ECONOMIC PARADIGM pdf

1: The Growth Paradigm Â»Petri Kajander

Definition of economic paradigm: Informal rules created due to transactions between sellers and buyers. The transaction rules are commonplace and assumed by both buyers and sellers, which is why they are referred to as paradigms.

Jed Emerson on theory, practice and community Jed Emerson ImpactAlpha, June 6 â€” Recent discussions and reflections taking place within philanthropy and impact investing concern the seeming divide between those who act, those who envision and those stakeholder groups in the middle of both. Over recent decades impact investing has merged with sustainable and responsible investing to create a global impact capital market place in the many trillions of dollars. These actors seek to use much, if not all, of their capitalâ€”ranging from philanthropic to near-market and market-rateâ€"in pursuit of their social-impact mission. We are engaging in one and the same discussion. They are simply two sides of the same coin as opposed to two opponents with differing perspectives. As Karl Marx said, philosophers have only interpreted the world in various ways; the point, however, is to change it. And, as Milton Friedman said, concentrated power is not rendered harmless by the good intentions of those who create it. Paradigm and praxis The time has indeed come when we must revisit the underlying assumptions regarding our most recent neoliberal economic order. We will evolve that new vision not simply by reflecting upon the elements of a potentially new paradigm or by executing our capital deployment strategies, but rather by engaging in a continued process of collaborative praxis; of our thoughts being informed by experience, which then leads to more enlightened insights and perspective, bringing us to yet better execution and on and on. The majority of foundations yet to embrace any investment of their non-grantmaking capital in pursuit of mission make themselves absent from the community of philanthropists deploying growing percentages of their portfolios in intentional impact strategies. In doing so they remove their institutions from the experience of learning through practice what those who champion new paradigms seek to intuit through research or reflection. By viewing those focused on creating a new paradigm as standing separate and apart from those executing innovative capital investment strategies our community is simply affirming a dualistic framework for understanding what is at heart a single inquiry. In doing so we promote the illusion of separation that in this context would have us believe thought and action are not intrinsically intertwined. It is as if we are promoting the notion we should think with half our brains or box with one arm tied behind our backs. If history shows us anything, it is that our potential future success rests in our shared experience and common knowledge evolving within an integrated, holistic approach to understanding what we should do, why we should do it and how we might create new conceptual and practice frameworks to assist us in advancing the societies and world we seek. I would suggest we might be better served by engaging in fewer debates and spend more of our time in deeper, common and truly open dialogue combined with humble personal reflection. By pursuing this path of integrated inquiry, we may, in the end, actually find the mutual enlightenment and change we seek. And furthermoreâ€¦ Two additional points are worth our consideration: Foxworth , Burton , The Fund for Shared Insight and a host of others have already framed aspects of this important point. Second, this is not a new discussion; many have been engaging in the exploration of this new paradigm for years. More recently, there have been discussions regarding impact investing and systems change and a large number of organizations actively engaged in promoting the new paradigm to which we all now aspire perhaps some of which have received philanthropic investments from the same foundations advancing this present conversation. My own work on the nature of value was originally funded in part by the Hewlett Foundation nearly 20 years ago. We may also benefit from the ideas and lessons of those areas of academic inquiry known as Social Economy and Social Economics, both growing bodies of academic research and reflection. Today, in the Anthropocene, that approach determines not only our own future but that of the Earth itself. Foundations interested in advancing new paradigms to guide the future of finance and economics would benefit from the experience of actually investing in the creation of new investment practices. Likewise, those that invest in new financial innovations will benefit from deeper reflection and philosophical inquiry to better see the links between capital deployment and the purpose of the capital we deploy. Friedman, Keynes, Hayek and their various followers came to new understandings of capital markets and policy not by attending briefings and conferences alone, but through reflecting upon the application of their ideas and concepts in practice within real world capital markets and societies. Our own community writ large will be best positioned to advance new ideas and thinkingâ€"new paradigmsâ€"if those ideas and thinking are grounded in the evolving and innovative investment practices of impact investing and whatever becomes of the future of finance and global economics. It is all one journey, of which we are all a part. Emerson is a former Senior Fellow with the William and Flora Hewlett Foundation and a grant recipient of the Foundation. He is strategic advisor to both family offices and investment firms. His next book, The Purpose of Capital: Elements of Impact, Financial Flows and Natural Being, will be released in a free e-book version in October of this year.

2: Toward a new economic paradigm: Jed Emerson on theory, practice and community - ImpactAlpha

A New Economic Paradigm. Since the s, a culture of debt has arisen in the United States. That change was the consequence of a misguided trade policy that gave rise to a current account deficit of unprecedented size.

Our current economy is based on the ever-expanding growth paradigm. It does not work without it. Our monetary base grows every year. Valuations need to grow, as well as profits and revenues. The society is driven by this growth mania. And how do we do this? By producing and consuming more, or should I say evermore, ever-expanding. And by consuming more we feed more needs to expand the business and acquire new resources to fulfil the needs of the growth. And so the cycle goes on and onâ€”but not forever. Sole expansion is not natural, it pairs with contraction, in nature that is. Seldom we start to question the basis of the assumptions and thinking underneath. What is the purpose of the growth and why is it needed? Some would say that it is because of money. And in many ways they are right. The fiat money system is built upon a hypothesis of ever-expanding promises of debt that are not paid back but rolled over. It requires more units of money to survive. As a result of this there are only raising prices and continuous inflation expansion. Does this create wealth for all the citizens using the legal tender? More money does not answer the question; it only explains the way the current system is working. Money is used to obtain goods, services, or intangible needs such as security. We would not consume more simply because our monetary system requires so. There is something else underneath that feeds the requirements and keeps the wheels turning. And once again we are getting back to each and every one of us, individually. No company consume, buy, sell, manufacture, or investâ€”only people do. Structures are mere tools and vehicles for our purposes, ignore them long enough and they disappear. There is no one to blame but us. We have bought the idea and assume that more is better. More money means something better, more consumption provides with something more and so on. Having more is the key and this having is the cause of the ever-expansion in our needs. But if you never consider why you need to have more you will never approach the real issue, you simply will act to gain more of somethingâ€—forever and ever more. Also having more is relatively easy, even though it takes its toll. But being happy has nothing to do with wanting or having. Maybe it is time to reconsider our assumptions and beliefs that define our current growth paradigm, individually?

3: ANKARA: Sledgehammer's Economic Paradigm

economic paradigm meaning: a basic principle that describes how an economy works or should work. Learn more.

A scientific revolution occurs, according to Kuhn, when scientists encounter anomalies that cannot be explained by the universally accepted paradigm within which scientific progress has thereto been made. This is based on features of landscape of knowledge that scientists can identify around them. Rather, according to Kuhn, anomalies have various levels of significance to the practitioners of science at the time. When enough significant anomalies have accrued against a current paradigm, the scientific discipline is thrown into a state of crisis, according to Kuhn. During this crisis, new ideas, perhaps ones previously discarded, are tried. Eventually a new paradigm is formed, which gains its own new followers, and an intellectual "battle" takes place between the followers of the new paradigm and the hold-outs of the old paradigm. Again, for early 20th century physics, the transition between the Maxwellian electromagnetic worldview and the Einsteinian relativistic worldview was neither instantaneous nor calm, and instead involved a protracted set of "attacks," both with empirical data as well as rhetorical or philosophical arguments, by both sides, with the Einsteinian theory winning out in the long run. Again, the weighing of evidence and importance of new data was fit through the human sieve: Sometimes the convincing force is just time itself and the human toll it takes, Kuhn said, using a quote from Max Planck: It is often this final conclusion, the result of the long process, that is meant when the term paradigm shift is used colloquially: In a retrospective on Kuhn, [4] the philosopher Martin Cohen describes the notion of the paradigm shift as a kind of intellectual virus â€” spreading from hard science to social science and on to the arts and even everyday political rhetoric today. Cohen claims that Thomas Kuhn himself had only a very hazy idea of what it might mean and, in line with the American philosopher of science, Paul Feyerabend , accuses Kuhn of retreating from the more radical implications of his theory, which are that scientific facts are never really more than opinions, whose popularity is transitory and far from conclusive. Science and paradigm shift[edit] A common misinterpretation of paradigms is the belief that the discovery of paradigm shifts and the dynamic nature of science with its many opportunities for subjective judgments by scientists are a case for relativism: Kuhn vehemently denies this interpretation [6] and states that when a scientific paradigm is replaced by a new one, albeit through a complex social process, the new one is always better, not just different. These claims of relativism are, however, tied to another claim that Kuhn does at least somewhat endorse: This gave rise to much talk of different peoples and cultures having radically different worldviews or conceptual schemesâ€”so different that whether or not one was better, they could not be understood by one another. Furthermore, the hold of the Kuhnian analysis on social science has long been tenuous with the wide application of multi-paradigmatic approaches in order to understand complex human behaviour see for example John Hassard, Sociology and Organization Theory: Positivism, Paradigm and Postmodernity. Paradigm shifts tend to be most dramatic in sciences that appear to be stable and mature, as in physics at the end of the 19th century. At that time, physics seemed to be a discipline filling in the last few details of a largely worked-out system. In , Lord Kelvin famously told an assemblage of physicists at the British Association for the Advancement of Science , "There is nothing new to be discovered in physics now. All that remains is more and more precise measurement. In The Structure of Scientific Revolutions, Kuhn wrote, "Successive transition from one paradigm to another via revolution is the usual developmental pattern of mature science. Thus, it could be argued that it caused or was itself part of a "paradigm shift" in the history and sociology of science. However, Kuhn would not recognise such a paradigm shift. In the social sciences, people can still use earlier ideas to discuss the history of science.

4: Subscribe to read | Financial Times

The world is desperately seeking change. People sense that important social, economic and environ- mental shifts are afoot. There are now over seven billion people on the planet.

The ways in which economic orthodoxy and heterodoxy analyze the role of the State and the question of sustainability of development and the problems of environmental sustainability depend on their different views or theoretical arguments about the role of the market. Finally, it proposes some strategies to face the critical aspects analyzed making suggestions to move to another dominant economic paradigm. In order to circumscribe the contribution of this article, it is necessary, first, to define what economic globalization means, highlighting the critical aspects to be discussed, while recognizing the benefits and challenges of globalization itself. Globalization is generally seen as a way of bringing countries and peoples closer through connecting networks. Thus, what is most readily seen are the benefits of cultural exchanges, webs of discussion and collaboration and, consequently, the gains that collective action can provide. Those are undeniably positive achievements of what is usually called globalization. Economic globalization, however, needs to be well defined and understood in order to really grasp its consequences. In economic terms, the meaning of globalization also relates to close connections, but these connections are established by market forces, as it is always the case in capitalism, because capitalism is a commodity type of economy, as stressed by Marx. But while for the orthodoxy free market forces are the best regulator of the economy leading to more stability, efficiency and equality , for the heterodoxy the system of regulation by free market prices, leads to increased instability and greater inequality. This is the first goal of this article. The ways in which the orthodoxy and the heterodoxy analyze the question of sustainability of development and the problems of environmental sustainability also depend on those views or theoretical arguments about the role of the market. The second goal of this article is to examine those arguments contrasting mainstream economics with Post-Keynesian and Marxist views. The first section stresses the mainstream arguments for economic globalization. In the second and third sections, respectively, the heterodox arguments of Post-Keynesian and Marxist economists are outlined, explaining their skepticism or even negative positions concerning the market. The fourth section discusses some strategies to face up critical aspects of economic globalization and proposes heterodox alternatives. This leads to the suggestion to move to another economic paradigm, in order to increase equality and universal interest creating a more sustainable world in both human and social terms. The conclusion shows how these proposals can also contribute to a more sustainable environment. The Mainstream and the Defense of Economic Globalization Mainstream economics is characterized by the belief in the regulating role of the market. The idea is that freedom for private initiative is necessary to guarantee the equilibrium of supply and demand of both goods and factors of production, price stability and a harmonious evolution of the economy. That is why the philosophy that sustains mainstream economic theories is called neoliberalism. The idea of liberty here is not the idea of human freedom in general; instead, it relates to the freedom of the market, or for the private behavior implicit in supply and demand. As globalization implies the opening of different markets, deepening and spreading prices behavior, it can be seen as neoliberalism in practice. The neoliberal idea of development is, hence, one of letting different markets express individual interests. Money, in this conception, is a pure veil, neutral, and it cannot stimulate the economy in a permanent way. From this point of view development is based on individual preferences and technologies applied into the production of different goods and services. If the government issues money trying to stimulate production and employment, the final result, in the shorter or longer run, is only inflation. Furthermore, the government can decide to invest, instead of waiting for market decisions. But in so doing it will necessarily become indebted, since the government does not produce. According to the mainstream, this path will increase the interest rate which, in turn, reduces private investment. Thus, government investment is neutralized by the decline of private investment, with no net gain. This is the crowding-out effect of private investment by public sector investment Blanchard, The government is viewed as being needed only to manage or address certain externalities Laffont, , which means costs or benefits that affect some people, even if they do not choose to incur in them. Even though it admits these possibilities as adequate grounds for government intervention, mainstream economics prefers not to count on them, because the role of the State is viewed with suspicion or mistrust. This is associated with benefits that the government grants to specific sectors or economic agents prioritized by economic policy. This expenditure of wealth is seen as harmful, because it does not involve an increase in production. Once the orthodoxy, or mainstream economics, believes in the regulating role of the market, it sees instability and other economic problems as the result of factors exogenous to the market itself. In contrast, market forces can help to resolve or compensate those problems. If, for instance, there is a drought, a natural phenomenon, therefore exogenous to the market, causing the shortage of a commodity, imports can resolve the problem and this will be more efficient if the market is free than if it is regulated. Among the exogenous factors that can cause instability there is one that is particularly important for mainstream economics and that reinforces its belief on market power: As we have already discussed, the orthodox conception of neutral money, having no permanent or long-lasting effect over the real economy, makes government intervention issuing money or getting into debt an inflationary or inefficient way of doing so. When the market is free internationally, the power of national governments is reduced, leading mainstream economics to expect greater stability in a globalized economy. The government behavior, for example, of issuing money with electoral objectives is seen as being neutralized by capital flight to the rest of the world, if there is free movement of capital. That is, the mere threat of capital flight can discipline governments and prevent inflationary policies. In relation to convergence, the mainstream argues that if movements of capital are free around the world, capital tends to leave the developed countries, where there are fewer opportunities for investment and where rates of profit and interest are lower, and go to less developed countries, where more abundant opportunities of investment guarantee higher rates of profit and interest. In so doing, investment tends to increase in these developing countries, guaranteeing them a higher growth rate and, consequently, a reduction in the income gap between countries. The same reasoning is applied to justify the equalization of wages between rich and poor countries, reducing income inequality. The idea is to discourage environmental damage by increasing the cost to the capitalists causing it. This leads to proposals of fines, fees and taxes to compensate the damage incurred, and the possibility of buying carbon credit, leaving to the market the decision of how much to destroy the environment. It is important to observe, before going to other paradigms in economics, that this orthodox free market-oriented position is grounded on certain assumptions, in particular those of the absence of a lasting impact of money over the real production neutral money and of an inherent inefficiency of the State. These assumptions are rejected by the Post-Keynesian and Marxist paradigms, which open the space to defend a positive economic role for the State. These approaches also raise important reasons for skepticism concerning the role of the market, which explains some of their critiques of economic globalization. Post-Keynesian Economics, Skepticism of Globalization and the Need for Re-regulation Post-Keynesian economics develops its ideas following the critiques to the economic mainstream made by Keynes in the latter phase of his academic activities. Uncertainty is due to the facts that the future is unknown and that decisions are made in an atomistic or decentralized way. Consequently, no one can anticipate even probabilistically what will be the net result of those types of decisions. Under these conditions, it is both usual and rational that agents should search for a way to protect themselves against uncertainty. It becomes normal to hoard or hold money, since money is the most liquid asset, and it gives flexibility in uncertain times. In this vein people can trade money for anything, without incurring capital losses due to exchanges made in a hurry. Keynes called this behavior liquidity preference. The problem with this type of behavior is that it leads to the reduction of consumption or, what is worse, to the inhibition of the investment, decreasing aggregate income and employment. For Keynes, the investment decision is the most important decision in the economy, because it can increase or reduce the level of employment and the income generation in a multiplied way. This happens because when an investment decision is concluded, it implies payments to a number of people, which once added up, constitutes an income generation higher than the value of the investment itself. In turn, the investment decision depends upon the comparison between the investment expected profitability marginal efficiency of capital , and the rate of interest, which is a proxy for the investment cost. According to Keynes, the two key determinants of the investment decision depend substantially on uncertainty. The gain of the investors, or marginal efficiency of capital, cannot be calculated in advance. It is the result of feelings about the current state and the future development of the economy, which are inevitably permeated by uncertainty, filtered by feelings of optimism or pessimism. In turn, the rate of interest is determined by the supply of money, which depends on the liquidity preference of the banks, and the demand for money, which derives from the liquidity preference of the economic agents. Thus, for Keynes, investment in a capitalist economy is always volatile, and both income and employment are inherently unstable. That is why, for the Post-Keynesians, the role of the State is always important, with the government stimulating the private propensity to invest or itself investing when private decisions are not made. This occurs because the government is not a profit-seeker, and therefore it does not need to compare the profitability of investment with the interest rate at the moment of the investment decision. In doing this, the government can minimize domestic economic instability and stimulate growth and employment creation. As it liberalizes market forces, globalization reduces the scope for the government to act. For example, if the government reduces interest rates, domestic capital can move overseas searching for higher gains, which might neutralize the ability of the government to stimulate the economy. If the government can lower interest rates through monetary policy, making more investment projects potentially profitable, this shows not only an economic role of the State, but also that money can stimulate the growth of production, employment and income. Money can thus affect the development of the real economy, and it is not, in this sense, neutral. However, monetary policy cannot by itself guarantee higher levels of investment because the expected return or marginal efficiency of capital depends upon optimistic or pessimistic expectations of profitability, since uncertainty, differently from risk, is not the object of calculus, as we have already seen. This means that, even with low interest rates, investment decisions may not take place if the marginal efficiency of capital is even lower. Therefore, monetary policy cannot always guarantee that investment will follow, which justifies the use of fiscal policy. The latter means that the government can spend and finance its spending through taxes and debt. The obvious reason for this possibility is that government spending does not rely on individual decisions, and it does not have profit as a goal. Thus there is space for the government to spend on consumables and to invest with the ultimate goal of stimulating the economy. In this vein, the government can create income and employment, which, in turn, leads to an increase of the optimism of the entrepreneurs, stimulating new private investment decisions. In this way fiscal policy can improve economic activity. In other words, there is crowding-in and not crowding-out of the private investment by public investment. Even if government activity is financed by public debt, Post-Keynesians do not think that it is a problem, because the increase of income and employment can raise sufficient tax collection to repay the new loans to the state. Consequently, government spending is not always inflationary, because it can expand production capacity and production itself. Then the supply of goods and services will tend to increase and prices to decrease, instead of increasing as is expected by economic orthodoxy. Here we see some reasons why Post-Keynesians are critical of the free market system in general and globalization specifically. For the Post-Keynesians, they create more instability and inequality among economies. The higher instability can be understood with an example of the problems posed to the role of governments. If, for example, the government has to intervene to secure an exchange rate compatible with domestic growth objectives, this can be achieved only by controlling the inflows and outflows of capital. This is very difficult because the size of these capital movements is often higher than the GNP of several countries. In the past, this was obtained by legal regulations or legal prohibitions against entry or exit, which is incompatible with a free market economy. Hence, there tends to be a higher liquidity preference in these countries, which inhibits investment. Furthermore, in those countries the financial markets are normally not very developed, meaning that there are fewer alternatives available in terms of where to place the money Dow, ; Amado, Under these circumstances, money tends to escape towards developed country financial markets, meaning that resources leak from less developed to more developed countries. This inhibits once again investment in the former, and expands the development gap between the two types of countries, which is the opposite of what the mainstream would expect. In terms of sustainable development, it is necessary to say that in the Post-Keynesian view, the stimulus to growth and development, as we have seen, must come from demand growth, which improves the environment for investment and consumption. However, this also can create incentives for perverse behaviors in terms of the environment, requiring alternative government policies to regulate and conduct the way those expenditures will be made. In conclusion, although Post-Keynesian economics supports an active regulating role of the State, more than that is necessary.

5: Changing the Dominant Paradigm in Economics | Cadmus Journal

A new paradigm, brought about by a paradigm shift, changes the underlying assumptions and logic of how a system works. In the economy, for example, the new paradigm is an attempt to explain the current economic crisis and the range of interventions that are needed to find a path towards new economic stability.

Daniel Kahneman Both the assumptions and the behavioral predictions of rational choice theory have sparked criticism from various camps. As mentioned above, some economists have developed models of bounded rationality , which hope to be more psychologically plausible without completely abandoning the idea that reason underlies decision-making processes. Other economists have developed more theories of human decision-making that allow for the roles of uncertainty , institutions , and determination of individual tastes by their socioeconomic environment cf. Martin Hollis and Edward J. Further they outlined an alternative vision to neo-classicism based on a rationalist theory of knowledge. Within neo-classicism, the authors addressed consumer behaviour in the form of indifference curves and simple versions of revealed preference theory and marginalist producer behaviour in both product and factor markets. Both are based on rational optimizing behaviour. They consider imperfect as well as perfect markets since neo-classical thinking embraces many market varieties and disposes of a whole system for their classification. However, the authors believe that the issues arising from basic maximizing models have extensive implications for econometric methodology Hollis and Nell, , p. In particular it is this class of models â€" rational behavior as maximizing behaviour â€" which provide support for specification and identification. And this, they argue, is where the flaw is to be found. Hollis and Nell argued that positivism broadly conceived has provided neo-classicism with important support, which they then show to be unfounded. They base their critique of neo-classicism not only on their critique of positivism but also on the alternative they propose, rationalism. Demands are made of it that it cannot fulfill. Green and Ian Shapiro argue that the empirical outputs of rational choice theory have been limited. They contend that much of the applicable literature, at least in political science, was done with weak statistical methods and that when corrected many of the empirical outcomes no longer hold. When taken in this perspective, rational choice theory has provided very little to the overall understanding of political interaction - and is an amount certainly disproportionately weak relative to its appearance in the literature. Yet, they concede that cutting edge research, by scholars well-versed in the general scholarship of their fields such as work on the U. As the specific claims of robust neoclassicism fade into the history of economic thought, an orientation toward situating explanations of economic phenomena in relation to rationality has increasingly become the touchstone by which mainstream economists identify themselves and recognize each other. This is not so much a question of adherence to any particular conception of rationality, but of taking rationality of individual behavior as the unquestioned starting point of economic analysis. The well-known limitations of rational-actor theory, its static quality, its logical antinomies, its vulnerability to arguments of infinite regress , its failure to develop a progressive concrete research program, can all be traced to this starting-point. Schram and Caterino contains a fundamental methodological criticism of rational choice theory for promoting the view that the natural science model is the only appropriate methodology in social science and that political science should follow this model, with its emphasis on quantification and mathematization. Schram and Caterino argue instead for methodological pluralism. The same argument is made by William E. Connolly , who in his work Neuropolitics shows that advances in neuroscience further illuminate some of the problematic practices of rational choice theory. More recently Edward J. Nell and Karim Errouaki , Ch. The DNA of neoclassical economics is defective. Neither the induction problem nor the problems of methodological individualism can be solved within the framework of neoclassical assumptions. The neoclassical approach is to call on rational economic man to solve both. To make rational calculations projectible, the agents may be assumed to have idealized abilities, especially foresight; but then the induction problem is out of reach because the agents of the world do not resemble those of the model. The agents of the model can be abstract, but they cannot be endowed with powers actual agents could not have. Furthermore, Pierre Bourdieu fiercely opposed rational choice theory as grounded in a misunderstanding of how social agents operate. Bourdieu argued that social agents do not continuously calculate according to explicit rational and economic criteria. According to Bourdieu, social agents operate according to an implicit practical logicâ€"a practical senseâ€"and bodily dispositions. Social agents act according to their "feel for the game" the "feel" being, roughly, habitus, and the "game" being the field. The argument they make is that by treating everything as a kind of "economy" they make a particular vision of the way an economy works seem more natural. Thus, they suggest, rational choice is as much ideological as it is scientific, which does not in and of itself negate its scientific utility. Thus, when living at subsistence level where a reduction of resources may have meant death it may have been rational to place a greater value on losses than on gains. Proponents argue it may also explain differences between groups. Economic decision making then becomes a problem of maximizing this utility function , subject to constraints e. This has many advantages. Furthermore, optimization theory is a well-developed field of mathematics. These two factors make rational choice models tractable compared to other approaches to choice. Most importantly, this approach is strikingly general. It has been used to analyze not only personal and household choices about traditional economic matters like consumption and savings, but also choices about education, marriage, child-bearing, migration, crime and so on, as well as business decisions about output, investment, hiring, entry, exit, etc. Despite the empirical shortcomings of rational choice theory, the flexibility and tractability of rational choice models and the lack of equally powerful alternatives lead to them still being widely used.

6: Paradigm shift - Wikipedia

By tying the economic process to the entropy of the physical world, as mentioned earlier, economist Georgescu-Roegen pointed out that for Western industrialized society to survive with any semblance of dignity, there must be a shift from the old reductionist mechanical world view to a paradigm built around sustainability.

Considered as the first major conference of the United Nations on international environmental issues, the conference marked a turning point in the development of international environmental politics. The conference convened under United Nations auspices held in Stockholm, Sweden from June , UNEP represents the agency responsible for coordinating the UN environmental activities, assisting developing countries in implementing environmentally sound policies and practices. UNEP has also been active in funding and implementing environment related development projects. Defining a New Economic Paradigm: Bhutan The world is desperately seeking change. People sense that important social, economic and environ- mental shifts are afoot. There are now over seven billion people on the planet. Technology is helping us to communicate, organise and learn on a global scale. Emerging economies are rising in all conti- nents and the? Yet inequality between the world? Extreme weather events are more frequent and severe, and adapting to changes in climate is now a reality. Demand for natural resources is increasing and contributing to the degradation of the environment. Defining a New Economic Paradigm. More than participants including political and government leaders, representatives of governments, international organizations, civil society organizations, media, and business, as well as leading economists, scholars, academics, and spiritual leaders from the world? The full programme is attached as annex Vi. The High-level Meeting included an inaugural session that was chaired by H. The Prime Minister of Bhutan, H. Thinley, delivered the opening address on the mission and purpose of the meeting. Ban Ki-moon delivered the inaugural address, and supportive statements were delivered by the President of the 66th Session of the UN General assembly, H. Transcripts of the remarks delivered during the inaugural session are available in annex V. Following the inaugural session, the meeting proceeded with panel discussions on four themes: Following a working lunch, Dr. This was followed by interactive discussion with participants. The first part of the session was oriented toward gathering views from the participants on the four dimensions. The second part of the session concentrated on interven- tions intended to build links across the themes and to move towards action to build the new economy. The meeting closed with a concluding statement on the next steps by H. More than two hundred of the 2nd april participants continued discussions on 3rd and 4th april in order to advance the outcomes of the High-level Meeting and to begin creating concrete implementation plans. These follow-up meetings were structured around four working groups: On 4th april, all four working groups convened in plenary sessions that were chaired by the Prime Minister of Bhutan. These plenary sessions provided an opportunity for each of the working groups to report on key outcomes, strategies, and recommendations, and to coordinate with each other.

7: Rational choice theory - Wikipedia

V, the Guerrilla Economist has worked for some of the top commodity trading firms and investment banks. In the first half, he talked about the state of the economy and geopolitical climate. Before the election, the US was headed toward a dark time with a controlled crash, but President Trump.

What is capitalism which has failed? Economists appear reluctant to define explicitly key economic terms such as capitalism. For example, whole books on capitalism e. Marx, ; Baumol et al. One has to guess what they mean. This proxy definition is also consistent with that of Piketty who also views the economic history of Western countries as the economic history of capitalism in his study on the cause of wealth inequality. This association and implicit definition of capitalism create noise, muddled thinking and outright errors. As will be shown below, socialism to be defined has been a significant component of Western economies for many decades. Definitions As a valid universal concept, the definition of capitalism cannot depend on time and space â€" it has to be applicable to any time and at any location. Otherwise, no general statement about capitalism can ever validly be made. What has been evolving in Western economies is not the essence of capitalism itself, which must be space-time invariant, but actually changing ways of exploiting the freedom of private property, alternative political agendas and varying levels of adoption of socialist policies. Capitalism should not be defined by the changing economic systems of Western countries â€" instead, a scientific definition is needed and is given here. Capitalism refers to an economic system which allows individuals privately to own and use capital. Capital is the means of production including resources, property, technology, knowledge, goods and services which are useful for production. In the twenty-first century, all countries are capitalist to some degree, because most individuals can own private capital. But no country is purely capitalist, because some private properties are usually confiscated by the state, to a greater or lesser extent, through taxation and inflation. Socialism is an economic system where the state or the society as a whole owns and controls capital and its uses. Since the state acquires most of its capital from its citizens directly or indirectly through taxation and other means, socialism involves coercive acquisition of individual capital and is a partial denial of private property â€" it is a contradiction of capitalism. Hence socialism is opposite to capitalism. Note that state ownership of capital is different from collective ownership, because the latter allows the individual rights to shared ownership of collective capital, but the former denies any individual rights to the property of the state. Note also that these definitions of capitalism and socialism are purely economic and universal, unencumbered by ideas from politics or finance. Clear definitions do not restrict, but help, the development of other ideas. When economists discuss capitalism, they usually by association confound the essence of capitalism with all sorts of other extraneous ideas from management, finance and politics such as competition, markets, democracy, etc. For example, Baumol et al. The qualifying ideas are not essential or universal attributes, because they are merely current ways of exploiting the freedom of private property and their conceptual addition may involve logical contradictions. For example, does state-guided capitalism imply restrictions on the private use of capital? By identifying capitalism with changing Western economies, as done by Kaletsky and Piketty , capitalism becomes a mixed bag of shifting ideas even including socialism, its antithesis as defined here. Given our definitions, the following passage Piketty, , p. By our definition, the key ideas in capitalism are private and capital. State capital has legitimate meaning as capital owned by the state. But state capitalism is an oxymoron. What we would probably say instead is that, during the thirty glorious years after the War, France was essentially a socialist country. If this is the case, then the period should not be included in the history of French capitalism. Indeed, all countries are socialist to some degree where the state expropriates capital from its citizens directly or indirectly through taxation and other means to use according to its priorities. The main uses of state capital are public administration, law enforcement, public infrastructure, welfare and warfare. Capitalism requires at least one function of the state which is to enforce laws protecting individual property rights. Hence capitalism cannot be entirely free of the state or some other protective agency. A priori, capitalism or socialism is neither good nor bad in itself. It is only better or worse, in practice, relative to certain economic objectives. Economic objectives evolve in time or space i. From the start of any science inquiry, it is inappropriate to assume that capitalism or socialism is either good or bad. Such a dichotomy leads to adoption of left or right prejudices which compromise the integrity of any scientific inquiry and plague virtually all economic theories. Metric for Capitalism To be able to decide objectively whether a particular country is more capitalist than socialist and vice versa, we need a metric for capitalism or socialism. The data for countries are lagged generally by a few years. At the time of this writing, the last year of reasonably complete and verified rather than estimated data was Before , the WEO database also has many gaps, particularly for smaller countries. For the purposes of this paper, we select data for the ten year period The data used to measure the size of government has the WEO subject code: Total expenditure consists of total expense and the net acquisition of non-financial assets. The data suggest that some countries have been funding government expenditure through privatization or the sale of public assets such as public utilities. Degrees of Capitalism The chart below shows the sizes of government defined as government total expenditure for 40 largest economies averaged over , sorted in descending order of the size of economy. The above chart shows that there is apparently no correlation between the size of economy and the size of government. The chart below shows the same data sorted in ascending order of the size of government. If we were to divide the top 40 countries into two groups of equal numbers, with one group being labelled capitalist and the other group socialist, then Russia and countries above it would be capitalist and Australia and countries below it would be socialist. This division and nomenclature are entirely arbitrary and are created only for convenience of discussion of the current dataset â€” it may be more precise to say more capitalist rather than simply capitalist in describing countries. Milton Friedman considered Hong Kong to be the paragon of natural experiments in free-market capitalism. On the other hand, the United States, United Kingdom and most countries in Western Europe belong to the socialist group â€" the exception being Switzerland. The GFC originated from the socialist group of countries and they suffered from the most serious recessions, while the capitalist group of countries were less affected see below. It is ironic also that Piketty is a citizen of France which is the most socialist or least capitalist of all major economies. Apparently the largest socialist economy in the world has not solved its own problem of wealth inequality, which Piketty has blamed on capitalism. They are annual percentage changes of constant price GDP year-on-year; the base year is country-specific. The arithmetic averages over a ten-year period are shown in the chart below, in descending order of size of economy. China appears as a statistical outlier, which may cast doubt on the accuracy of its official data. The data show Greece has already had a lost decade by There is also apparently no correlation between the size of economy and average economic growth. The chart below shows the same data sorted in ascending order of average economic growth. Again, if we were to divide the same top 40 countries into two groups of equal numbers, with one group being low-growth and the other group being high-growth, then Brazil and countries above it would be low-growth, while Korea and countries below it would be high-growth. Again, this nomenclature is used only for convenience of discussion. There are 17 countries in each of the two groups: The perfect binary rank correlation between capitalism and growth is marred only by 6 off-diagonal elements in the correlation matrix, being in the high-growth socialist or in the low-growth capitalist groups. The high-growth socialist countries are Israel, Poland and Turkey, while the low-growth capitalist countries are Switzerland, Mexico and South Africa. The blue dots represent the bottom quartile of countries in terms of size of government measured by average government total expenditure , while the green, yellow and red dots represent succeeding quartiles. The black dots represent the US, the largest economy in the world. Evidently, there is substantial volatility in the data from year to year, as the period includes the years around the GFC. Nevertheless, the anti-correlation coefficient at Some of the noise in the data may be removed by taking averages over the ten-year period for each country. The statistical significance of the relationship has improved, with the anti-correlation coefficient increasing to Note the order of the dots and their country names are given as in the second chart of this post. Singapore is at the extreme left of the above chart, while Denmark and France are at the extreme right of the chart. The degree of socialism increases monotonically from left to right on the bottom axis. The regression model for this dataset suggests that for every ten percent increase in the size of government, defined by government total expenditure as a percentage of GDP, the average economic growth rate falls by about 1. While this fact is statistically and economically significant, by itself, it is not necessarily an argument against socialism. But the fact that there is a cost should be considered along with all relevant social and economic objectives. Conclusion The clear definition of capitalism introduced in this post provides a scientific basis for understanding and interpreting facts. In fact, the capitalist economies of the emerging markets had to weather the storm created by the major centres of financialization located in socialist countries and propagated through capital flows of globalization. It has been capitalism which has provided the flexibility and resilience in the emerging economies to survive the fallout from the GFC. Except for China, the emerging capitalist economies do not have large governments or central banks which are constantly stimulating their economies, fixing interest rates, increasing money supplies and manipulating financial markets. The emerging capitalist economies also do not have large welfare and pension systems through which savings are transferred and spent by governments on current consumption, creating a mountain of public debt Sy, c. Private savings in emerging capitalist economies had to be used to generate real investment returns in economic production to fund future consumption for individuals in retirement. Private debt had to be carefully managed by individuals, because bad private debts cannot be rescued simply by transferring to public debt by governments which have been creating moral hazard through constant meddling in Western countries. From a scientific point of view, there is no a priori reason, based on sound theory or evidence, to suggest that it is impossible for governments to be beneficial to their economies. By the same token, governments need to accept their economic ignorance and need to observe the consequences of their actions and to stop digging when they find themselves in a Keynesian hole Sy, Capitalism has been good for economic growth. This does not mean governments should privatize natural monopolies such as public utilities, as they have done. The current paradigm of mainstream economics is unscientific and has led to many bad policies based on false theories. There has not yet been a reliable theoretical basis from which governments can manage economies effectively in any systematic or substantive way. Since the GFC, Western countries have practised extreme socialism by expropriating many trillions from savers and taxpayers and have given it to failed financial institutions, violating the essence of capitalism. Failure to generate economic growth in many countries has come from a lack of capitalism, not because of it. A slightly extended version of this post is available for free download here.

8: What is economic paradigm? definition and meaning - www.enganchecubano.com

Emerson is a former Senior Fellow with the William and Flora Hewlett Foundation () and a grant recipient of the Foundation. He serves as Senior Fellow with ImpactAssets, as well as Senior Fellow at the University of Heidelberg's Center for Social Investment.

In contrast to the dominant worldview, however, the paradigm of sustainability is neither mechanical nor reversible. In making that point, however, he posed the unspoken question of how one measures sustainability in terms of human welfare. For the sake of discussion, three potential measures will be considered: Thus, Gross Domestic Product makes no distinction between benefits and costs credits and debits , productive and destructive activities, or sustainable and nonsustainable activities. In addition to which, there is no allowance for the declining quality of human life in the face of environmental degradation. The reason for this disregard of human welfare is simply that the Gross Domestic Product treats everything that happens in the marketplace as a positive gain for humanity and thereby de facto ignores everything that cannot be converted into money as being unimportant to social well-being, such as the logging practices that destroy habitat for salmon. Politicians, however, generally see this decaying quality of human life through a well-worn ideological lens that accepts economic growth as good even as it cannibalizes the family, community, and environment that nurtures and sustains us. On a more personal note, consider a man dying slowly of cancer who needs three major operations while in the middle of a messy divorce that forces him to sell his home. This man is an asset to the economy from the Gross Domestic Product point of view because he is the cause of so much money exchanging hands. In the first case, commercial salmon fishers are faced with a declining way of life because the logging they never see is slowly destroying their livelihood. In the second case, the quality of life of the dying man could hardly get much worse. In both cases, the valuation of the Gross Domestic Product goes up at the unmeasured expense of the commercial salmon fishers who are losing a way of life and the dying man who is losing everything he held dear to forces other than his impending death. The significance of this illogical calculation of economic activity revolves around the Gross Domestic Product as the primary indicator of economic growth the economic score card from one year to the next in the U. As such, when growth in the Gross Domestic Product exceeds three percent, it is usually favorable for incumbent politicians. The danger hidden within the calculation of the Gross Domestic Product, as a real measure of economic growth, however, is that it creates a false sense of prosperity and security, especially when growth is rapid because it ignores costs adding only the benefits and thus ignores the major problems confronting American society. This kind of valuation is like adding up all of the inflowing cash from a shopping mall while ignoring both short-term costs such as physical wear on buildings and equipment and the human labor involved in maintaining the buildings and long-term costs such as replacement of computer systems, resurfacing parking lots, replacing roofs, and so on. Money itself as a measure of success is another example of a serious flaw in thinking and valuation where sustainability is concerned because the bottom line in business is always pleaded as the truly important figure. The bottom line, which shows how much profit has been made, is used as a measure of how well a company performs. Too little profit, and a company is deemed inefficient, its management is slack, the full potential of its workforce is not harnessed, its products are out of date, or most damning of all, the company is not competitive in the global economy. Is money the only valid measure? It may be paying higher wages to its employees then other furniture companies in the belief that all people deserve a living wage. In a world where money is the only acceptable measure of success, however, all these considerations count as naught because traditional economists assure us that a linear notion of progress, which means full steam ahead in the strictly material realm, is always the right course of action ready, fire, aim , whereas ecology is a discipline that teaches us the folly of speeding blindly into the future ready, aim, fire. In the scenario of full steam ahead, the quality of the products and the welfare of the people and the environment are all irrelevant in the face of a bottom line that is not performing as desired. The irony is that the bottom-line profit actually accounts for only the last ten percent of the total income earned, whereas the ninety percent of the monies that have been paid to earn the ten percent are overruled and overshadowed by the ten percent bottom-line profit. This type of valuation clearly points out that market economics places value on that which is scarce instead of placing value on the real work and worth of people and their potential for being loving and caring and for being an honest, just, and thoughtful person and neighbor. If we are to keep the softer social capital of mutual caring from becoming scarce, we must reward it. This, however, is one of the many areas in which the last ten percent of the dollars, squeezed into profit margins at the expense of the ninety percent along the way, is simply not effective in meeting human welfare because it does not build families or communities, does not tackle poverty or protect the environment. The exploitive forestry practices employed by someâ€”but not allâ€" timber companies is illustrative of what I mean: If not Gross Domestic Product, then what could speak for human welfare? Many industrial participants of the Earth Summit in Rio de Janeiro, Brazil, touted a strategy of "eco-efficiency" that would not only refit the machines of industry with cleaner, faster, and quieter engines but also allow unobstructed prosperity while simultaneously protecting both economic and corporate structures.

9: New Paradigm Definition & Example | InvestingAnswers

There are two deeply conflicting economic paradigms at work in the computer industry, the hardware paradigm and the software paradigm. Also, there is a third paradigm, the communications paradigm that sometimes comes in conflict with the first two (but I wont go into this here).

Economic paradigms are informal rules created in the marketplace as a result of the transactions between buyers and sellers. Paradigms exist because every transaction has implications for both buyer and seller. Implications that may go beyond merely an exchange of goods, services, and money. Usually, when making a transaction these rules are just assumed; that is why I call them paradigms. Understand, every transaction has attached paradigms, and paradigms change depending on the kind of transaction. Some transactions, like selling a paper clip, have short term implications, and may have only simple paradigms. Some transactions have long term implications for both buyer and seller, like a life insurance policy, and long term implications create a different set of paradigms. Some transactions require an enormous technological infrastructure to even happen, like making a phone call. The telephone paradigms are complex because the transaction requires a string of technological preconditions to happen first A, then B, then C, and then hello. The kid requires oxygen to sweep, oxygen comes from rain forests, and no one makes money from the manufacture and importation of the gas but they can make money from logging or tourism. This transaction requires a long term commitment to a stable ecology. The paradigms are the fundamental rules of the markets, and can go beyond economics. Understand, there is no one homogenized market, or one set of universal rules, because different kinds of transactions have different implications. Instead, the market is divided into sectors where different paradigms apply. Correction, the national economy is divided into different sectors where different economic rules apply. And, an economic system can be relevant or irrelevant depending on circumstances. Capitalism is very relevant if we are talking about Walmart. Socialism is very relevant if we are discussing the public water supply. The problem with Social-ism is that you cannot run an entire national economy as a public utility. Nor can you run an entire national economy like a K-Mart. Finally, to understand any business, you must figure out the paradigms behind that business. Paradigms are fundamental to understanding the business. Back during the Cold War, when most of us Americans were in grade school, our nation was engaged in a life and death struggle with communism. So, the world of our childhood was divided into two camps, the Free World and the Communist Block. The dividing line between the camps was largely based on economic dogma. So, when we went to school, we were not taught economics, instead we got this one size fits all doctrine of the economic everything based vaguely on capitalism. The reason was that the school system was trying to protect our little minds from the heresy of socialism. As we grew up, the memes fundamental ideas of the Cold War stayed in the background of our mental world. Now, no one in the U. Back in elementary school, we all received it as truth. Because, as children we tend to internalize anything an adult authority says. And today, many people just assume that there can be only one universal economic rule for every business and market in the world. So, paradigms cannot exist. The other problem is with the business schools. And, most of them to one degree or another picked up the cold war economic memes, which they are now passing on to their students. For the students, this is terrible because years later as grownup and graduated managers they can make horrendous blunders simply because they do not understand the rules of market they are trying to do business in, because these rules cannot exist. Unfortunately, the dynamics of the markets are based on these nonexistent paradigms. Now, with paradigm fundamentals behind us, on to the computer business. On Computing Paradigms There are two deeply conflicting economic paradigms at work in the computer industry, the hardware paradigm and the software paradigm. Also, there is a third paradigm, the communications paradigm that sometimes comes in conflict with the first two but I wont go into this here. The reason is that a computer is a piece of electronic hardware that does nothing in itself, until you add software. Also, a computer is once you add the right software a universal communications tool. So, computers exist in three very different economic environments, with fundamental conflicts. The software paradigm favors the infinitely flexible, because software can do anything and emulate everything. So, for maximum software profits; there should be an infinite variety of machines available to fit every possible need. That way the software companies can market an endless number of applications to fit every possible situation. But, software is immortal. Yes, the stuff written thirty years ago may still be useful to someone. So, to maximize profits, the software writers should try to get the manufacturers to go along with a regime of planed obsolescence; to force their customers into a continual round of useless upgrades and expensive migrations. But, there is an inherent conflict here. To make maximum profits on the software paradigm the manufacturers should insure that every machine they make is able to run every line of code ever written through emulation software , because this makes their machines most useful to consumers. This does tend to put the hardware manufacturers at odds with the software companies. The hardware companies make money by keeping old software competitive; the software authors by enforcing planned obsolescence. On the other hand, the hardware paradigm is extremely rigid, and favors the extremely standardized. The big company able to invest millions in research and development; and able to standardize manufacturing on a world wide basis. So, for maximum hardware profits, there should be only one standard PC, made by one BIG manufacturer, running one standard OS, with only a few standard applications sold by the manufacturer. But, for the software companies, things are different. To insure maximum profits, the old software should be abandoned whenever a new technology comes along like when the Pentium replaced the , or when the Pentium 3 replaced the Pentium 2. Totally new software should be written for the new technology, and the manufacturers should insure that the old software in not compatible. But, planned software obsolescence is not in the best interests of the hardware companies. So, as you can see, the computing paradigms totally conflict. A company can either make money on software and lose money on hardware, or make money on hardware and lose money on software; but making money on both can be very difficult unless you are very creative. OS Concepts An operating system is the bridge between hardware and software. Today, there are two operating system concepts in the computer world; general OSs, and proprietary OSs. The general OSs Windows or Unix can run on thousands of different computers from hundreds of different manufacturers, and currently hold a large share of the market. I think the problem with the proprietary OS is that it puts the manufacturer on the unprofitable side of both paradigms. For example, Apple Computer cannot effectively use planned software obsolescence because it would cut into the sales of their machines. If users had to junk their applications to upgrade to a new Mac, then Windows PCs might be more attractive. Also, Apple cannot concentrate on just one kind of computer. They have to make a variety of models to fit different needs, or lose market share. So, Apple is caught having to make machines that have to work under both the hardware and software paradigms. This is a big advantage for Macintosh users. Macs are generally easier to set up, more reliable, easier to fix, are much better on software compatibility, and more capable of emulating other computers. Naturally, this makes a Mac a little more expensive. However, I think Apple Computer has good future prospects, provided management realizes that unconventional strategies are needed to deal with their inherent paradigm conflicts. On the other hand, Microsoft makes operating systems for several thousand manufacturers, and can ignore hardware issues. This specialization makes Windows machines cheaper, because both sides can ignore the other sides issues. But sometimes, this leaves the users caught having to deal with conflicts between hardware and software. So, Windows machines are known for stability problems, software compatibility problems, and hardware compatibility problems. There are several versions of Unix available that on the market from makers who do care about software issues. And, strangely enough, new versions of Windows may hurt Microsoft. If enough Windows users decide that their current machines are adequate, they may start putting off the purchase of the latest new technology with the latest versions of Microsoft software. That way, they can avoid the OS upgrade hassles; like having to buy new versions of the same old applications, or special software to squelch upgrade bugs, or more memory. The management at Microsoft has to come to realize that the old rules of marketing apply; be honest, sell a good product, and take care of your customers. But, the software paradigm keeps pushing them into directions that can only alienate people. Conclusion Understanding economic paradigms is very important to understanding the economy. Understanding paradigm conflicts is even more important because they occur everywhere the computer industry is a simple example. For example, in the arguments about health care the main issues stem from conflicting paradigms and the childish need to force fit the medical establishment into the framework of holynomics. The real issue is understanding and accepting the paradigms, then working with them. This means putting aside dogma, and abandoning any belief in political black magic. A Boeing can fly because it was designed to closely follows the laws of nature, because the designers accepted the laws of nature. An economy works because the rules of the markets are accepted and used to create policies, not because politicians can legislate economics. Understand the paradigms and work with them. I hope you enjoyed reading this. If you want to read about an example of paradigms in actions, see Cloning at Apple Computer. If you want to know more about microsoft, see Microsoft Monopoly.

ECONOMIC PARADIGM pdf

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