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Abstracts

Tennant, David and Claremont Kirton

The Impact of Foreign Direct Investment, Financial Crises and Organizational Culture on Managers' Views as to the Finance-Growth Nexus

This paper suggests that an important flaw of many theoretical models and empirical tests of the finance-growth relationship is the insufficient attention given to institutional and historical factors that impact on decision-making within financial intermediaries. The paper examines the relationship between financial sector intermediation and economic growth in Jamaica, by analyzing the views of financial institutions' managers as to the practicality of the theorized channels through which the sector is expected to foster economic growth, and the constraints faced in fulfilling these roles. Views expressed varied widely, with important distinctions between indigenous and foreign-owned financial intermediaries, intermediaries that were positively and adversely impacted by financial crisis, and different types of financial intermediaries. Information has been provided that will be useful in fostering improved performance of the Jamaican financial sector, facilitating economic growth and enhancing understanding of practical aspects of the finance-growth debate. The paper concludes that any plans made for development and reform of the financial sector must be based on institutional, historical and other factors unique to the country in which they are implemented. *J. Econ. Issues*, September 2007, 41 (3), pp. 625-660. University of West Indies.

Huang, Kevin X.D.

Effective Central Bank Communication under Uncertainty

Effective communication between monetary authorities and private agents is crucial for enhancing central bank transparency and monetary policy performance in the complex and uncertain world that features cognitive limits and market imperfections as the fundamental characteristics. In this article, I review some recent examples that help illustrate the importance of effective central bank communication for monetary policy transparency and effectiveness. I argue that the issue how central banks can communicate effectively with the public in this uncertain world boils down to three interrelated questions. I outline some principles for tackling these problems and apply these general principles to address several specific communication issues currently facing central banks, especially those that delegate decision-making to

committees. Future research that applies these principles to address other communication issues confronted by central banks should help further improve the effectiveness of central bank communication under uncertainty and monetary policy performance. **J. Econ. Issues**, September 2007, 41 (3), pp. 661 – 680. Vanderbilt University.

Harcourt, Mark, Helen Lam, and Sondra Harcourt

The Impact of Workers' Compensation Experience-Rating on Discriminatory Hiring Practices

Experience-rating is a common pricing mechanism in workers' compensation systems, which is used to encourage employers to adopt better safety measures. Prior research has suggested it has negative side effects, such as aggressive claims management with respect to injured workers. This study extends this line of research by specifically exploring the relationship between experience-rating and discrimination against the disabled at the job application stage. The positive relationship found suggests that employers are proactive in claims management to the point of discriminating at the time of hiring. To limit claims, they ask not just lawful questions, but also unlawful questions. Further, the study identifies a hitherto unrecognized group of potential victims of experience-rating, the disabled. It is hoped that this study will prompt serious attention to the potential secondary effects of experience-rating as an injury prevention approach, and the need to protect unintended victims such as the disabled. J. Econ. Issues, September 2007, 41 (3), pp. 681-700. University of Waikato, Athabasca University, Independent Researcher.

Mol, Joeri M. and Nachoem M. Wijnberg

Competition, Selection and Rock and Roll: The Economics of Payola and Authenticity

This paper re-analyzes the story of rock and roll and payola by using the theoretical framework of the selection system. The main focus is on the strategic options open to the majors in their battle with the independents. Particular attention is paid to the strategic option of engaging in indirect competition: by involving oneself in the competitive process among the selectors. In this way, we clarify the economics of the interrelations of music producers and broadcasting media while at the same time providing a new way to understand the economics of authenticity. J. Econ. Issues, September 2007, 41 (3), pp. 701 – 714. University of Melbourne and University of Amsterdam.

Auerbach, Paul R.

U.S. Decline in the Context of Formal and *In Situ* Learning

Studies searching for a relationship between formal education and the level or rate of growth of national income have too narrow a focus. Learning takes place *in situ* as well as in formal contexts. The *in situ* advantages of the United States, while partially compensating for its low ranking in current international comparisons of scholastic achievement, are likely to be dissipated more rapidly at present than heretofore for several reasons, including changes in the global competitive environment and the widespread presence of FDI. J. Econ. Issues, September 2007, 41 (3), pp. 715 – 728. Kingston University.

King, Kerry A.

Charter Schools in Arizona: Does Being a For-Profit Institution Make a Difference?

Many existing proposals for improving public education in the United States involve adopting policies that would require institutional changes within the system itself. In this paper, I analyze one such proposal known as charter schools, which focuses on creating competition in the education market through school choice. In particular, I investigate the possibility that the organizational structure of charter schools matters when it comes to student outcomes. Using empirical analysis, a comparison of for-profit and nonprofit charter schools is conducted. The results indicate some evidence that student outcomes may be improved through the use of the profit motive, but further research is warranted before policy recommendations can be made. J. Econ. Issues, September 2007, 41 (3), pp. 729-746. Pennsylvania State University at Erie.

Cordes, Christian

The Role of “Instincts” in the Development of Corporate Cultures

Darwin-inspired, instinct-based theories of human agency have delivered the psychological foundations of American Institutionalism. This paper intends to revive the debate on the role of instincts in economics in general, and in the analysis of corporate cultures in particular. By drawing on insights from contemporary research into the coevolutionary interaction of humans’ cognitive dispositions and their cultural environment, some social instincts are identified and discussed that influence human behavior in an organizational context. A new perspective on the nature and development of corporate cultures is depicted that deviates from orthodox theories on the nature of the firm. J. Econ. Issues, September 2007, 41 (3), pp. 747-764. Max Planck Institute of Economics, Jena, Germany.

Ramazzotti, Paolo

Policymaking and Learning Actors, or Is A 'Double Movement' In Cognition Possible?

Studies searching for a relationship between formal education and the level or rate of growth of national income have too narrow a focus. Learning takes place *in situ* as well as in formal contexts. The *in situ* advantages of the United States, while partially compensating for its low ranking in current international comparisons of scholastic achievement, are likely to be dissipated more rapidly at present than heretofore for several reasons, including changes in the global competitive environment and the widespread presence of FDI. J. Econ. Issues, September 2007, 41 (3), pp. 765-782.

Özveren, Eyüp

Karl Polanyi and Return of the "Primitive" in Institutional Economics

Economics like other social sciences has been strongly committed to the idea of progress. Karl Polanyi is one of the few who dissented from this consensus. This was because he deployed a different notion of time in his work. He linked this with a discourse that used anthropological "primitiveness" as a countervailing tool in his analysis. In this way, he could distance himself from conventional cost-benefit analysis in favor of a "social cost" analysis that has much to offer for going beyond conventional welfare and environmental economics. Furthermore, this approach places Polanyi centrally within the tradition of institutional economics. J. Econ. Issues, September 2007, 41 (3), pp. 783-808. Middle East Technical University.

Prasch, Robert E.

Professor Lester and the Neoclassicals: The 'Marginalist Controversy' and the Postwar Academic Debate Over Minimum Wage Legislation: 1945-1950

This article revisits what is remembered as the "Marginalist Controversy" in light of its immediate context and object: the substantial late 1940s increase in the federal minimum wage. Richard Lester's critique of "marginalist theory," and its implication that the minimum wage would be detrimental to labor, was founded upon empirical studies and surveys that supported an Institutionalist conception of the business firm, the labor market, and economic policy. His disputants, Fritz Machlup and George Stigler, countered his points on the basis of what they took to be "economic theory." By any measure, including those of their own intellectual allies, Machlup and Stigler fared poorly. Interestingly, they are collectively remembered as having been triumphant in this debate. The essay suggests that what

triumphed was not their arguments but rather the Neoclassical school of economics that Stigler represented. J. Econ. Issues, September 2007, 41 (3), pp. 809 – 826. Middlebury College.

Wunder, Timothy A.

Toward an Evolutionary Economics: The ‘Theory of the Individual’ in Thorstein Veblen and Joseph Schumpeter

This paper explores the concept of the individual as described within the works of Veblen and Schumpeter and clarifies that both authors had a strikingly similar view. The paper uses the framework laid out by John B. Davis, in his book, “The Theory of the Individual In Economics” to illuminate the issues. To be precise, this essay shows that the individual discussed within the works of Schumpeter and Veblen both represent a methodologically holistic vision of individual behavior. This similarity of Veblen and Schumpeter, with respect to the individual, suggests that perhaps Schumpeter's observations on socioeconomic issues may require a reevaluation within the institutional community. J. Econ. Issues, September 2007, 41 (3), pp. 827 – 840. University of Texas, Arlington.

Yilmaz, Ferudun

Veblen and the Problem of Rationality

This study proceeded from the observation that attempting to identify rationality in Veblen’s thought indicates an apparent problem. The problem becomes apparent when trying to treat Veblen’s conception of individual action and his social theory concurrently. Veblen harshly criticized the hedonistic conception of individual action and its corresponding form of rationality at the individual level. On the other hand, it seems that he has constructed a society based on the machine process, which means the mechanization and instrumentalization of social relations and rationality. At first glance, it seems that Thorstein Veblen, who harshly criticized instrumental rationality in individual action inconsistently develops a social theory on the basis of this rationality. The main theoretical suggestion of this article is that, in order to overcome the tension between individual and social rationality in Veblen’s action theory, Joas’s concept of the creative action in which Joas tries to reconstruct the theory of action on pragmatist foundations, could provide a solution. J. Econ. Issues, September 2007, Vol. 41 (3), pp. 841 – 862. Uludag University.