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To propose an interview for this new ASE series, please contact Jonathan Wight (jwight@richmond.edu), President of ASE for 2013, or Quentin Wodon (qwodon@worldbank.org), ASE newsletter editor.

Interview with Wolfram Elsner: We Are Doing Real-world Economics and Cutting-edge Economic Research Is Often Based on Earlier Heterodox Issues and Questions

(Interview compiled by Quentin Wodon)

Wolfram Elsner is Professor of Economics with the Institute for Institutional and Innovation Economics at the University Bremen in Germany. Before working in academia, he spent ten years as a local development official and state-level planner. He has published widely, including in *American Journal of Economics and Sociology*, *Journal of Economic Issues*, *Journal of Socio-Economics*, *Journal of Evolutionary Economics*, *Journal of Institutional Economics*, *Journal of Environmental Planning and Management*, and *Review of Social Economy*. He has edited several books and is the author of two textbooks, including *Microeconomics of Interactive Economies*. He is the managing editor of the *Forum for Social Economics* and has served as the President of the European Association for Evolutionary Political Economy.



How did you become interested in social economics and who were your mentors?

I had the privilege to start my academic career in 1974 as an assistant to Siegfried Katterle, one of the few German academic economists who still adhered to the tradition of the German Historical School, German Social Economics, and Economic Sociology. Many of those who worked on those issues had to emigrate in 1933. But the economics and business school at the University of Cologne where I began my studies as a '1968er' had a division that focused on social economic thinking and theoretical and applied welfare-state policies. Katterle was a student of Weisser, a religious socialist, radical social democrat, and former trade unions economist who had studied with Eduard Heimann.

My Habilitation thesis in 1986 was about comparative paradigms of institutional economics in the history of economic thought,

beginning with Smith's *Theory of Moral Sentiments* and the contested science of economics. At the University of Bielefeld our research on structural change and industrial and regional economics in the 1980s was done within an evolutionary perspective and an epistemological awareness of social norms and values.

With colleagues we started to establish ties with other heterodox economists in Europe and the US from the mid-1980s on. This led us to found the European Association for Evolutionary Political Economy in 1988/89, but ASE and the Association for Evolutionary Economics became my professional home.

Later I became interested in interactive processes and interdependent structures, as well as complex and agent-based modeling and computer simulations. I have been trying to look at ways to combine the good old social-economic and institutionalist traditions with

more recent formal approaches and methods, such as game theory, but embedded in proper social economic story-telling. Social economics has become for me an inquiry into open-ended multi-agent interactions, even if this looks too broad and too mainstream for some of my social economics friends. Still, I am today one of only a handful heterodox economics professors in Germany.

Among your various publications, what is your favorite paper, and why?

In 1989, I was still a relatively young academic, having worked ten years in the real-world outside academia. Although my English was still poor I published a paper on Adam Smith's *Theory of Moral Sentiments* in the *Journal of Economic Issues*, a quite modern interpretation of the individual's capabilities of reciprocal mirroring and of institutional emergence. My paper reads badly, but I still like it, since it was somehow ahead of its time.

I also like my applied paper on real-world complexity in the *Review of Social Economy* (2005), on the 'deep' meaning of clusters and networks as cooperation forms compensating for global volatility, but as a push by firms for power and growth in the neoliberal globalized corporate economy. I also hope that my work on the emergence of meso-sized platforms in populations, and my anti-Coase/Williamson piece on the networked firm in an organizational triangle between markets, hierarchies, and network cooperation (both published in the *Journal of Economic Issues*) are relevant. These and other papers were part of the foundation for my alternative microeconomics new textbook *Microeconomics of Complex Economies* (forthcoming May 2014).

Have you encountered obstacles professionally in working on social economics?

Definitely so. In Germany, you are at a disadvantage as an avowed heterodox economist, be it in the official national association when applying for positions, in the media, in policy advice, or in funded research. My latest experience is that even the local radio

station came under pressure after having interviewed me several times on the financial crisis. Further, I was proposed for the award of honorary research professor at one of the big five German economics research institutes this year. But after one of them found out about a speech I gave at an occupy demonstration at the end of 2011 my appointment was turned down again on the basis that I was an enemy of "our social order". Nevertheless, being a German full professor at an established public university of excellence gives you a reputation that allows you considerable freedom of speech, which I have always made use of and intend to continue to make use of in the future.

If there is one thing you would like to achieve in the next ten years, what would that be?

I hope that my new microeconomics textbook will be used in teaching on a wide scale, with feedback from heterodoxers and improved editions to come. I have taught non-mainstream micro for 15 years, even at the undergraduate level, and think it worked. The book has little to do with demand and supply, equilibrium price, and optimality. It focuses instead on basic social coordination and cooperation in diverse forms, and on real-world processes with applications in information, open source, theory of the firm, technology choice, and innovation systems. There are other heterodox micro textbooks available, but most still follow the general prescribed curriculum. Elsevier was courageous enough after a long review process to take the risk of publishing a new kind of micro textbook.

Being managing editor of the *Forum for Social Economics* since 2012, I would also like to see this little gem-like journal gain more visibility and perhaps one day be listed in Thomson Reuters' ISI. Although this official listing has flaws, there is no way to avoid it for the time being. I hope that the journal will increasingly be adopted and used in academia by universities, schools, departments, and search committees. I also hope to continue to offer my services to professional associations in heterodox economics and to further develop existing international exchanges between my

department and the New School and UMKC as well as other universities.

What distinguishes your approach to ethics and economics?

Mainstream economics has never really developed an epistemology sensitive towards values. It has led a life of crypto-normativity, with its values hidden behind the idea of a value-free social physics and an alleged perfect and unique cogent benchmark for decision-making and policy advice. Behind that veil, mainstream economics has no problem substituting anything, axioms, assumptions, and propositions considered being their paradigmatic core. As suggested by Jakob Kapeller in 2013, mainstream economics functions like ‘model Platonism’. Business ethics, corporate social responsibility, environmental ethics, and the like are always something external and alienated to the core model of the market economy, something just added on to any mainstream curriculum.

We have a different perspective in social economics. Personally, I have learned a lot from the naturalistic movement and biology about the origins of social norms and ethics. I am after the solution of social coordination and dilemma problems and the emergence of problem-solving rules and institutions. Given how difficult, uncertain, time-consuming, risky, and fragile processes of emergence in ubiquitous social dilemmas are, it appears plausible that agents, after common and collective solutions have been attained, tend to stick to them and incur economies of scale of institutionalized decision-making.

If institutions are instrumental to problem-solving, the issue of norms and ethics comes in a game-theoretic perspective from an increasing detachment of institutionalized behavior from the original problem structure, leading possibly to degeneration. Institutions may become ever more abstract from the original problem or experience. They may remain instrumental, but under changing conditions they may become abstract norms that are based on no more than ceremonial belief

systems and enabling myths. So I am adopting a micro-genetic approach to the emergence of norm systems, including ethics and religion, and how they evolve from their initial instrumental role to a more ceremonial role.

How has this approach made a difference to your understanding of the world and/or policy?

The perspective that I just outlined can help in being more sensitive to the risk of degeneration in processes related to institutions-based and normalized behavior. This can help to better coordinate and make us cooperate not only with strangers in one-shot encounters, but also in hierarchical and power-based environments that tend to trigger asymmetric and unequal distributions of the initial win-win payoffs. The unevenness among superiors and inferiors, the more and less powerful, may be further stressed. Inferiors may even stick to the rules not because they still are after solving intricate social problems but because a motive of belongingness and identity comes to the fore. The superiors and winners may increasingly follow their ceremonial “invidious distinction”, their career motive. I think this might become a useful real-world empirical research program.

Does social economics today really matter to the world beyond academia?

We are doing real-world economics and we have to stress our greater real-world affinity. Cutting-edge economic research by mainstream economists is often based on earlier heterodox issues and questions. The problem of mainstreamers is that they become schizophrenic between their often most interesting cutting-edge research results and what they nevertheless keep teaching in undergraduate and graduate classes, what they “bla-bla” in the media and public and what they say in policy advice – there they preach a non-modern, non-complex science, but this is a state of cognitive dissonance! Note that when mainstreamers do relevant cutting-edge research, the slightest loosening of assumptions shoots them light years away from any measurable benchmark equilibrium or optimality, and we do not know where in the universe of solutions we end up. Claiming the

old stuff in face of such research results must make anybody schizophrenic.

I worked outside academia in economic development planning for ten years, talked with entrepreneurs virtually every day. With that experience I managed to convince the business administration colleagues in my department of the superiority of heterodox and pluralistic perspectives, and I do not see any reason not to claim that heterodoxies are more relevant and more real-world in their theoretical foundations than the conventional mainstream's alleged optimal general equilibrium market economy.

How do you see the future of socio-economics?

We do have boundaries with the mainstream. There are large overlapping areas of interest and common fields and in fact often similar approaches and methods used beyond the usual discourses. At the same time, socio-economics is likely to continue to have to fight an uphill battle. I tend to disagree with some of my social economics friends on the tacit fragmentation and dissolution of the mainstream and its fusion with heterodoxies. The mainstream, in its particular constitution of suggesting, in fact prescribing, individualistic hyper-rationality, optimality, equilibrium, stability, etc. of a market economy and society as a direct benchmark for reality and policy has a quite different function to fulfill as the dominant producer of ideology for the powerful and ruling. This it never can and will abandon, nor would the powerful let this happen. This is why the mainstream has survived crises and why it not only will continue to survive but be in a fierce counterattack against heterodoxies.

Heterodoxies are largely defining the most rewarding research questions even for open-minded mainstreamers, and mainstream economics should have reason to reconsider its basic approach. Yet again, mainstream economics will remain unswayed by the crises it has contributed to cause. The discourse of mainstream economics is indispensable for "the system" in order to provide it with a dominant ideology. So it will not only be fully protected, but a potentially fatal attack on heterodoxies

may even be launched in the disguise of rankings and evaluations. I was shocked when Fred Lee first mentioned to me that rankings could be used for ideological cleansing. Having closely observed things since then, I must admit that they are.

We need to think strategically about themes that matter to the scientific community, such as implementing active pluralism, fostering interaction and cooperation, dealing with evaluations and rankings, etc. We need to ensure that minority rights in departments and in journals must be defended. These are key issues but of course there are no simple solutions.

What advice would you give to graduate students setting out to study social economics?

I had a session of EAEPE in Paris last November with around thirty young "post-autistic" students. I encouraged them arguing that critical young scholars still have access to opportunities in academia. Be courageous and just do it! Do not be fearful. Conduct high quality heterodox research. Publish in the wide range of good quality heterodox journals. Help create a path towards active pluralism using relevant and properly embedded methods. Help build networks of young scholars, schools, and centers specializing in socio-economics. Never renounce your values, but defend them with professionalism.