

## Dues maneres d'entendre la realitat econòmica i la riquesa/probresa dels països

Taula que compara les premisses de la visió convencional i l'alternativa, segons Erik Reinert.

Starting point for the standard canon	Starting point for the 'Other Canon'
Equilibrium under perfect information and perfect foresight	Learning and decision-making under uncertainty (Schumpeter, Keynes, Shackle)
High level of abstraction	Level of abstraction chosen according to problem to be resolved
Man's wit and will absent	Moving force: <i>Geist- und Willenskapital</i> : Man's wit and will, entrepreneurship
Not able to handle novelty as an endogenous phenomenon	Novelty as a central moving force
Moving force: capital per se propels the capitalist engine	Moving force: new knowledge which creates a demand for capital to be provided from the financial sector
Metaphors from the realm of physics	Metaphors (carefully) from the realm of biology
Mode of understanding: Mechanistic ( <i>begreifen</i> )	Mode of understanding: Qualitative ( <i>verstehen</i> ), a type of understanding irreducible only to numbers and symbols
Matter	<i>Geist</i> precedes matter
Focused on Man the Consumer A. Smith: 'Men are animals which have learned to barter'	Focused on Man the Innovator and Producer. A. Lincoln: 'Men are animals which not only work, but innovate'
Focused on static/comparative statics	Focused on change
Not cumulative/history absent	Cumulative causations/ 'history matters'/ backwash effects (Myrdal, Kaldor, Schumpeter, German Historical School)
Increasing returns to scale and its absence a non-essential feature	Increasing returns and its absence essential to explaining differences in income between firms, regions and nations (Kaldor)
Very precise (would rather be accurately wrong than approximately correct)	Aiming at relevance over precision, recognises the trade-off between relevance and precision as a core issue in the profession
'Perfect competition' (commodity competition/ price competition) as an ideal situation = a goal for society	Innovation- and knowledge-driven Schumpeterian competition as both engine of progress and ideal situation; with perfect competition, with equilibrium and no innovation, capital becomes worthless (Schumpeter, Hayek)
The market as a mechanism for setting prices	The market also as an arena for rivalry and as a mechanism selecting between different products and different solutions. (Schumpeter, Nelson and Winter)

Starting point for the standard canon	Starting point for the 'Other Canon'
Equality Assumption I: No diversity	Diversity as a key factor (Schumpeter, Shackle)
Equality Assumption II: All economic activities are alike and of equal quality as carriers of economic growth and welfare	Growth and welfare are activity-specific: different economic activities present widely different potentials for absorbing new knowledge
Both theory and policy recommendations tend to be independent of context ('one medicine cures all')	Both theory and policy recommendations highly context-dependent
The economy largely independent from society	The economy as firmly embedded in society
Technology as a free good, as 'manna from heaven'	Knowledge and technology are produced, have cost and are protected; this production is based on incentives of the system, including law, institutions and policies
Equilibrating forces at the core of the system and of the theory	Cumulative forces are more important than equilibrating ones, and should therefore be at the core of the system
Economics as <i>Harmonielehre</i> : The economy as a self-regulating system seeking equilibrium and harmony	Economics as an inherently unstable and conflict-rich discipline; achieving stability is based on Man's policy measures (Carey, Polanyi, Weber, Keynes)
Postulates the representative firm	No 'representative firm'; all firms are unique (Penrose)
Static optimum; perfect rationality	Dynamic optimisation under uncertainty; bounded rationality
No distinction made between real economy and financial economy	Conflicts between real economy and financial economy are normal and must be regulated (Minsky, Keynes)
Saving caused by refraining from consumption and a cause of growth	Saving largely results from profits (Schumpeter) and saving per se is not useful or desirable for growth (Keynes)

Reinert, Erik S.; Ingrid H. Kvangraven; eds. (2023): *A Modern Guide to Uneven Economic Development*, Edward Elgar.