Beyond Deindustrialization: The Future of Industries, 25th Annual Conference of European Association for Evolutionary Political Economy (EAEPE), Paris, November 7-9, 2013

Although evolutionary in name, the European Association for Evolutionary Political Economy (EAEPE) is a more diverse group than simply a bunch of scholars who apply evolutionary models in their work. The EAEPE is a group of economists and other social scientists applying various approaches which may be summarized as heterodox, i.e., non-mainstream. After having listened to a lot of presentations at the annual conference organized at the *Université Paris Nord* (University of Paris 13, Campus Bobigny) this November, I came to the conclusion that although the heterodox character of the group is biased toward Keynesian and Marxist or "radical" approaches, evolutionary economics is still a very strong line of research within the association. It is, however, impossible to give a good picture of this diversity, considering that during these two days about 300 papers were presented in 81 sessions covering topics from economic development through labour economics to gender-related issues. What follows is instead a biased snapshot of this event. It is going to be biased by my relatively ad-hoc cherry-picking of these 300 papers and by my critical assessment of some of the approaches and topics which featured at the conference.

One of the most popular sessions was surely the one organized by *Geoffrey Hodgson* (Hertfordshire Business School) on the future of institutional economics. The good topic and good papers aside, the session was lively because of the fact that while the presenters were strongly associated with New Institutional Economics, Hodgson, the organizer and discussant of the session, is the leading representative of the so called Old Institutional School (made famous by Veblen, Commons and sometimes associated with the German historical school).

In this session *Richard Langlois* (University of Connecticut) presented his paper with the title *Institutional Economics as a Progressive Research Program: Connecting the Strands*, in which he contrasted two methodologies used to analyse institutions. This contrast can be expressed as Acemoglu – Robinson (2012) versus Allen (2012). By using two examples of economic history (the open-field system in medieval agriculture, and the factory system during the industrial revolution) he argued that the second approach is basically correct: institutional economics advances by asking the question as to which problem institutions solve in a certain historical, geographic etc. context. Different "just so" answers to this question will then be given, criticized, revised, and may be replaced by better ones.

Mary Shirley (Ronald Coase Institute) in the paper *The Future of New Institutional Economics: From Early Intuitions to a New Paradigm?* co-authored by *Claude Ménard* (CES – Université Paris I) posed the question of whether New Institutional Economics can be seen as a new paradigm or whether it is just an adjusted version of economics as we (or the freshmen) know it. She tended towards the first option by reviewing the evolution of this school of economics. She identified the triangle of property rights, transaction costs, and contracts as the main organizing concepts of the evolution of the school and as those concepts that can make it a paradigm, not merely a neoclassical economics plus transaction costs.

Several important topics were raised by *Geoffrey Hodgson* in his discussion of the papers. For example, while he agreed that property rights are a key concept in institutional economics, he claimed that this concept was not taken seriously enough because the fact that property rights must be enforced and legitimized by the state should somehow integrated into the analysis.

The session The Future of Evolutionary Economics was no less popular than the one on institutional economics. The papers presented here showed a kind of concern or uncertainty on the part of evolutionary scholars regarding the stance taken by this approach. *Geoffrey Hodgson* presented a paper (co-authored by *Joonas Järvinen* from the Aalto University School of Science and *Juha-Antti Lamberg* from the University of Jyväskylä) entitled *The Structure and Evolution of Evolutionary Research: A Bibliometric Analysis of the "Evolutionary" Literature in Management, Economics and Sociology* in which they studied quantitatively with bibliographic tools how evolutionary economics had developed since the publication of Nelson – Winter (1982). What he found was that the evolutionary branch is fragmented and Nelson – Winter (1982) did not serve as a starting point for a linearly developing discipline. The emergence of Business Schools was a boom for evolutionary terminology but did not lead to a coherent and widely accepted analytical framework.

Sidney Winter, one of the authors of the famous Nelson – Winter book, the effects of which were emphasized by Hodgson and his co-authors, was himself there, too, and presented a paper called *The Future of Evolutionary Economics: Can We Break Out from the Beachhead?* Beside sharing his memories and thoughts concerning how (his) evolutionary thinking began in economics he analysed the stance of evolutionary economics by using the concept of a Kuhnian paradigm and scientific revolution. He raised the question as to whether economics as such is in a pre-paradigmatic situation. In his wrap-up discussion of the session, *Jan-Willem Stoelhorst* (Amsterdam Business School) seriously considered the idea that evolutionary economists should turn to convincing business scholars of the usefulness of the approach instead of trying to convince their fellow economists.

The term ‘neoliberal’ and ‘neoliberalism’ were often used as swear-words during the conference. There even were two sessions dealing with the effects of ‘neoliberal economic policies’. Although the general mood was that (the vaguely defined) ‘neoliberalism’ was something to be opposed, *Judit Kapás* (University of Debrecen) and I presented a paper (*Institutions and Policies of Economic Freedom: which Effects in which Run?*) that was rather “pro-neoliberal”. Although it is difficult to know what is meant by neoliberalism by those who use the term, economic freedom surely seems to be something associated with it. We used the framework of Austrian Economics to argue that although those parts of economic freedom associated with fiscal and monetary policies may not affect growth in the very long run, they matter for the catching-up process. Cross-country regressions were conducted to underpin this claim.

Other scholars in the same session were very much critical of ‘neoliberalism’. *Claus Thomasberger* (University of Applied Sciences, Berlin) proposed in his presentation *Europe at a Crossroads: Planning for the Market versus Planning for Freedom* that the economic policy approach in Western Europe summarized as “planning for welfare” and in vogue until the 1970’s was replaced by another approach described as “planning for the market”. He was searching for the reason behind what he considered a setback of European economic thinking and found it in what he called “the LSE-plan of an economic and monetary union” with economists in the Austrian tradition, especially F. A. Hayek and Lionel Robbins[1]. He argued that this agenda is behind the present problems of the euro zone which can be fixed by getting rid of the thinking behind it.[2]

No less critical of the present economic policies of Europe, and, more precisely, those of Italy, was *Paolo Ramazotti* (Mecarata Unversity). In his presentation, *Technocratic Consensus, Institutional Change and Questionable Ends. Remarks on Italy’s Economic Policy* he criticized the Monti cabinet’s economic policy, arguing that despite the generalized consensus surrounding the steps the Monti Cabinet took, alternative measures would have been possible. His more serious critique was that the institutional changes that the Cabinet pursued tend to undermine not only the principle of collective solidarity but also social cohesion. In addition they were, he said, inconsistent with basic rights – if the latter are

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[1] LSE refers to the London School of Economics with which the scholars mentioned were associated.
[2] I think it is very questionable whether Hayek himself could be considered the mastermind behind the euro, and I may not be the only one who thinks so (Vaubel 1990).

understood as positive rights, not as negative ones as is common in the classical liberal tradition.[3]

As the conference title suggests, one of the main topics of the conference was the analysis of industrialization. In one of the sessions devoted to discussing this, *Péter Mihályi* (University of Pannonia and CEU) analysed the Hungarian path of industrialization through the past 33 years with his paper *The Reindustrialisation of the Hungarian Economy: Growth without Profits, 1990 – 2013.* He examined the relative lack of success of the Hungarian regime change and raised the question of whether this can be attributed to the type of restructuring after the regime change during which industrial production was rising but its contribution to Hungarian GDP was falling. He showed that the profit margin of Hungarian manufacturing industry was actually higher than the EU average. The reason for the poor growth performance of the country should therefore be searched for in other sectors or in the economic policy.

In the same session *Magdolna Sass* and *Andrea Szalavetz* (Centre for Economic and Regional Studies, Hungarian Academy of Sciences) presented their research in the paper *Industrial policy options for catching-up GVC actors: the Visegrad countries in the post-crisis GVC environment* [4] examining the role industrial policy ought to play in promoting CEE actors' enhanced R&D-based integration into global value chains. They conducted 20 interviews with the leading managers of foreign-owned automotive and electronics companies responsible for a significant portion of the Hungarian automotive and electronics R&D personnel. They found it a myth that foreign investors in Hungary do not search for technological cooperation with local players. Another important conclusion of theirs is that one of the main bottlenecks of Hungary's transition to an innovation-driven growth trajectory is its actors' poor commercialisation capability. But policy can do something, they claimed, by for example, helping higher education to provide more skilled personnel to provide knowledge-intensive business services to multinational corporations.

The critical attitude towards what is called neoliberalism could be seen in debates concerning the "German model", because Ordoliberalism was seen, at least seemingly, as a type of neoliberalism. This was somewhat of a surprise to me, since although it is true that Ordoliberalism is sometimes called (German) neoliberalism (Wohlegemuth 2013), it is clearly a non-mainstream approach (Kasper et al. 2012). As could be expected based on this

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[3] Ramazotti did not deal with this distinction between positive and negative rights.
[4] GVC is for global value chain.

understanding of Ordoliberalism, the scholars were rather critical towards what they see as the German model. *Guillaume Duval* (Alternatives Economiques) aimed at demystifying the claim that Agenda 2010 was the main factor behind German success. Rather, he emphasized that Agenda 2010 actually slowed down German growth and increased inequality and poverty. Germany's good performance is based, he claimed, on much more fundamental factors (e.g. good education) and on luck to some extent (the opening up of Eastern Europe). In the same session *Jean-Daniel Weisz* (Kohler Consulting & Coaching) presented the results of a paper entitled *Another Way to Learn from the German Model* on the German *Mittelstand* (small enterprises) and contrasted their role with the French case, asking the question of whether the (better-working) German model can be applied in France. His conclusion was that it cannot because it is based on historical traditions and deep seated institutions. A cultural revolution, he said, would be needed for a possible implementation.

The role of Ordoliberalism was the topic of *Brigitte Young*'s (University of Muenster) paper entitled *Ordoliberalism and its Contradictions in Resolving the Euro-Crisis.* In her presentation Young summarized the main ideas of Ordoliberalism, and argued that this school of thought was resurrected during the financial crisis of the past couple of years and the interest groups inspired by its ideas became veto players as well as agenda setters in German politics. She presented Ordoliberalism as an alternative to neo-Keynesianism as well as to the "Anglo-Saxon neoliberal model" and she was very critical of the role of Ordoliberalism. The debate following these presentations left me, however, with some doubts as to whether German economists agree with the claim that Ordoliberalism has gained strength recently in German economic policy.

Milton Friedman once famously said that "there is no Austrian economics – only good economics and bad economics" (see Caplan (1999: 823) for example). If you substitute 'heterodox' for 'Austrian' in this sentence, it becomes false in one sense and true in another. Factually, it is false since this conference has made it clear that there *is* a heterodox economics and the heterodox community is alive and well. It is true in the sense that just being heterodox does not make any economics good or bad.

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