

# **A review of “Economics, Evolution and the State: The Governance of Complexity” edited by Kurt Dopfer, published by Edward Elgar ISBN 97818454243812 (2006)**

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Jack W. Meek, Jack Meek

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## **Abstract**

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# Economics, Evolution and the State

The Governance of Complexity



Edited by  
**KURT DOPFER**

## Introduction

This edited volume is a collection of 14 contributions from the *Expert group of the Study of Evolutionary Economics* of the *Verein für Socialpolitik*, the professional association of the German-speaking economists (*German Economic Association*). Members of the Association are mostly from Germany, Austria and Switzerland and some from all over the world. In his preface, editor Kurt Dopfer indicates that the “dominant doctrine of the *Verin* (if there is any) revolves around neoclassical economics.” The papers selected came from two annual conferences (2003-4) of the *Verein für Socialpolitik*.

The selected contributions address three central topics: (1) economic evolution as open process; (2) self-organization and networks; and (3) the political economy of complexity. The extensive preface of the book by Kurt Dopfer offers an impressive

analytic summary of the fourteen contributions, and the implications each have for enhancing knowledge about *evolutionary economic governance*. For Dopfer, evolutionary economic governance:

... is defined as the study of the possibilities and consequences of any external intervention into structure and processes of an evolving economic system... [where] ... evolutionary economic policy is the application of evolutionary governance to the economy as a whole (p. 1).

The concept of evolutionary economic governance recognizes that the economic system is best viewed as dynamic (*evolutionary*), where *governance* embraces the interactive nature of the economy with its environment and where decisions “applies to the highest level of aggregation and decision-making authority in the economic system” (p. 1). This approach to economics recognizes that our systems are evolving and that our study of the economic system should reflect this evolution and its interactive and dynamic nature.

The four papers that address *economic evolution as open process* examine the following subjects: an empirical assessment to heterogeneity as both a force and result of evolutionary change (Canter & Hanusch); the compatibility of the concept of progress with an evolutionary economy (von Weizsaker)—how to analytically address preferences that evolve and the need for a theory of adaptive preferences; reconciling evolutionary economics and welfare that recognizes that because no preferred ultimate allocative state of the economy can address all perspectives, institutional preconditions should ensure welfare (Wegner); and how a Coasean perspective can be derived that defends institutional direction over decentralized allocation of resources in markets as a cornerstone of economic policy (Klaes).

The five papers that address *self-organization and networks* examine the following subjects: how participation in innovative networks can be enhanced with network “explorers” leading to ongoing research and development in biotechnology-based industries (Pyka & Saviotti); the application of the socioeconomic method to cases of complex group dynamics (Weidlich); the offering of a new concept for international transaction that is a function of country specific competencies and a function of market system pricing (Herrmann-Pillath); economic policy as a “product of communicated, related perceptions” that influence official policy agents to innovative evolution (Koch); and technological innovation that is viewed more as a function of evolutionary economy that is not captured in the work of Romer (Dunn).

The five chapters that address *political economy of complexity* examine the following subjects: policy knowledge and rule-making enhanced through systematic learning to meet evolutionary standards (Schwerin & Werker); and time-series examination of R&D indicators reveals innovation a result of education, cultural and language traditions (Grupp, Lacasa & Nishio); the offering of a well-intended incentive-based diabetes fund that continues despite harmful effects on health insurance (Hellbruck); advancing “laboratory federalism” based on decentralized experimentation to enhance the theory of (European) federalism (Kerber); and extending familiarity with evolutionary economic analysis can enhance economic success as exemplified in applications in Nepal’s financial sector reform and West Bengal’s trade and transport sector (Brunner).

The brief summary of topics above provides a simple overview of the subjects covered in this edited volume. The technical features of each of the papers are beyond the capacity of this reviewer and the scope of this review. However, the rich theoretical and methodological treatments in this collection are well worth continued examination and dialogue as they offer contributions toward a renewed rigor in the examination of the characteristics of evolutionary economic governance. Those interested in the analytic treatment of patterns of open processes, self-organization, and the economy of complexity will be well served to have this work as a reference and guide. These contributions are likely foundations for continued research that freshly examines the evolutionary nature of our economic systems.