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Abstracts

Nelson, Richard R.

Institutions of Economic Growth: Shaping the Research Agenda

After a long hiatus, “institutions” again is a fashionable term in the vocabulary of professional economists. But my argument in this essay is that beneath the consensus that institutions are important is something of a muddle. There are several different definitions of what institutions are and what they do. Most analyses of the roles of institutions in economic growth are unpersuasive. There are serious questions regarding why societies have the institutions they do at any time and their ability deliberately to improve them. This essay explores these issues and puts forward a

position on each of them. The aim is to help shape the agenda for research on institutions and economic growth. J. Econ. Issues, June 2007, (2), pp. 313-323. Columbia University.

Hodgson, Geoffrey M.

The Revival of Veblenian Institutional Economics

This paper proposes that a major new opportunity has emerged for a modern revival in Veblenian institutional and evolutionary economics. Discussions of developments in the “new” institutional economics, mainstream economic theory and modern psychology reinforce this conclusion. Along with the idea of endogenous or context-dependent preferences, Veblen’s concept of habit-driven behavior and his view that socio-economic evolution should be understood in Darwinian evolutionary terms, all are increasingly relevant in light of recent developments. The article concludes by briefly outlining some key tasks on a Veblenian research agenda for the early twenty-first century. J. Econ. Issues, June 2007, 41 (2), pp. 325-340. University of Hertfordshire.

Potts, Jason

Evolutionary Institutional Economics

This paper outlines an evolutionary theory of economic institutions – an *evolutionary institutional economics* – as an open-system process-based theory of institutions derived from the *generic rule*-based analytic framework of *micro meso macro*. I discuss the distinctions between the various schools of institutional analysis and show how a generic rule-based framework can provide a general analytical foundation. I then develop the theory of *orders of rules* (and therefore orders of institutions) toward an institutional framework for analysis of economic policy. J. Econ. Issues, June 2007, 41 (2), pp. 341-350. University of Queensland.

Groenewegen, John and Marianne van der Steen

The Evolutionary Policy Maker

Government plays an important role in market economies. Traditional mainstream economics claims a role in the case of market failures. Traditionally, Original Institutional Economics (OIE), goes a step further suggesting not only a macro economic role, but also a more interventionist government as a developer of industrial and technology policies. In this paper, the role of government is discussed in a world as depicted in evolutionary economics. It is argued that in situations of bounded rationality and radical uncertainty, government should first be a learning

actor. Based on a case study of Dutch technology policy, we will distinguish types of learning and identify the conditions under which a learning government can be effective. J. Econ. Issues, June 2007, 41 (2), pp. 351-358. Delft University of Technology.

Hoffman, Jerry L. and F. Gregory Hayden

Using the social Fabric Matrix to Analyze Institutional Rules Relative to Adequacy in Education Funding

The social fabric matrix and *ithink* computer program are used to model and analyze Nebraska's State education finance system with regard to educational adequacy and rules. Educational adequacy has become important in the analysis of state education systems, although court rulings indicate that it should have been of analytical importance earlier because most state constitutions call for an adequate education for all children. The model utilizes mathematical expressions to articulate social beliefs as instituted through rules. The social institutions that make the rules, the institutional organizations that apply the rules, and the rules associated with the organizations are integrated in the analysis. In addition to identifying inadequacy, the research demonstrates that beliefs do not deliver directly to other beliefs, rules do not deliver directly to other rules, and beliefs and rules do not deliver directly to each other. Influences among these components are delivered through the activities of institutional organizations. J. Econ. Issues, June 2007, 41 (2), pp. 359-368. Nebraska State Education Association and University of Nebraska.

Peach, Jim

Institutionalist Perspectives on Migration

Institutional economics have been engaged in the migration debate since the early 1900s. Institutionalist such as Thorstein Veblen, John Kenneth Galbraith, and Wendell C. Gordon argued for a more open border policy. Veblen argued that restricting migration reduced industrial efficiency. Galbraith and Gordon argued that migration was an effective tool for promoting economic development. Vernon Briggs, Jr. and John R. Commons made the case against more open borders. Briggs' argument rests on the disruptive labor market effects of migration, particularly among unskilled domestic workers. Commons concern was with qualitative migration controls. This century long migration debate among institutional economists is examined in the context of legislative proposals pending in Congress. A possible resolution of the debate and an opportunity for contemporary institutionalists is to re-focus the debate from migration to economic development. J. Econ. Issues, June 2007, 41 (2), pp. 369-374. New Mexico State University.

Peterson, Janice

The Employment Relationship and the Social Costs of labor

In the United States today, important components of the social provisioning process continue to be based in the standard employment relationship. Yet many American workers are employed in various forms of nonstandard (or contingent) work arrangements. While proponents of nonstandard work arrangements argue that they provide flexibility for employers and workers, many nonstandard workers are excluded from employer-sponsored benefits and from coverage under key worker protection laws. The misclassification of workers also causes some workers to be excluded from fundamental worker benefits and protections. This article explores the role of the employment relationship in determining workers' access to fundamental workplace benefits and protections. Particular attention is paid to the importance of how an employee is defined, and how the appropriate classification of workers is enforced. *J. Econ. Issues*, June 2007, 41 (2), pp. 375-382. California State University – Fresno.

Welcomer, Stephanie A. and Mark E. Haggerty

Tied to the Past – Bound to the Future: Ceremonial Encapsulation in a Maine Woods Land Use Policy

The theory of institutional change is used to analyze a national park proposal for northern Maine. This area has experienced structural changes altering traditional social, economic and environmental arrangements, most notably in landownership shifts and in decreases in forest products employment. Park proponents argue that the park can increase economic prosperity, guarantee long-term public access to the forest, and build a more healthy ecosystem. Park opponents disagree, arguing that prosperity would be threatened by a park, that they already have access to the forest without a park, and that the existing ecosystem is healthy. Ceremonial and instrumental aspects of this public debate are examined to understand how this proposed policy change is inhibited and facilitated. We find that reliable knowledge is contested and never agreed upon; that the community standing of park advocates is not established and is instead rejected; and that recognized interdependence did not occur. *J. Econ. Issues*, June 2007, 41 (2), pp. 383-390. University of Maine.

Brette, Olivier and Yves Chappoz

The French Competitiveness Clusters: Toward a New Public Policy for Innovation and Research?

The paper assesses the extent to which the French policy in favor of competitiveness clusters (“pôles de compétitivité”) lays the foundations of a new kind of public

policy to foster innovation and research. The competitiveness clusters scheme is placed in the history of French policy of innovation and research. This new policy mainly aims at promoting the emergent effects of the partnerships between geographically close actors, thus implying a break from the linear view of the relations between public research and innovation. Finally, this policy may be conceived of as an implementation of the model of the collective production of public goods. Since it is based on a multilateral frame of knowledge production and transfer, this model opens a potentially successful *via media* between the traditional model of open science and the strictly market-based model that has appeared in some sectors, mainly in the United States. J. Econ. Issues, June 2007, 41 (2), pp. 391-398. University Jean Moulin Lyon 3.

Liang, Yan

China's Technological Emergence and Loss of U.S. Skilled Jobs: Missing Link Found?

The paper challenges the view that China's surging high-tech exports, resulting from its technological emergence, increasingly displace high-paid, skilled manufacturing jobs in the United States. By revealing the nature of China's high-tech exports and the evolution of international integration of production in the Asian economies, the paper shows that the Chinese workers are, for the most part, still confined in low-end manufacturing production and constitute no real threat to high-tech industries and skilled manufacturing jobs in the United States. Recognizing the negative effects of international integration of production on workers, the paper proposes alternative policy options that aim to improve employment and workers' conditions. J. Econ. Issues, June 2007, 41 (2), pp. 399-408. University of Missouri-Kansas City and Simon's Rock College of Bard.

Qalyoubi Kemp, Rula and Thomas A. Kemp

Reciprocal Transactions, Social Capital, and the Transformation of Bedouin Agriculture

This work traces the reorganization of Bedouin agriculture from the 1930's through the 1960's. Because formal data is not available personal interviews with first hand witnesses are the primary data source for the paper. Building on the social capital literature it is argued that the decrease in reciprocal relationships can be seen as a causal factor in the similar decline in social capital. We find that the reorganization of Bedouin agriculture has resulted in a decline in reciprocal transactions, increased non-market workload being placed on women, and a shift from production for use to production for the market. J. Econ. Issues, June 2007, 41 (2), pp. 409-416. University of Wisconsin – Stout, University of Wisconsin – Eau Claire.

Schneider, Geoffrey E.

Sweden's Economic Recovery and the Theory of Comparative Institutional Advantage

The theory of comparative *institutional* advantage goes beyond standard trade theories to consider institutional factors that better explain trade patterns. This paper lays out the key aspects of this theory of comparative institutional advantage as they apply to the resurgence of the Swedish economy. Specifically, the dramatic reversal of the fortunes of the Swedish economy demonstrates the extent to which countries can affect the location of production and attract industries using non-market institutions. The security and stability engendered by Sweden's extensive welfare state encouraged workers and entrepreneurs to take risks and provided a safe environment for long term investment. Meanwhile, the quality of public education, university-private sector partnerships, and active labor market policies fostered a climate favorable to innovation. The theory of comparative institutional advantage provides a better method of understanding the evolution of the Swedish economic system than is possible under mainstream theories. *J. Econ. Issues*, June 2007, 41 (2), pp. 417-426. Bucknell University.

Bitzenis, Aristidis and John Marangos

Globalization and the Integration-Assisted Transition in Central and Eastern European Economies

The aim of this paper is to investigate the policies implemented by transition economies to become part of the "globalized" world. The transition process aimed to develop an environment conducive to the free, less costly and easier penetration by multinational enterprises (MNEs). The International Monetary Fund (IMF) and the World Bank enforced shock therapy policies to ensure that these economies were integrated in the globalized world. Thus, it appears that the transition process was actually an integration-assisted process of transition. These transition countries' goal was to become members of the European Union (EU) and afterwards members of the Economic and Monetary Union (EMU) in an attempt to complete in this way the transition process and globalization integration. *J. Econ. Issues*, June 2007, 41 (2), pp. 427-434. University of Macedonia and Colorado State University.

Kalantaridis, Christos

Institutional Change in Post-Socialist Regimes: Public Policy and Beyond

An increasingly dominant view in the field of transition studies suggests that institutions in post-socialist regimes are both transient and sub-optimal in

comparison with their counterparts in advanced market economies. As a result, they (institutions) are preventing the incentives of the market from revealing their full strength, and obstructing the process of economic development. Advocates of this view call for the state to perform the pivotal role of creating an “up-to-date” institutional system. This paper questions the notion of post-socialist institutions as transient and sub-optimal (in relation to “ideal-types” present in advanced market economies), and challenges the parthenogenesis of the state as an agent of change. The paper aims to explore how economic agents (in this case entrepreneurs) who themselves have been defined by the specificities of the context, may influence the shape and nature of evolving institutions. The paper, drawing on the cases of Russia and the Ukraine, advances the argument that such a shift in conceptualization results in a profound revision not only of policy, but of the boundaries of such action. J. Econ. Issues, June 2007, 41 (2), pp. 435-442. University of Teesside.

Peaucelle, Irina

The Hospital Industry: The Consequences of the Reforms in Eastern Germany

The paper reports on the evolution of the hospital industry in Germany according to three targets of analysis. First, I examine the reasons for the reforms. To do that, I position the hospital in the offer of care and in structuring the regional industrial space of Germany, called "professional" or "based on the knowledge" economy. Then I identify the applicability of the improvements in the health economy into medical policy: I evoke the succession of the reforms in Germany, particularly on the territory of the Eastern States i.e., the reforms of convergence, those that remedy current demographic deteriorations and those that are impelled by the evolution of the economic situation. J. Econ. Issues, June 2007, 41 (2), pp. 443-450. Paris School of Economics.

Zachorowska-Mazurkiewicz, Anna

Impact of Ideology on Institutional Solutions Addressing Women's Roles in the Labor Market in Poland

The article deals with the question about the role of ideology in the market reality. This influence is unquestionable in the case of building new institutions, but it is very interesting to look at the way ideology influences existing institutions. The analysis undertaken in the article focuses on Polish labor market relations in connection with gender issues.

During the last couple of decades, Poland has undergone significant system changes. It went through command economy and socialism to EU membership and market economy. During those stages different ideologies concerning the place of women in society was forwarded. The main points of official attitudes toward women in communism, transformation period and the period of adaptation to EU are

presented. This is illustrated by labor market data concerning the position of women. Such comparison will present the influence of the ideology on the women's situation in the labor market. J. Econ. Issues, June 2007, 41 (2), pp. 451-459. Jagiellonian University.

O'Hara, Phillip Anthony

The Global Spread of AIDS and HIV

AIDS and HIV are critical problems in the world, killing 3 million people annually, reaping social and institutional havoc in much of Sub-Saharan Africa, and becoming serious in parts of China and Eastern Europe. A field of social and medical inquiry can be assessed on the basis of its contribution to understanding and remedying this complex set of conditions. This article does this with political economy; it judges its usefulness on the basis of how well it helps understand AIDS-HIV. With this in mind, the article applies a number of political economy principles to AIDS-HIV. These include the principles of historical specificity; contradiction; heterogeneous groups; circular and cumulative causation; and socioeconomic reproduction. Overall, it found that political economy principles assist in large measure to understand the causes and remedies of AIDS-HIV. It is, at least in this context, a viable and socially useful field of inquiry, with a vibrant set of hypotheses and policy-relevant analyses of the issues. J. Econ. Issues, June 2007, 41 (2), pp. 459-468. Curtin University.

Paschall, Stephen P.

The Transition from Planning to Markets in National Health Policy for Acute Care Hospitals: The Pittsburgh Experience

The repeal of the National Health Planning and Resources Development Act in 1986 ended a national health planning policy, which included among its purposes the development of multi-institutional systems for hospitals. Beginning under the Reagan administration the policy with respect to hospital consolidation shifted from reliance on planning to reliance on markets. A law and economics methodology based upon the work of John R. Commons is described and applied to analyze the effect of these changes in the "working rules" on consolidation of hospitals in Pittsburgh, Pennsylvania. The Pittsburgh experience resulted in two hospital systems encompassing virtually all of the area hospitals. These systems were created through extensions of credit that exceeded one billion dollars for each system, and for one system, its expansion ended in the largest nonprofit health care bankruptcy in the United States. J. Econ. Issues, June 2007, 41 (2), pp. 469-476. Lovett Bookman Harmon Marks LLP.

Watkins, John P.

Economic Institutions under Disaster Situations: The Case of Hurricane Katrina

The flooding of New Orleans resulted from long-run policies that value growth over security, the affluent and middle class over the poor. The long-run policies were directed at fostering development in a hazardous location. The short-run policies based on a neoliberalist philosophy sought to shift responsibility of disasters to state and local governments, social capital, and individuals. Both policies fostered a collapse in the institutions that are central to the process of social provisioning: the market, reciprocity, and redistribution. Reciprocity is central to the concept of social capital, defined as the "social networks and the associated norms of reciprocity." The policies failed in part because poverty undermined social capital, redistribution failed owing to a neoliberalist philosophy that undermined the response of the federal government. *J. Econ. Issues*, June 2007, 41 (2), pp. 477-484. Westminster College.

Fullwiler, Scott T. and Geoffrey Allen

Can the Fed Target Inflation? Towards an Institutional Approach

This paper simulates a simple version of the employer of last resort (ELR) policy in the Fairmodel in order to examine the potential stabilization properties of the policy. First, the ELR policy is simulated within historical business cycles of the U. S. economy, which show that the policy raises capacity utilization while also improving price stability. The program on average "costs" around one percent of GDP. Second, the ELR policy is compared to an interest rate rule, sales tax rule, and transfer rule using stochastic simulation. These latter simulations show that fiscal policy rules can promote macroeconomic stability and can enhance or even surpass the stabilization properties of monetary policy rules. Intuitively, within the stochastic simulations, the stabilization properties of the ELR policy are greater the more efficient the ELR "buffer stock" functions and the more productive the ELR employees are assumed to be. *J. Econ. Issues*, June 2007, 41 (2), pp. 485-494. Wartburg College and TD Ameritrade.

Kaboub, Fadhel

Institutional Adjustment Planning for Full Employment

Institutionalists have endorsed the Employer of Last Resort (ELR) program as a matter of principal, but very little has been done to incorporate the basic principles of Institutional Adjustment (IA) into ELR planning. This paper argues that Foster's theory of IA is a powerful tool for ELR policymakers to ensure that the planning and implementation of full employment are consistent with the principles of technological determination, recognized interdependence, minimal dislocation, and

coevolutionary sustainability. It concludes that a robust ELR-IA planning mix can help ELR deal with unemployment caused by structural and technological change (STC). An STC research unit inspired by the basic principles of IA can serve as the signaling device for structural unemployment and allows the ELR administration to plan for STC-related unemployment in a timely manner. Shock therapy ELR may solve unemployment problems in the short run, but continuous full employment can only be ensured through IA planning. J. Econ. Issues, une 2007, 41 (2), pp. 495-502. Drew University.

Tymoigne, Éric

Improving Financial Stability: Uncertainty versus Imperfection

For most contemporary economists, financial instability is an exceptional event that results from exogenous shocks, market imperfections, and/or price instability. This paper critically analyzes the imperfection view of financial stability by focusing on its analysis of individual behaviors and of the treatment of information. It is argued that imperfections are not the main cause of financial instability. An alternative framework of analysis is presented and compared to the imperfection framework. This framework states that there are deeper causes of financial instability rooted in psychological, sociological, and political forces, which effects are multiplied by the way the capitalist economic system works. This has important implications for promoting financial policy. The goal becomes not so much to reduce imperfections but to provide guidance for financial decisions by orienting them toward financial practices that promote stability. J. Econ. Issues, June 2007, 41 (2), pp. 503-510. California State University, Fresno.

Zalewski, David A.

Should the Oracle Have a Moral Compass? Social Justice and Recent Federal Reserve Policy

During Alan Greenspan's term as Chair of the Federal Reserve, the costs of macroeconomic adjustments have become more enduring to the people who bear them. This paper presents a case study of recent developments in mortgage markets in which the Fed allowed household financial fragility to develop and then precipitated crisis through its monetary policy measures. Because this is unjust, it is recommended that Fed officials address the distributional consequences of their actions. J. Econ. Issues, June 2007, 41 (2), pp. 511-518. Providence College.

Barthelemy, Denis and Martino Nieddu

Non-Trade Concerns in Agricultural and Environmental Economics: How J.R. Commons and Karl Polanyi Can Help Us

Agricultural and Environmental Economics usually suggest market incentives as more efficient ways to deal with non market concerns. In light of Commons's "reasonable value," this paradoxical response appears to be an attempt to avoid social negotiations. However, such a process never finds full achievement. Human activities not only produce commodities; they also produce "state of things" (the state of food security, of environment, of heritage, etc), which constitute natural and cultural survival conditions for people and communities. This second part is a result of non market economic relationships for market economy and does not guarantee its fulfillment, as Polanyi emphasized. Polanyi, however, mainly used diachronic analytical point of view. We think a synchronic approach would allow better understanding of the empiric situation, which can be seen as resulting from complementarity and conflict between market economy and heritage economy, the latter devoted to maintaining the material and cultural possibilities allowing human communities to perpetuate. *J. Econ. Issues*, June 2007, 41 (2), pp. 519-528. INRA and University of Rheims (France).

Berger, Sebastian and Wolfram Elsner

European Contributions to Evolutionary Institutional Economics: The Cases of 'Cumulative Circular Causation' (CCC) and 'Open Systems Approach' (OSA). Some Methodological and Policy Implications

The paper explores the contents and original meanings of the evolutionary-institutional key concepts "Open Systems" and "Circular Cumulative Causation" and tries to clarify potential misperceptions of these approaches. We reconsider both their methodological status, as a "direct" integration of natural-science knowledge, and their analytical and policy implications toward "social costs" of social and environmental degradation. We attempt to elaborate how the concepts contribute to modern Evolutionary Institutional Economics and to a more critical and radical "political-economic" view, being more in the Veblenian tradition of the critique of the "market" economy and the private enterprise. *J. Econ. Issues*, June 2007, 41 (2), pp. 529-538. University of Missouri – Kansas City and University of Bremen.

Berger, Sebastian and Mathew Forstater

Toward a Political Institutionalist Economics: Kapp's Social Costs, Lowe's Instrumental Analysis, and the European Institutionalist Approach to Environmental Policy

This paper proposes that K. William Kapp's "Theory of Social Costs" and Adolph Lowe's "Instrumental Analysis" are complementary analytical frameworks that may

contribute to the formulation of an effective environmental economic policy framework. The Kapp-Lowe approach may be called a distinctively European "Political Institutionalism" and the main serious alternative to the Pigouvian and Coasian standard solutions of the social cost problematic. J. Econ. Issues, June 2007, 41 (2), pp. 539-546. University of Missouri, Kansas City.

Oleinik, Anton

Minimizing Missed Opportunities: A New Model of Choice?

Power involves a number of models of choice: maximizing, satisficing, coercion, and minimizing missed opportunities. The latter is explored in detail and linked to a particular type of power, domination by virtue of a constellation of interests. It is shown that domination by virtue of a constellation of interests calls for justification through references to a common good, i.e. a rent to be shared between Principal and Agent. Two sources of sub-optimal outcomes are compared: individual decision-making and interactions. Interactions organized in the form of power relationships lead to sub-optimal outcomes for at least one side – Agent. Some empirical evidence from Russia is provided for illustrative purposes. J. Econ. Issues, June 2007, 41 (2), pp. 547-556. Memorial University of Newfoundland and the Institute of Economics of the Russian Academy of Sciences.

Dolfsma, Wilfred and Robert McMaster

Revisiting Institutional Law and Economics – The Inadequacy of the Chicago School: the Case of Personal Bankruptcy Law

For Chicago style Law & Economics, bankruptcy is a utility maximizing choice agents make. Preventing personal bankruptcy requires raising its price. We analyze the developments of personal bankruptcy law as a way of allocating risks within a society. As bankruptcy is in large part something that befalls individuals and households, an institutional Law & Economics, based on Instrumental Value Principles (IVP), suggests that risks should be reduced and shared rather than be shifted from firms to individuals. In addition to evaluating a specific policy area, we, therefore, also suggest a specific way in which institutional Law & Economics and IVP may be developed. J. Econ. Issues, June 2007, 41 (2), pp. 557-566. Utrecht School of Economics & Maastricht University, and the University of Glasgow.

Scott, III, Robert H.

Credit Card Use and Abuse: A Veblenian Analysis

There are over 1.5 billion active credit cards currently in the United States. People charge over \$2 trillion with their credit cards annually, and have accumulated nearly \$900 billion in revolving credit card debt. Credit cards are complex financial instruments that are wrought with harmful potential for imprudent borrowers. The credit card industry is profitable because many people have taken on revolving high-interest credit card debt. Thorstein Veblen's social theory of consumption provides a better explanation than neoclassical theory concerning the idiosyncrasies of the relationship between credit cards and consumers. Veblen's ideas (conspicuous consumption, emulation complex, and conspicuous waste) help explain why credit card companies are so successful and why revolving credit card debt is rampant today. In addition, his theories provide insight into why the current public policy initiatives are injurious to consumers and the economy, and this problem will persist until credit card lending institutional failures are recognized and mended. J. Econ. Issues, June 2007, 41 (2), pp. 567-574. Monmouth University.

Todorova, Zdravka

Deficits and Institutional Theorizing about Households and the State

The paper focuses on the federal budget deficit and on household financial positions. The household-state analogy with reference to deficits does not differentiate households and the state as distinct institutions with specific characteristics, powers and liabilities. An Institutionalist discussion of this analogy reveals some questions of importance for theorizing about households and the state as institutions in a pecuniary culture. J. Econ. Issues, June 2007, 41 (2), pp. 575-582. Wright State University

Weller, Christian E.

Need or Want: What Explains the Run-up in Consumer Debt

After 2001, the U.S. has been marked by a record run-up in consumer debt. This debt surge was widely shared across demographic groups. In fact, it was more pronounced among middle-income and white families than among their counterparts. The data suggest that the run-up in debt is more a consequence of economic necessities than of profligate spending. This rise in consumer debt occurred against the weakest employment growth since the Great Depression, stagnant wages, declining health and pension benefits, sharply higher costs for housing, a college education, health care, and transportation. Families have also become more willing to be financially responsible over time. Further, the data suggest that families did not see a markedly sharper rise in their wealth in recent years than in previous years, when debt growth was more subdued. In addition, much of the wealth gains that families saw were due to a boom in the real estate market, which many economists believe to be overvalued, thereby casting doubt on the assertion that the run-up in

debt was an investment driven phenomenon. J. Econ. Issues, June 2007, 41 (2), pp. 583-592. Center for American Progress.

Gagnon, Marc-André

Capital, Power and Knowledge According to Thorstein Veblen: Reinterpreting the Knowledge-Based Economy

The works of Thorstein Bunde Veblen on knowledge and capital offer an original approach to account for the recent transformations of the capitalist system by disconnecting capital and productivity. Capital is no longer understood as a “means of production”; rather, it becomes control over the means of production, and it takes the form of any socio-institutional power that increases firms’ earning-capacity. Veblen’s theory of capital integrates power at the center of the capitalization process. By using Veblen’s theory of capital, the recent structural transformations that gave rise to the knowledge-based economy shouldn’t be viewed in terms of new forms of productivity but rather in terms of the new ways and means for business interests to extend their control over industrial knowledge, and over the community in general. J. Econ. Issues, June 2007, 41 (2), pp. 593-600. Université de Montréal and Université du Québec à Montréal.

Henry, John F. and Stephanie Bell-Kelton

The Consequences of Peace: Veblen on Proper Policy to Support Capitalist Economic Relations

Thorstein Veblen did not, generally, directly propose policy regarding the management of a capitalist (or any other) economy. His work on *The Engineers and the Price System* might be seen as an exception. His theoretical argument, however, does direct the astute reader to a number of policy proposals that would lead to a better functioning economy, and these proposals clearly demonstrate the relation between such an economy and the larger social order within which this economy exists.

In this paper, we propose to tease out of Veblen’s work the main policy prescriptions he advocates. In particular, we shall incorporate his positions on war, religion, education, government, and labor organizations in attempting to develop an argument that demonstrates a unified, coherent relationship between theory and practice (policy). It will be seen that Veblen’s proposals differ significantly from those usually advocated by institutional theorists. J. Econ. Issues, June 2007, 41 (2), pp. 601-608. University of Missouri – Kansas City.

Wilson, Matthew C.

Constitutional Economics and its Policy Agenda: A Veblen-Inspired Critique

The paper develops a Veblen-inspired critique of the foundations of constitutional economics. Focusing on seminal work by James Buchanan, it is argued that constitutional economics rejects all natural law (or other supra-individualistic) normative criteria only to embrace the natural law preconceptions of classical economics. The concept of social harmony, which is the essence of the invisible hand argument, is unintelligible as an individualistic concept: understood as a normative criterion, the concept of social harmony is inherently supra-individualistic. The paper criticizes the underlying foundational claim that individuals are the best judges of their own interests. In Buchanan's theory, this claim is used to justify the derivation of collective action from individual valuations. This conceptual strategy detracts from the scientific competency of constitutional economics, because it is an ethical rather than a scientific claim about the relation between social structure and individual agency. J. Econ. Issues, June 2007, 41 (2), pp. 609-616. University of Denver.

Wray, L. Randall

Veblen's *Theory of Business Enterprise* and Keynes's Monetary Theory of Production

It has long been recognized that Thorstein Veblen and John Maynard Keynes share a common approach to the nature of "business enterprise" or "monetary production" in the modern capitalist economy. This paper provides a concise summary of Veblen's views on the "credit economy," comparing that with Keynes's "monetary economy." While there are many similarities, Veblen's version is in many important respects more informative, and still relevant for developing an understanding of modern business practice. On one hand, this is not surprising as Keynes had let many of the monetary details "fall into the background." However, it is surprising that most followers of Keynes have not mined the *Theory of Business Enterprise* for arguments that nicely complement and extend Keynes's better known approach. J. Econ. Issues, June 2007, 41 (2), pp. 617- 624. University of Missouri – Kansas City.