittagong is where ships from all over the world are breached and dismantled. This Bangladeshi coastline of mangroves have been completely cleared to create ship breaking yards which employ the youngest and poorest people from that region. China's Guangdong province has long been the region known for recycling and processing electronic waste that cannot be processed in developed countries due to prevailing environmental regulations and standards. Entire domestic regional economies in low income and some middle income countries become the drivers for growth and the primary markets for what this paper calls the commodification of waste. Polanyi argued that traditional economics becomes the logic of economizing and thus attached the words "logical" or "formal". But he also attached "substantive" to economics. In the context of countries that are commodifying waste, the work of Polanyi helps explore the contextual meaning of provisioning with respect to the prevailing socioeconomic structures of accumulation and global class hierarchy. This paper discusses Polanyi to understand the

provisioning role of markets albeit in a perverse context -- the commodification of waste in a global context and the reproduction of social structures of accumulation as the conceptual framework. This paper thus brings together Polanyi and the social structures of accumulation to study the commodification of waste and questions the nature of the provisioning mechanism therein.

Social Classes and Social Agency in the Heterodox Approaches to the Social Provisioning Process

Tae-Hee Jo (*SUNY Buffalo State*)

Heterodox economics offers radical insights to the understanding of the capitalist social provisioning process. Radical in that heterodox economics is critical of the status quo and the vested interests of the ruling class. Central to heterodoxy is thus the recognition of both social classes and social agency that lend themselves to the transformation of capitalism. However social classes and social agency are often absent or treated as secondary in some heterodox theories and models. This paper examines this particular issue focusing on the approaches framed by institutionalists and Marxist-radical political economists. In particular, the social surplus approach, the social fabric matrix approach, the social accounting matrix approach, and the systems of provision approach are compared and contrasted with the aim of advancing a more relevant heterodox approach in an integrative manner.

Economic and Social Class in Theorizing Unpaid Household Activities under Capitalism

Zdravka Todorova (*Wright State University*)

Economic class and social class are two of the processes within social provisioning. The article discusses the importance of making an analytical distinction between both and the implications for theorizing unpaid household activities in social provisioning under capitalism. The first section presents a brief overview of the contested landscape of unpaid household work, including some terminological issues. The second section explains why the distinction between economic and social class ought to be made; and why both need to be developed in a social provisioning framework. The third section discusses the implications for analysis of unpaid household activities. One of those implications is the nexus between unpaid household work, conspicuous consumption/leisure/waste, and recreation. The article argues that within a social provisioning framework the processes of economic and social class reveal avenues to critically analyze unpaid activities on equal footing with monetary production. This means that both the invidious and transformative potentials of unpaid activities ought to be theorized. The transformational potential of unpaid domestic activities then depends on the ways that these are cultivated – for the purpose of invidious distinction (based on gender, race, and social class for example); or for the purpose of non-invidious recreation of community based on the life-process.

Session 4 AFEE/ASE Jointly Sponsored Session

The Impact of Commodification on the Social Provisioning Process

Presiding: Wolfram Elsner (*University of Bremen*)

Strengthening Karl Polanyi's Concepts of the Double Movement, Exchange, and Freedom

F. Gregory Hayden (University of Nebraska-Lincoln)

Given Karl Polanyi's emphasis that policy making is the most important foundation for all institutional structures, my research has been very dependent on his work especially for the development of the social fabric matrix. Now, my purpose is to deepen and expand some of his key concerns. There have been great praise for his work, with little analysis to build on his concepts to make them more convincing and powerful. That is the purpose here for three of his concepts, as follows: (1) the double movement, (2) the reality and logic of reciprocity, redistribution, and price exchange, and (3) freedom. Polanyi explained that a double movement was involved as the market system led to the commoditization of land, labor, and money. The societal degradation from market forces was resisted by a societal counter movement which overpowered laissez-faire capitalism. Polanyi's explanation led to a counter movement fundamentalism by some authors who have assumed that a successful counter movement will happen automatically. This paper explains the conditions necessary to have a successful counter movement. Polanyi's categories of reciprocity, redistribution, and price exchange have been difficult to apply in real-world contexts because they are very dependent on deductive reasoning. This paper explains the need for inductive and abductive reasoning in addition to deductive logic in order to make these categories operational. Polanyi is weakest in the area that he finds most important—how to establish freedom in a complex society. Societal criteria for establishing freedom are presented.

Developing a Veblenian Theory of Care for the 21st Century

Andrew Cumbers (*University of Glasgow*)

Robert McMaster (*University of Glasgow*)

In his exploration of the nature of human behaviour Veblen highlighted a number of human instincts – one of which was the “parental bent”. In contrast to the other “positive” instincts associated with knowledge, idle curiosity and workmanship, the parental bent is specifically other-regarding in that Veblen describes it in terms of utilising knowledge for the betterment of society, suggesting an, "approval of economy and efficiency for the common good". Veblen's “parental bent” stresses the social embeddedness of humanity and therefore our instinct to care. Veblen's analysis describes how institutions can encourage – through the cumulative effect of habit – the dominance of particular instincts over others. The promotion of the “negative” predatory instinct by finance capitalism seems prescient. Modern conceptions of care recognise its instinctive and socially constructed properties. Our ability to care is partially predicated on our social roles and the values embedded within those roles. Critically this is influenced by the configuration of institutions within a society. Toronto has recently alluded to a caring deficit – where the needs of care are greater than our abilities to provide care. This partly reflects the increasing re-confinement of care to the private domain, primarily of the household, as well as its feminisation under an increasingly monetised set of social relations driving the public sphere. Accordingly, care is under-valued. By drawing upon recent contributions to care, this paper seeks to develop upon Veblen's insight, and to argue that the most significant deficit confronting capitalist society is not of the fiscal variety, but in care.

Exploring an Ecologically Regionalist Social Provisioning Process

Richard Wagner (*Rockhurst University*)

This paper explores the notion and theory of an ecologically regionalist social provisioning process. The notion of regionalism has had many definitions and uses in the last century, ranging from a progressive arts and culture movement to a method of economic development which promotes cooperation between municipalities and businesses in a specified geographic area. The regionalism to be discussed in this paper is one which is first based in the ecological conditions of the landscape, yet as well, economic, social, and political realities. With such delineation this, *ecological regionalism*, is also a progressive theory of social provisioning, one characterized by cooperative business enterprise, ecological sustainability, and participatory democracy. This notion of regionalism is one which was first defined and promoted in the early 20th century by Lewis Mumford, although given Mumford's rich career, has links to thinkers such as Thorstein Veblen, John Dewey, Patrick Geddes, and Peter Kropotkin. At the same time, this theory can be shown to be directly related to the contemporary discipline of ecological economics, as it is a vision of a sustainable society, both ecologically and economically. To make aware the potential of ecological regionalism as a progressive theory of social provisioning and as well the connection to ecological economics, this paper defines and summarizes main points of ecological regionalism as presented by Mumford and the latter mentioned thinkers, while also briefly exploring a possible synthesis of thought with the discipline of ecological economics.

The Culture of Complementarity

Frederic B. Jennings, Jr. (*Center for Ecological Economic and Ethical Education*)

Human relations involve a balance of substitution and complementarity. In economics, substitution is stressed and complementarity ignored. An economics of substitution – of independence, scarcity and short-term material growth – will lead to alienation and disengagement. An economics of complementarity – of planning horizons, increasing returns and networks – supports a case for organizational health and social provisioning through a community process. The institutionalist principle of circular cumulative causation (CCC) implies complementary linkages. Complementarity calls for collaboration to realize mutual gains subverted by competition. If complementarity dominates substitution in human relations – namely, if economics is about concerts and not conflicts of interest – then what are its social, institutional and cultural implications? A culture of complementarity feels unnatural to an economist. A shift to common needs entails a large analytical leap into new realms of analysis, understanding and social design. If all well-being is social, if your benefits are aligned with mine, a lack of conflict creates community. In this setting, competitive values do not quell but cause strife and harm to health and well-being! The relations implied by complementarity favor community effort as a means to social provisioning. This paper limns the culture of complementarity in economics. A key to achieving community (in both theory and practice) is here, replacing substitution with complementarity in our basic assumptions. To move beyond the myopic culture resulting from competition, one needs to examine a culture of complementarity as a critical step beyond disengagement toward a community-oriented process of social provisioning.

Is Economic Justice Compatible with Dynamic Capitalist Economies? Yes it is: A Dynamic Multiple Equilibrium Modeling of Economic Justice Effects

Morris Altman (*University of Wellington*)

Economic justice, broadly defined, is considered to be obtainable only at a significant opportunity cost in the traditional economic analytical framework. It is treated as a tax on society, which benefits a few, at the cost of either reducing the economic pie or characteristics of economic justice are regarded as contributing to relatively inflexible labor markets, further contributing to generating negative economic and social effects, of particular importance to an increasingly global and competitive market. I show that in a dynamic modeling framework, incorporating insights from behavioral and institutional economics, social justice can either be neutral to economic growth or have positive effects. This stands the ‘extreme’ Chicago-style paradigm on its head, wherein what the latter maintains contributes to less growth and higher long run persistent rates of unemployment, can actually have the opposite effect, contributing to higher levels of economic efficiency and labor market flexibility. Well-designed policies and programs that make for a fairer society can lift productivity, growth, employment, and wellbeing to higher levels. One can predict that societies characterized by such policies and programs should perform better than those societies not so characterized. Some data are examined related to the argument presented.

Session 5

Income Inequality and Social Provisioning

Presiding: Bruce E. Kaufman (*Georgia State University*)

Inequality as Instituted Process: The Case of Natural Resource Wealth

Christopher Brown (*Arkansas State University*)

The distribution of economic and political power in any society manifests the cumulative effects of inherited institutions that regulate the control and use of land, knowledge, and tools. Fossil fuels and minerals became both extractable and valuable as a consequence of technological and industrial development. The institutions that assign ownership of subsurface natural resources have had a profound and enduring impact on the character of economic and political life in the United States. Many great fortunes have been amassed by securing ownership rights to subsurface water, fossil fuels and minerals. U.S. property law is unique in that ownership of land automatically confers title to subsurface resource deposits. The allocation of ownership rights to resources located beneath federal lands, according to the “first possession” principle, is another distinctive feature of U.S. natural resource law. These aspects of U.S. law established a de facto lottery in subsurface fossil fuels and minerals, and virtually guaranteed the emergence of a dominant and cohesive power cohort based on natural resource wealth. This paper seeks to shed light on the long-term effects of two key aspects on U.S. property law: (1) the doctrine of first possession; and (2) the doctrine of *ad coelom*—meaning, the landowners rights extend vertically both upward and downward. The argument is made that these institutions are strongly implicated in the path-dependent trajectory of economic and political life in the U.S.

The Provisioning of Inequality

William Redmond (*Indiana State University*)

Just as incomes and wealth are unequally distributed in society, the provisioning to the different groups is also unequal. In the processes known as segmentation and differentiation, marketers design different offerings which they hope will be appealing to certain customer groups. The paper argues that marketing and distribution practices not only reflect income differences but, in fact, contribute to the widening inequality. Such marketing targeted to lower income groups reduces their wealth and welfare relative to upper and upper-middle groups. Lower income groups make much heavier use of costly financial services such as payday loans, check cashing services, auto title loans, and many more. These services are promoted to and distributed through outlets in lower income neighborhoods. Provisioning systems in other areas contribute directly or indirectly to inequality. In the health area, lower income groups are often provided with lower quality care, and are much more exposed to health drawbacks such as food deserts. In education, lower income groups more frequently attend questionable for-profit universities, often leaving with no degree and substantial debt. Governments also contribute: state-sponsored lotteries are differentially used by lower income groups, while Federal income tax deductions are largely inaccessible to them.

Social Provisioning and Social Unbalances on Capitalist Development

Carlos Aguiar de Medeiros (*Federal University of Rio de Janeiro*)

Social provisioning brings political decisions to the core of the economic system. J. K. Galbraith showed in his analysis of the 'affluent society' published in 1958, that there was a tendency in US capitalism for a 'social unbalance' separating the American area of private wealth from the area of poverty formed by the provision of public services. Social unbalance resulted from the US political process and conceptions of how society should work and who should pay for public services. Different from economic process where an unbalance process may create an inducement for its correction through market or Government policies social unbalance necessarily requires nonmarket policies and does not generate any automatic or political compensating process. We argue in this paper that since the 1980s this tendency became even more accurate in rich or middle income societies. In the US political and ideological changes enlarged income inequalities and the privileges of the upper middle class legitimizing its demand for selective and privatized services; in much poorer societies as China and Mexico a similar process occurred in the 1990s; in Brazil although better income distribution achieved through income transference in 2000s created million of new consumers, the unbalance between private goods and public services has grown as well. This overall increase in social unbalance, we argue, is an essential feature of the present 'ill fare' tendencies of modern capitalism, it resulted from political decisions grounded on individualistic values and strong private accumulation strategies.

Does Inequality Harm Democracy? An Empirical Investigation on the UK

Anna Soci (*University of Bologna*)

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.

Towards a More Equitable Social Provisioning Process in South Africa

Geoff Schneider (*Bucknell University*)

Berhanu Nega (*Bucknell University*)

Like most of the continent, South Africa has experienced substantial economic growth since 2000, appearing to have reversed the problems of the 1980s and 1990s. However, also like the rest of the continent, recent economic growth masks deep structural problems in the economy. Historically, the most important long term determinant of economic performance and social provisioning in Africa has been the nature of the distribution of power, which shapes key institutions and the distribution of economic resources. Unfortunately, in South Africa the distribution of power and the institutions that ensure this distribution were established under apartheid, and many of them remain largely in place today. Thus, the institutional structure is preventing the establishment of a more broad-based distribution of power and a more equitable provisioning process. This paper documents the extent to which the maintenance of key apartheid-era institutions is undermining the prospects for long-term economic and human development in South Africa. Breaking the cycle of uneven development in South Africa will require fundamental changes in institutions, including changes in democracy, ownership structures and the very nature of the economic system. Like the rest of the continent, South Africa is in desperate need of innovative theorizing about the social provisioning process under contemporary capitalism, and how that provisioning process needs to evolve. This paper makes a first attempt at reconceptualizing the social provisioning process in the South African context.

Session 6

Examining Social Provisioning through Global Value Chains

Presiding: Steven Sawyer (*Fashion Institute of Technology*)

The Implications of Global Value Chains for Development: Unequal Exchange, Middle-Income Traps and Gendered Labor Market Outcomes

Mary Borrowman (*New School for Social Research*)

The rapid increase in the integration of international production over the last few decades has been accompanied by a rapidly increasing discourse attempting to explain the implications. The global value chain (GVC) framework emerged from a developmentalist tradition that emphasized inequalities in power and resources that were likely to be perpetuated by exchange, thus necessitating a role for an active interventionist state. The framework has since been adopted by those coming from a liberal perspective who emphasize the increasing efficiency and universal gains from trade that result from GVCs and thus promote global trade liberalization and deregulation. This paper traces through the theoretical arguments on both sides of the

liberal/developmental divide and the policy implications that result. It is the insights into power and asymmetric market structure coming out of the developmental GVC perspective that are most relevant to modern global political economy, as they help us understand inequities in distribution on a macro and micro scale. This is particularly true for the expanding inequalities within countries, the low-level equilibrium traps and middle-income traps experienced by developing countries, and understanding the erosion of bargaining power of workers and the gender dynamics of labor markets. The paper concludes with an analysis of the winners and losers in the pursuit of policies on both sides of the liberal/developmental divide and the power dynamics facing developing countries in GVCs and international institutions.

Does the Global Value Chain Literature Improve Traditional Development Economics or are there Ideas to be Borrowed?

P. Sai-wing Ho (*University of Denver*)

The global value chain (GVC) literature emerged as a ‘new’ contribution to development studies at a time when neoliberalism (regarding trade and investment policies) had largely displaced the more traditional development economics. This paper contends that some of the key contributors to that literature have exhibited a lack of a critical understanding that neoliberalism gained the upper hand by trivializing and distorting certain key ideas in traditional development economics. Thus, neoliberal trade policies are based upon the age-old principle of comparative advantage that has a Smith–Ricardo–Mill lineage in that it is rooted in one type of division of labor, namely that there are benefits when two parties specialize and trade in different *final* products.

Traditional development economics expressed strong reservations toward that principle and the GVC literature likewise exhibits ambivalence toward it. But what the proponents of the GVC literature did not realize is that there is a second type of division of labor (concerning *production operations*) in classical economics, famously represented by Smith’s pin-making observation but also by his description of woolen-coat production, which actually anticipates the GVC concept. It is this second kind of division of labor to which some traditional development economists (e.g., Prebisch, Singer, Hirschman) sought to assign a more central role as they conceptualized development processes (e.g., linkage dynamics) and formulated policy recommendations (e.g., regarding technology acquisitions). Their frameworks have the potential of yielding a more holistic analysis than that offered by the GVC literature, and thereby suggest limitations of the latter.

Skill Embodied and ‘Value-Added Erosion’ in Global Value Chains: An Empirical Approach

Xiao Jiang (*Denison University*)

Jose Caraballo (*University of Puerto Rico*)

‘Value-added erosion’ describes the phenomenon of a decline in the sectoral shares of domestic value-added in a country’s exports associated with its participation in global value chains (GVCs). One strand of the GVC literature hypothesizes that the cause of this phenomenon lies in the lead (foreign) firms’ ability to capture the value-added of from international production sharing via their specialization in and monopolization of high value-adding activities. Partly due to data limitations, there has been no systematic empirical examination of this hypothesis. The recent publication of the World Input–Output Database (WIOD) has made such an examination feasible. We approximate high value-adding activities by high skill content embodied in exports,

and quantify the relationship between foreign high skilled labor embodied in exports and the decline in domestic value-added share using the WIOD for 40 countries during the period 1995–2009. The two variables of interest, namely the degree of value-added erosion and the amount of foreign high skilled labor embodied in a country's exports, are estimated using multi-regional input–output model. Searching for robust results, we evaluate sensitivity to specification by applying multiple panel data regressions with different cross-sectional dimensions. After controlling for other factors, we found that high skilled labor content in exports is related to the erosion in value added.

The China Factor in Vietnam's Value Chain Development: Rent Seeking, Technology Transfer and Social Provisioning

Christine Ngoc Ngo (*University of Denver*)

This paper critically assesses the mainstream's approach to the value chain development using experiences of the textile-garment industry in Vietnam. It points out, on the one hand, that attracting foreign investment, as a means to participate in the global value chain is insufficient to boost local firms' capability to move up the value chain. On the other hand, the local economy faces tremendous constraints and distortion from external forces such as the pressure arising from Vietnam's heavy reliance on inputs imported from China in its textile industry. Consequently, the China factor undermines Vietnamese firms' ability to achieve vertical linkages and capability to move up to the next level of the value chain. The paper argues that mere participation in the global value chain does not offer developing countries automatic and costless inclusive growth as asserted by the mainstream literature. It is insufficient for poor countries to focus solely on low value added production where major technology, value added and profits remain within foreign firms. In the context of specialized global production, it is essential that the national strategy emphasizes local firms' acquisition of new technical and organizational capability in order to be part of the most profitable segment of the value chain.

Financialization and the Value Chains of U.S. Corporations

Sergio Canavati (*University of Missouri-Kansas City*)

During the last three decades corporations have massively expanded their market value and revenues, while shrinking their employment and capital investment. The large, vertically-integrated diversified conglomerates of managerial capitalism (1930-1980) have been replaced by enterprises that employ fewer employees, are less diversified, and less vertically integrated. In an effort to downsize and decrease costs, corporations focus on the value-chain activities that generate the highest markup on costs, which are R&D and marketing. This represents a shift from manufacturing towards services, particularly financial services. Corporations have adopted outsourcing to deny any responsibility over employee benefits, retirement, and working conditions. The reliance on international value-chains as a strategy to increase the percentage of revenues that can be distributed to shareholders has gained increased interest. Grounded on the financialization literature, we conduct an industry-specific study of the impact of financialization on the structure and governance of production value-chains in order to examine the validity of the theoretical arguments advanced by the growing financialization literature.

The Business Enterprise, Market Governance, and the Social Provisioning Process

Presiding: Tae-Hee Jo (*SUNY Buffalo State*)

Just Another Form of Market Governance? A Grounded Theory of Cartels

Christian Spanberger (*University of Missouri-Kansas City*)

Market governance – the control of markets through various formal and informal institutions – is a necessary strategy for business enterprises in order to exist through time under conditions of radical uncertainty. Specifically, market governance institutions are designed to limit competitive behavior among companies operating in the same market to avoid destructive competition and ensure companies sufficient revenues and hence profits to remain going concerns.

This paper is a contribution to an empirically grounded heterodox theorization of one such institution, namely cartels. Starting out from a definition of cartels and a description of the various structural forms a cartel can take and which mechanisms can be identified that deal with challenges cartels have to face, the following questions are being answered: (1) why do cartels exist; (2) what makes them successful, what makes them fail; and finally (3) how are cartels to be evaluated. The final question will lead to an important conundrum: while cartels are ‘just another form of market governance’ and they or other forms are necessary within a capitalist system of social provisioning in order to achieve some degree of stability, at the same time they concentrate economic and political power among the few. From this perspective, criticizing market governance institutions without calling the whole system of provisioning in question is short-sighted.

Social Provisioning Process, Market Instability, and Managed Competition

Tuna Baskoy (*Ryerson University*)

Frederic S. Lee is one of the few Post Keynesian economists who take business competition seriously. It is argued in this chapter that Lee’s main contribution comes from the fact that he dismisses the macro-micro economics duality and analyzes competition within the context of social provisioning process. First section summarizes Post Keynesian view of business competition, while second section elaborates on the method of grounded theory approach and the social provisioning process, which is followed by a detailed analysis of what Lee calls ‘managed competition’ and its reverberations for market governance. Fourth and last section summarizes the main findings as a way of conclusion.

Extended Post Keynesian Pricing Taxonomy

Gyun Choel Gu (*Korean Institute of Local Finance*)

Grounded on new empirical evidence, it is argued that it is necessary to identify two different taxonomies in order to make an organized connection between empirical evidence and pricing models: one being predicated on costing process and the other based on mark-up process. The new taxonomy grounded on the empirical evidence helps exploit rich business literature from the viewpoint of Post Keynesian microeconomics and understand the evolutionary path of business enterprises and their pricing practices.

Social Provisioning of Goods and Services: A Dynamic Approach to the Alignment of Transactions with Governance Structures

Antoon Spithoven (*Utrecht University School of Economics*)

Original institutional economics and Williamson's transaction costs economics have both inquired into social provisioning of goods and services. The achievements of Williamson's static approach might become incorporated into the original institutional dynamic analysis. This might become accomplished by incorporating the struggle for power over others into the analysis social provisioning. The struggle for power, which might be socially motivated, might become materialized in the form of a change in mark-up (e.g. higher taxation) or in the form of a change in parameters, preferences and dimensions of transactions. In response to these changes, not only a series of behaviors might arise that endorse the initial changes, but, simultaneously, new rules might become circumvented by groups which are harmed by them. This might foster further adaptations to enforce the social provisioning of goods and services.

Social Provisioning and Sustainability: Revisiting Female Entrepreneurship

Tonia Warnecke (*Rollins College*)

The social provisioning process—the reproduction of human material life—has often been discussed by institutionalist and feminist scholars. Because of the tenuous link between female paid labor and empowerment, the structure of employment programs for women—and their interrelationship with broader social policies and the distribution of unpaid labor—is of particular interest. At a time when female entrepreneurship programs are heralded as a potential solution to lagging economic growth in many countries, institutionalist and feminist thought can provide useful insight regarding the categorization of such programs, their likely impact on participating women, and the ways programs can be structured to support lives that are meaningful and can attain well-being. Still, one crucial element of social provisioning has often been neglected—environmental sustainability. This paper discusses the multifaceted relationship between entrepreneurship programs and sustainability, considering ways that institutionalist and feminist thought on sustainability can help us reimagine female entrepreneurship programs (particularly those targeting informal workers).

Session 8

Themes in the History of Economics for Heterodox Economists

Presiding: Sherry Davis Kasper (*Maryville College*)

On the Importance of History of Economics for Heterodox Economists

Carlo D'Ippoliti (*La Sapienza University of Rome*)

Alessandro Roncaglia (*La Sapienza University of Rome*)

With one of his most famous books, Fred Lee identified the history of economic thought—in the Schumpeterian sense of “history of communities of scholars”—as a building bloc to foster the development of a community of heterodox economists. However, strictly theoretical reasons too

imply that the history of economic analysis—i.e. of the analytical developments of certain economic concepts or theories—should be recognised and practiced as a constituent part of heterodox economics. Indeed, it is necessary to distinguish between two conceptions of the scientific development of economics: the “cumulative view” asserts that scientific progress in economics consists of the substitution of wrong or unsatisfactory theories with truer and more refined ones; the “competitive view” recognises instead the existence of alternative scientific paradigms within economics. In the latter case, progress can be identified within each paradigm as the attainment of greater analytical rigour and/or realism, but different paradigms are usually not directly commensurable. As a consequence, adopting this perspective economic theory itself must be studied and practiced with a historical method. We argue here that mainstream economists usually—knowingly or not—embrace the cumulative view, while heterodox economists must necessarily adhere to the competitive view.

Classical Political Economy, the Subsistence Wage, Veblen, and the Employer of Last Resort
John F. Henry (*University of Missouri-Kansas City*)

In the theoretical framework of classical political economy, including the revisions of Marx and the more recent work of Piero Sraffa and others, the concept of the subsistence wage figures prominently. Such an approach was shared by, among others, Thorstein Veblen and John Maynard Keynes. Here, following a recounting of this concept and demonstrating its significance for not only classical theory but for larger social concerns, I argue that the “base wage” (as it sometimes termed) as articulated within the “Employer of Last Resort” program, is comparable to the subsistence wage but requires modification to make it (roughly) equivalent. It will be demonstrated that adherents of the classical approach did not rest their wage theory on a quasi-neoclassical supply-demand approach (with some primitive marginal productivity notion lying behind a supposed demand for labor schedule), but understood wages as socially determined where institutional and historic forces established a normative standard around which market wages gravitated. Essentially, socially determined wages speak to the social provisioning process and the reproduction of the economic system. Given recent changes within capitalist society, it will be argued that thought should be given to separating incomes from types of employment, and further consideration should address the abolition of the wage system.

Was Veblen a Revisionist Marxist?

Steven Sawyer (*Fashion Institute of Technology*)

The purpose of this paper is to assess Thorstein Veblen’s relationship with Marxian economics and in particular whether or not his economic theories are similar or in some cases identical to the “revisionist” Marxist authors of his day. Veblen was certainly critical of Marx - but so were the revisionists. The question then becomes, did Veblen disagree with Marx more than the revisionists did? In the course of the treatment of the main question, Veblen’s criticism of Marx will be reviewed and Veblen will be compared with prominent revisionists, most notably Eduard Bernstein. In addition, Veblen’s ideas will also be compared with orthodox Marxists, such as Rosa Luxemburg. Although many of Veblen’s conclusions are similar to Marx’s, it will be shown that in many cases the underlying theories differ, in particular Veblen’s criticism of certain philosophical underpinnings of Marxian economics and his desire to replace them with Darwin’s Theory of Evolution. The final issue that will be considered will be motivation - both

Veblen's support of the IWW and Bernstein's support of union involvement in the SPD indicate a much different approach to economic transformation than proletarian revolution. This common political agenda reflects both a more pragmatic approach and skepticism regarding the human costs involved in rapid changes in the economic system.

Early Institutionalists on 1920s Rising Inequality and the Great Depression

Bruce E. Kaufman (*Georgia State University*)

This paper examines the link between rising income inequality, wage-productivity imbalance, propensity to economic crisis, and the role of the state as both cause of and solution to these problems. An institutional economics-industrial relations political economy model is developed; the events of the 1920s boom and 1930s depression are used as an empirical case study of the model in action; and insights are then developed for the Great Recession of 2008-2010. The paper argues: (1) growing income inequality and propensity to crisis are inherent to capitalism, (2) a statism policy of laissez-faire/neo-liberalism is a key indirect contributor to growing inequality, (3) the purpose of early 20th century industrial relations was to offset this inequality-crisis propensity by balancing the income distribution and stabilizing the labor market, and (4) a key to capitalism's prosperity is a stakeholder model of political and industrial government.

Institutionalists as Dissenters: Why were Institutionalists Strongly Dissatisfied with Economics during the Postwar Period?

Marco Cavalieri (*Federal University of Parana*)

Felipe Almeida (*Federal University of Parana*)

There were two features distinguishing postwar economics from the point of view of institutionalists. First, institutionalist economists lost their influence over American economics during the 1940s and 1950s. They ceased to dominate major research institutes and important departments of economics. Second, after the war, a new mainstream had arisen, and the institutionalists were very dissatisfied with the path taken by the economics that would become the new mainstream. Paul Samuelson's extremely influential book, *Foundations of Economic Analysis* (1947), could be seen as the epitome of this new mainstream. Given this context, this paper analyzes the opinions and the feelings of institutionalists about this scenario in order to address their understanding of the new mainstream. We gathered archival material from the Allan Gruchy's, John Gams's, and Clarence Ayres' papers to construct a historical account of the dissatisfaction that institutionalists showed regarding postwar economics. Ayres was the leader of a movement that expressed severe dissent towards the new mainstream. Consequently, his archives contain many letters from many dissenting economists expressing a greatly diversified dissatisfaction with postwar economics. We analyzed letters from members of the Wardman Group, the "Cactus Branch," and some scattered dissenting economists from the U.S. What became clear from our analysis were the plurality and the eclecticism that marked the dissenting economists. This rather important aspect would influence the plurality and the eclecticism of AFEE.

Session 9

Public Policy and Social Provisioning

Presiding: Timothy A. Wunder (*University of Texas at Arlington*)

Basic Income and the Social Provisioning Process: Some Polanyian/Keynesian Insights

Mario Seccareccia (*University of Ottawa*)

Alan Gruchy's broad description of social provisioning highlighted the importance of providing the flow of goods and services to meet the overall needs of its economic participants, including disadvantaged members whose activities tend to be immersed in the non-market sphere. Numerous economists, both institutionalist and mainstream, going back to the early postwar years have often pointed to the provision of some form of basic income as the next "evolutionary" policy step to ensure a crucial safety net for all, regardless of labor market participation. Inspired by the work of Polanyi (on the effects of "outdoor relief" under the Poor Laws), the "aid-in-wage" system generated labor market outcomes perhaps similar to those that could arise from the adoption of a guaranteed basic income. This is because income guarantees could spread deflationary wage pressures among low-income participants due to the compensation effect of the basic income. This would have not only important micro outcomes for employment income at the low end of the wage scale, but it could have an impact at the macro level under the crucial assumption of fiscal deficit neutrality of these basic income proposals. This directly links to the Keynesian view of the state, whereby a basic income guarantee without some form of fiscal policy of functional finance would be destabilizing at the macroeconomic level (a connection to social provisioning also emphasized by Todorova).

Women in a Financialization World: Microcredit, Empowerment and Profits

Alicia Giron (*Autonomous Mexico National University*)

The financialization process around the world as part of the shadow financial system has arrived by different ways not only as part of an official dialogue in the macroeconomic field but also in the microcredit sphere. Microfinance institutions are part of the inclusion financial process especially for poor people in developing countries but most of these microcredit are used by women who needs to improved their income. Microcredit has been used by the dominant ideology as a mechanism for the empowerment of women throughout the last years. The empowerment from a gender perspective consists in transforming women into economic agents, capable beings with "freedom to choose", not only to determine credit's use and to get involved in productive projects, but also as entrepreneurs in administrative, social and political decisions of society. Microcredit with a woman's face is one of the most important metamorphoses that came up from structural changes in financial circuits and labor-market circuits from late seventies until today. Microcredit not only encourages empowerment, it also leads women to become economically profitable subjects at microfinance's service. At the same time the profits of the microfinance institutions are part of the financialization process around the world. Many of the microfinance institutions depend or are part of the big banks. The objective of the present paper is to point out the way in which microfinance acquire the face of women.

The Concept of Care in Institutional and Feminist Economics and its Impact on Public Policy

Anna Zachorowska-Mazurkiewicz (*Jagiellonian University*)

Economic activity takes place within an institutional framework. People are not rational individuals whose main goal is to maximize profits or utility, but members of a society, and their behaviour is an outcome of rules that define this society. The economy, like society, represents a complex of institutions, ranging from the smallest, such as the family, to the largest and most comprehensive, namely the state. Institutional economics offers a broad perspective, which allows to bring forward the concept of gender, since gender is a fundamental organizing principle of institutions. A focus on social provisioning, typical for both feminist as well as institutional economists, leads to a broader understanding of economic activity. This broader approach includes activities, like caring and care labour, that cannot be entirely understood in terms of individual choices. Care and economy are interconnected. Care is important for the economy, which depends on care services and would not be able to develop or even to operate without it. On the other hand economic relations influence the quantity and quality of care provided in society. In the paper the relations between care and economy are explored from the perspective of institutional and feminist economic theory. Economic theories are basis for public policies, that have a major impact on people's lives. In the paper I will argue that the change of dominating economic perspective into feminist-institutional would improve the situation of care providers, and that would contribute to the development of the society and the economy.

Transforming Consumers to Social Provisioners

Paula M. Cole (*University of Denver*)

Valerie K. Kepner (*King's College*)

Consumers today are under increasing pressure to make the “right” spending decisions. A “good” consumer is supposed to be environmentally conscious, support the local economy, and promote economic and social justice—all through the power of the dollars they spend. We explore the potential of transforming from consumers to social provisioners and shifting the conversation from individual choice and personal responsibility to social provisioning and caring relations. We analyze the spectrum of behavior displayed by economic individuals from the consumer to the social provisioner and the influence of ethics in their actions. Additionally, we contextualize understanding of the behavior of economic individuals within diverse economic theories and current realities. Finally, we examine how to challenge the materialist status quo through the use of government regulations, ethical and religious guidance, and social norms.

A Different Look at the Welfare Trap: Institutional Causes and Remedies

Necati Celik (*University of Utah*)

This paper investigates the institutional nexus of *Welfare Support Programs* (WSPs) in the US and households' access to social needs, particularly affordable healthcare and education. A close look at the *Survey of Consumer Finances* (SCF) reveals that households that were turned down when they applied for credit in the past are more likely to receive welfare support in the survey year. Moreover, welfare recipient households report lower status of health and lower years of education regardless of their income and demographic attributes. These results support the hypothesis that WSPs limit households' access to healthcare and education due to the institutional set-up of the two in the US. Constrained-households find themselves in the *welfare trap* because their limited access to better health care and education are reflected in their household income, pushing them further down the ladder and increasing their dependency on

WSPs for subsistence. Neither the repeal nor the expansion of WSPs will solve this dilemma unless the US government enacts institutional policies to address the way higher education and healthcare is provided and financed in the country. Affordability of health care and higher education should be the main target of these policies to enable households to pull themselves out of the welfare trap by finding and maintaining jobs without regressing back in to welfare support.

Session 10

Heterodox Theory and Social Provisioning

Presiding: Zdravka Todorova (Wright State University)

Can Insights from Regulationist and SSA Theory Inform Institutional Analyses of the Social Provisioning Process?

Lynne Chester (*University of Sydney*)

The term ‘Social Provisioning Process’ emanates from Gruchy’s definition of economics as the science of social provisioning and continues to be commonly found in the lexicon of North American institutional economics. It is not a term inherent to the wider heterodox economics community. Social provisioning is taken to mean the organisation of capitalist economic activities within a social context (i.e. laws, ideologies, cultural values, norms, class relations, the environment etc) and thus much more than the narrow confines of capitalism’s market activities. In other words, embedded institutions ensure the functioning of the market economy.

The analytical focus of the French Régulation and Social Structure of Accumulation (SSA) schools is capitalist institutions - and their conjunction - to elucidate the operation, evolutionary nature and distinctive features of different periods of capitalism, trajectories of growth and the causes of economic crises. These schools have demonstrated how the historical form and precise articulation of institutions continually alters while certain core invariant aspects are sustained and their inherent contradictions contained for a time to secure ongoing accumulation. Institutional transformations following periods of crisis have also been shown to ensure renewed accumulation. Can Régulationist and SSA theorising about the capitalist economy inform Institutional analyses of the social provisioning process? This is the motivation for this paper which explores the core concepts, levels of inquiry, and similarities and differences of these three Schools to determine if closer engagement of the three could advance a better understanding of the organisation and outcomes of the social provisioning process.

The Process of Provisioning: The Halter for the Workhouse

Ann Davis (*Marist College*)

An overview of the process of provisioning can be developed by drawing upon institutional economists such as Veblen and Marx. In general, the provision of material needs for sustaining human life in advanced capitalist countries takes place by contingent rewards by means of abstract and symbolic intermediaries. First, provisioning is accomplished by the separation of production from consumption, and a change in property rules. The successive removal of production from the home established “consumer” units which were dependent on wage labor to provide for subsistence of the household members. Access to subsistence was then mediated by

money wage payments, which were in turn utilized to purchase consumer products. Participation in the labor force was motivated by this requirement of cash for the purchase of necessities. Second, the adequacy of provisioning was then determined by competition in the labor market. The overall process of provisioning is thus organized and guided by access to abstract means of payment, money, and symbolic luxury goods, which help to assure the ongoing reproduction of differential access to provisioning. Alternatives include government redistribution efforts, such as universal minimum standards of provisioning. Another approach is the reorganization of work, so that contingent access to the means of subsistence and social position is no longer directly tied to the performance of labor. A third alternative is to protect the right to organize labor as a civil right, to differentiate the human aspect of labor, compared with other “factors of production.”

The Emergence of Qualitative Change in the Social Provisioning Process

Mitch Green (*Franklin and Marshall College*)

The paper develops a surplus approach model of the economy as a whole centered upon the business enterprise. It is argued that while variations of the surplus approach have furthered our understanding of capitalism as a process of circular production and reproduction, most analyses focus on the macro implications of insights into value and distribution. It is shown that by taking the social relationship as the unit of analysis, one may construct a model that illustrates the extent to which the business enterprise, or social actor, affects the emergence of a qualitatively distinct social provisioning process, as it seeks to reproduce the conditions for its own existence. The paper employs social network analysis and qualitative input-output economics to apply theoretical approaches in institutional, Marxian and Sraffian traditions, in an effort to move beyond the multi-sector, comparative static models of the surplus approach, to a more contingent and nuanced understanding of social reproduction embedded in the social fabric. To this end, the paper makes a contribution toward one of the many intellectual projects to which Fred Lee has contributed to the discipline: developing a coherent alternative to neoclassical microeconomics.

Development Effects and the Social Provisioning Process

Henning Schwardt (*University of Bremen*)

Modern economies change continuously. They are in a perpetual state of development. This paper introduces a categorization of the different influence factors that shape the development processes of economies. The resulting general groups of development effects, placed in the technological-institutional-space, can serve to stress the necessary interplay of factors from different categories and at different levels of the socio-economic environment for a continued process of change to emerge. Economic activity can generally not be properly understood as isolated and in isolation from general social environments.

Commons, Coase, and the Unchanging Nature of the Social Provisioning Process

Eric Scorsone (*Michigan State University*)

David Schweikhardt (*Michigan State University*)

John R. Commons is credited as being one of the founders of the original institutional economics and Ronald Coase as a founder of the new institutional economics. Many would see these two as

presenting very different approaches to institutional economics. This paper examines John R. Commons's and Ronald Coase's approaches to institutional analysis and social provisioning. In particular, it examines similarities in (a) the definition and role of institutions in the economy, (b) the allocative (social provisioning) role of institutions in the economy, and (c) the inescapable and unchanging role for institutions in shaping the social provisioning process. We contend that Commons and Coase had more in common than did Coase and many of his followers in the "new institutional economics." In particular, the two had strong similarities in (a) their insights into the nature of institutions in the legal-economic nexus that is the foundation of the economy and (b) their research methods for conducting economics. Moreover, each man understood that the evolution of market institutions provided the foundation of the social provisioning process. Because this role of institutional evolution in determining social provision is, as Warren Samuels has noted, an inescapable and unchanging part of the social provisioning process, it will remain an integral part of any such work in the future regardless of the "school of analysis" or methodological approach. The integration of these two founders can inform the realities and policy questions that leaders struggle with in the face of the growing economic and social inequality observed today.

Session 11

Theorizing and Modeling in Institutional Economics

Presiding: Lynne Chester (*University of Sydney*)

Beyond Foundations: Systemism in Economic Thinking

Jakob Kapeller (*Johannes Kepler University Linz*)

This essay re-considers the age-old dichotomy between individualist and holist approaches to economic research from the perspective of current economic literature. As a vantage point, I identify and compare different variants of fallacies of compositions as well as related arguments on the relation between different levels in economic analysis. Then, I introduce the concept of systemism, which puts an emphasis on the relations between individual agents or entities constituting an aggregate system. Such a relational perspective implies a mutual interdependence between levels, where individuals are always relationally embedded allowing for the whole to influence its parts and for the parts to influence the whole. As such systemism provides an alternative to, or possibly even a synthesis of, the arguments brought forward within economic discourse. The application of systemism to socio-economic issues is investigated in a series of illustrative examples. In closing, this essay explores the compatibility between systemism as an ontological and methodological concept and the postulate of a pluralist approach to economic research.

Agent-Based Computational Models: A Useful Heuristic for Institutional Pattern Modeling?

Wolfram Elsner (*University of Bremen*)

Claudius Grabner (*University of Bremen*)

Institutional economists have always been criticizing the neoclassical way of studying the economy, especially because of its obsession to a very strict formalism. The formalism of

neoclassical economics receives critique also from advocates of agent-based computational (ACE) models. The criticism seems to be similar to that of institutional economists. Although some authors consider ACE models to belong to a completely new way of thinking about economics, many concepts of ACE have been anticipated by institutionalists: Although using a different vocabulary, ACE proponents speak about cumulative causation, realistic agents, explanatory models, dynamic relations among the individuals and the necessity to see the economy as an organic whole rather than from an atomistic perspective. Consequently, the emergence of the ACE framework may not be left unconsidered by institutional economists. This paper investigates the consistency of ACE models with the institutionalist research program as defined by Myrdal, Wilber, Harrison and other classical institutionalists and discusses to what extent the critique of the neoclassical formalism applies to ACE models as well and whether ACE models can be a useful heuristic for institutional pattern modelling. We study the ability of ACE models to provide a holistic, systemic and evolutionary picture of the economy, the conception of agents in ACE models, and ask whether they can help to understand the social stratification of a society with its power relations. We also compare ACE models with earlier attempts to formalize institutional analysis, e.g. by Bush (Theory of Institutional Change), Hayden (Social-Fabric-Matrix) or Radzicki (System Dynamics).

Real Sector and R&D Investment Policy: Basic Institutional Models

Svetlana Kirdina (*Russian Academy of Sciences*)

The paper considers institutional models that define the macroeconomic policies for real sector financing as well as the R&D financing serving further as a technological base for real sector development in various nation-states. The hypothesis is tested that two institutional models in these spheres could be singled out, so called “a state as the main investor” and “a state as the regulator”. To check this hypothesis, data about the 20-year dynamics of financing in Russia and in the USA are analyzed. Institutional matrices theory, or X- and Y-theory is used to explain the differences. Comparative statistical data and analytical surveys show that it is possible to distinguish two abovementioned developing evolutionary institutional models. Even though they do not exist separately but rather coexist, one of the models strongly dominates over the other one. The dominating position of any of the models is related to social, economic and political processes and the type of a predominant institutional matrix. It is reasonable to keep in mind the mentioned differences during the institutional overview of economic growth problems and mechanisms. In this regard, a reflection of national investment statistics of the two countries due to institutional differences is also discussed.

Metricsmeta about a Meta Metric: A Critical History of the Price Level

Merijn Knibbe (*Van Hall Larenstein University of Applied Sciences*)

Economists use a plethora of concepts of the price level. New Keynesian models contain the price of the ‘single final good’ which is a neat way to circumvent aggregation problems and the influence of changes in relative prices. Empirical investigations of consumer behavior however show the importance of a (change in) the prices of a subset of goods and services, Frequent Out Of Pocket Purchases (FROOP) – prices which often show a quite distinct behavior. The ECB targets HICP inflation which encompasses FROOP but which unlike many national consumer price indexes does not contain ‘imputed rent’ but only consumer prices which are actually paid –

while on the other hand ignoring the distinct development of prices paid by the government and prices of investments. Government debts and deficits are expressed (and sometimes bound to) GDP and, therewith, to the GDP-price level which does contain government and investment prices. Why do the concepts used differ so much? Are there sound theoretical or practical reasons? Are some concepts, like the 'single final good', politically biased in the sense that they prevent us to ask a whole number of questions about for instance distribution? Is there a relation between the development and use of specific concepts and the historical and cultural environment? Does the backward extrapolation of price levels using modern concepts lead to a different appreciation of the insights of important economists like Mises, Fisher, Keynes or Friedman?

Building Mansions, Waging War and other Wasteful Expenditures: Towards Enhancing the Provisioning Process

John P. Watkins (*Westminster College*)

This paper addresses the concept of wasteful expenditures in the ideas of Veblen and Keynes to better enhance the provisioning process. Waste refers to expenditures that in themselves detract from enhancing the life process. Veblen focuses on the underlying motives: conspicuous waste stems from efforts to promote invidious distinctions; other forms of wasteful expenditures largely stem from pursuing profits, usually associated with war but also including advertising, ruinous competition, and so on. Veblen is silent regarding the value of wasteful expenditures in providing employment. While Veblen focused on motives, Keynes focused on the effects. WWI revealed that wasteful expenditures could provide employment, a view reinforced by the theoretical precedents of effective demand. Keynes associates wastefulness with status expenditures and the more important wastefulness stemming from idle resources, unemployment, and a lack of income. Keynes faults the institutional structure of capitalism and particularly the rentier whose interest limits capital and hence employment. Since the durable goods revolution of the late 19th century, social provisioning has depended on expanding largely private expenditures, much of it wasteful. Both the Great Depression and the Great Recession reveal the limits of the private sector's ability maintain the process of social provisioning. Hence, limits to social provisioning include increases in inequality and the associated wasteful expenditures, technological advances that curtail employment, and changes in power enabling the elites to appropriate an increasing share of income. Reconciling the ideas of Veblen and Keynes points to expenditures that enhance the life process while generating employment and income.