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Abstracts

O'Hara, Philip Anthony

Principles of Institutional-Evolutionary Political Economy — Converging Themes from the Schools of Heterodoxy

The theme of convergence between sub-schools of institutional-evolutionary political economy is scrutinized, especially vis-à-vis principles of scholarly inquiry. General principles, historical specificity, endogenous processes, contradictory dynamics, and governance issues are emphasized. General principles link to realism, complexity, agency and structure. Historical specificity concerns phases of evolution, the circuit of social capital, and heterogeneous agents. There are many endogenous processes, including money and credit, uncertainty, and financial instability. The core contradictions correspond to the disembedded economy, long wave motion, circular and cumulative processes, conspicuous consumption, and ceremonial encapsulation. Heterodox political economy provides a progressive agenda for reform, incorporating trust and community, problems of destructive creation, capital-labor relations, the industry-business nexus, and productive government spending. A degree of convergence reduces sectarianism, stimulates research programs, enriches theory and practice, and recreates community among scholars and (prospectively) in society. *J. Econ. Issues*, March 2007, Vol. 41 (1), pp. 1-42. Curtin University.

Yousif, Bassam

Economic Restructuring in Iraq: Intended and Unintended Consequences

This paper contests the claim that the present turmoil in Iraq is solely the result of stubborn animosities or a lack of planning. It posits that the current violence is the outcome of the interaction of adverse initial conditions and a deliberate, detailed, but ultimately misguided post-war economic strategy, designed to radically restructure Iraq's economy along neo-liberal lines. To realize the restructuring the United States implemented are the policies of market shock therapy. It is shown that these post-invasion economic policies worked to exacerbate rather than assuage existing social fissures and structural difficulties: they inflamed sectarian divisions, restricted the development of independent institutions of civil society, fuelled insecurity and consequently impeded rebuilding. Such an analysis illustrates the fundamental incompatibility of market shock therapy with Iraq's initial conditions and highlights the dangers associated with mechanically implementing policies, without regard to the social and economic context. *J. Econ. Issues*, March 2007, Vol. 41 (1), pp. 43-60. Indiana State University.

Leightner, Jonathan

Thailand's Financial Crisis: its Causes, Consequences, and Implications

The Asian financial crisis that began in Thailand in 1997 shook the world. This paper reviews the causes of that crisis and then analyzes the consequences of the crisis on Thai institutions. Specifically, the crisis dramatically changed institutional arrangements that underlie credit, politics, government, democracy, and growth. The paper itself covers 1993-2005. An addendum covers 2006, which includes a coup d'etat against a democratically elected prime minister. Ironically, this coup d'etat may be democracy's best hope in Thailand. J. Econ. Issues, March 2007, Vol. 41 (1), pp. 61-76. Augusta State University.

Mah, Jai S.

Industrial Policy and Economic Development: Korea's Experience

The government of Korea provided various fiscal and financial incentives as well as infrastructure as industrial policy measures. Industrial policy since the 1960s resulted in rapid economic growth and a higher value-added industrial structure. However, due to the policy, the accumulated non-performing loans of commercial banks became one of the causes of the economic crisis. The Korean experience shows that excessive subsidization by government-controlled banks might be harmful to the process of economic development in the long-run. It would be necessary for developing countries to request meaningful special and differential treatment provisions relating to industrial policy in the world economy. J. Econ. Issues, March 2007, Vol. 41 (1), pp. 77-92. Ewha Womans University, South Korea.

Fullwiler, Scott T.

Macroeconomic Stabilization through an Employer of Last Resort

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, March 2007, Vol. 41 (1), pp. 93-134. Wartburg College.

Cordes, Christian

Turning Economics into an Evolutionary Science: Veblen, the Selection Metaphor, and Analogical Thinking

A current methodological-conceptual debate in economics concerns the relationship between the two disciplines of economics and biology. This paper discusses several explanatory approaches to economic phenomena that rely on concepts borrowed from biology. By analyzing the role of selection processes in biological and cultural evolution, problems of an analogy construction between these two spheres are depicted. As an alternative, another way of showing how Darwinian theory can be relevant for economics is presented. It is argued that this approach meets Veblen's call for explanatory theories of causal relations, quantitative sequences, and cumulative causation in economic evolution. J. Econ. Issues, March 2007, Vol. 41 (1), pp. 135-154. University of California, Davis.

Poirot, Clifford

How Can Institutional Economics be an Evolutionary Science?

Geoffrey Hodgson has emerged as the foremost advocate of applying Universal Darwinism to Original Institutional Economics (OIE). His treatment of the concept is abstract and non-specific, and thus lends itself to confusion. Furthermore, his discussion of alternative theories of socio-cultural evolution is limited. This paper lends partial support to some of Hodgson's goals. However, it raises doubts about the utility of the term Universal Darwinism and its applicability to OIE. It argues that our concern with evolution would be better served by building on the Neo-Evolutionist trend in anthropology. The Neo-evolutionist approach accepts the full application of the Neo-Darwinian synthesis to infra-human species, but maintains a strong dichotomy between cultural and biological evolution. There are numerous barriers to the full application of Neo-Darwinism to socio-cultural evolution. J. Econ. Issues, March 2007, Vol. 41 (1), pp. 155-180. Shawnee State University.

Pressman, Steven

The Decline of the Middle Class: An International Perspective

This paper uses the Luxembourg Income Study to examine the size of the middle class in 11 different countries between the early 1980s and the end of the twentieth century. It finds that, in general, the middle class has shrunk in most countries during this time

period, and that most of this decline was due to household income dropping and a rise in lower-class households. The paper also empirically examines several demographic and macroeconomic explanations for these changes. It was able to reject all explanations except for one-- redistributive government policies (especially in an era of growing inequality) are necessary to maintain a large and thriving middle class. J. Econ. Issues, March 2007, Vol. 41 (1), pp. 181-200. Monmouth University.

Medlen, Craig

The Bubble Machine: Relative Capital Valuation, Distributive Shares and Capital Gains

The essay utilizes a *relative* measure of capital valuation to assess the recent run-up in capital gains accruing to stocks and housing. I argue that the *relative* valuation of the existing capital stock has expanded as prospects for new investment has fallen off in the "Old" economy and as the share of production accruing to capital has expanded. The recent expansion of mergers, acquisitions and share repurchases is understood as reflective of this expansion in the *relative* valuation of existing capital and as a contributing factor to the stock bubble of the 1990s. In turn, I argue that the stock bubble resulted in a fall in the rate of cash return on equity and helped drive down interest rates, the main fundamental behind the recent expansion of capital gains in housing. Correspondingly, the speculation in housing can be partially understood as a result of the previous stock bubble of the 1990s. J. Econ. Issues, March 2007, Vol. 41 (1), pp. 201-220. Menlo College.

Duran, Miguel A.

Norm-Based Behavior and Corporate Malpractice

The aim of this paper is to provide an explanation of recent corporate malpractices in terms of individuals' norm-based behavior. In particular, it is suggested that corporate misbehavior could be explained as a system-wide failure grounded in the logic of how the market itself operates and in the endogenously arising norms regulating its workings. J. Econ. Issues, March 2007, Vol. 41 (1), pp. 221-242. Universidad de Malaga.