







► All Journals ► Journal of Post Keynesian Economics ► List of Issues ▶ Institutions in the economy and some ins

Journal of Post Keynesian Economics > Volume 41, 2018 - Issue 3

490 3

Views CrossRef citations to date Altmetric

Articles

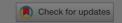
Institutions in the economy and some institutions of mainstream economics: From the late 1970s to the 2008 financial and economic crisis

David Dequech (D)

Pages 478-506 | Published online: 10 May 2018

66 Cite this article

▶ https://doi.org/10.1080/01603477.2018.1431796





Full Article

Figures & data

References

66 Citations

Metrics

Reprints & Permissions

Read this article

ABSTE

This arti

betweer

survey o

institutio

high the U

of rules

socially

socially

policyma

other hand,

We Care About Your Privacy

We and our 842 partners store and/or access information on a device, such as unique IDs in cookies to process personal data. You may accept or manage your choices by clicking below, including your right to object where legitimate interest is used, or at any time in the privacy policy page. These choices will be signaled to our partners and will not affect browsing data. Privacy Policy

We and our partners process data to provide:

Use precise geolocation data. Actively scan device characteristics for identification. Store and/or access information on a device. Personalised advertising and content, advertising and content measurement, audience research and services development.

List of Partners (vendors)

I Accept the relations uctured **Essential Onl** nd the Show Purpose mics, cusing on ed systems rules are they are agents and

. On the

economics

outside academia, and institutions in the economy also influence the institutions of economics.

Q KEYWORDS: Crisis finance institutions macroeconomy mainstream economics

QJEL CLASSIFICATIONS: A11 A14 E02 G01 G10

Notes

¹This concept of conventions is intentionally less restrictive than game-theoretic ones. It is, however, more specific than the concepts underlying the analyses of conventions in the American economy by political scientists Blyth (2002) and Nelson and Katzenstein (2014). The nonsuperiority of conventions raises the question of how some rules become part of mainstream economics without being demonstrably superior to one or more alternatives. On this and on the mechanisms through which rules become conventions, see, again, Dequech (2017).

²Several references will be provided in the next sections, together with examples of the arguments made in this section.

³For Campbell (1998, p. 390), prestigious academic ideas have an advantage when it comes to influencing what he calls paradigms, "broad cognitive constraints on the range of solutions that actors perceive and deem useful for solving problems," as distinct courses of X action a ⁴This iss cs. Some reference be examine 5This ssion of the not to use schola. the sam ⁶Althouc nonmair

⁷Fundamental uncertainty is the lack of knowledge resulting from the possibility of nonpredetermined structural changes. Procedural uncertainty results from the contrast between the complexity of the situation and the agents' limited capabilities. See Dequech (2011).

⁸Dow (2015) did not explain which institutions and conventions were those.

Conventions, informal social norms and contracts emerge among private agents, but some institutions are implemented by policy. Perhaps Dow is thinking of reforms implemented in the 1930s (such as the New Deal in the U.S.) and/or the Bretton Woods system. Some policies may aim at reducing instability, but this does not necessarily mean that they are guided by an economic theory that emphasizes fundamental uncertainty or by any other academic theory.

⁹Campbell (1998) pointed out the influence of mainstream economics on the paradigms employed by actors in the 1970s/1980s but associates neoclassical economics more strongly with free market ideas and less with the kind of Keynesianism that prevailed in the 1950s and 1960s, while I see neoclassical economics as compatible with both.

¹⁰Among the earlier developers of VaR was Kenneth Bargade (PhD in economics, Princeton, 1975). For a critique of VaR, see Crotty (2009).

¹¹On the origins and diffusion of the copula method and the influence of mainstream financial economics, see MacKenzie and Spears (2014).

¹²Confidence in risk-assessment models also underlies proposals for bailing in banks



However, S&P, in 2015, and Moody's, in 2017, agreed to pay US\$1.4 billion and US\$900 million, respectively, to settle lawsuits.

¹⁵The efficient market hypothesis also "provided a compelling rationale for the reorientation of companies toward shareholder value. ... [T]he science and institutions of finance co-evolved to a degree unknown in most other domains, often with the aid of financial economists themselves' (Davis, 2009, pp. 20, 22, 56, emphasis added).

¹⁶Blyth (2002, pp. 169–171) referred to monetarism as a new convention of both the Fed and financial markets. See also the references below to Abolafia (2012) on legitimation.

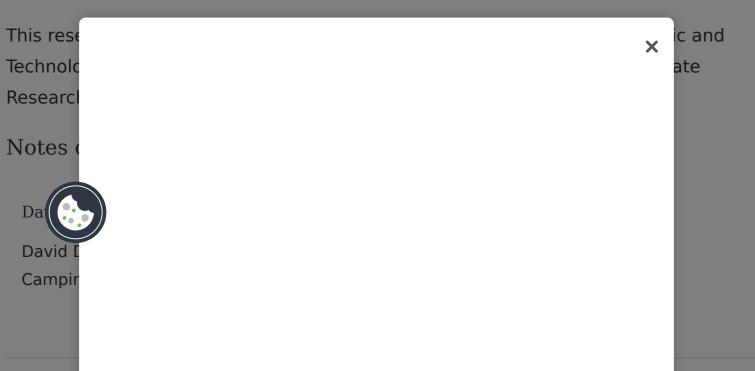
¹⁷According to Krippner (2011, p. 117), "[u]nlike academic monetarists, the FOMC staff was never under any illusion that it would be possible to precisely control the money supply."

¹⁸Relatedly, Dow (2016b) examined differences in how policymakers, market players and households frame finance.

¹⁹On Friedman and funding, see also Van Horn and Mirowski (2009, pp. 166–168).

Additional information

Funding



Related Research Data

Using Minsky's Cushions of Safety to Analyze the Crisis in the U. S. Subprime Mortgage

Market

Source: Informa UK Limited

How Financial Models Shape Markets

Source: The MIT Press

Narrative Construction as Sensemaking: How a Central Bank Thinks

Source: SAGE Publications

Neoclassical, mainstream, orthodox, and heterodox economics

Source: Informa UK Limited

A New Foundation for Economics

Source: The MIT Press

L'institutionnalisation de l'économie financière : perspectives historiques

Source: CAIRN

Neoliberalism in crisis: Regulatory roots of the U.S. financial meltdown

Source: Emerald Group Publishing Limited

Forecasting as Valuation

Source: Oxford University Press

From Social Control to Financial Economics: The Linked Ecologies of Economics and

Business in Twentieth Century America

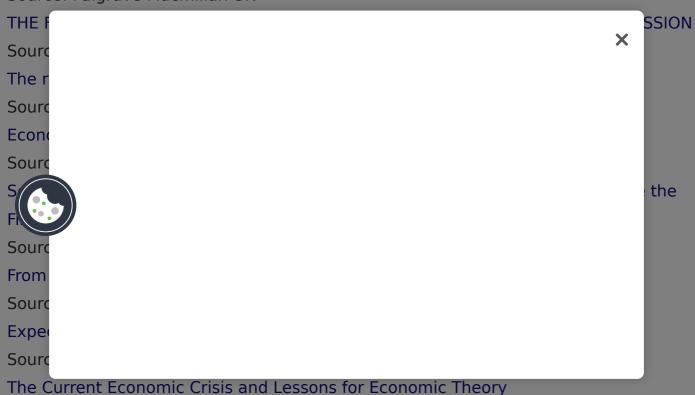
Source: Springer

The Destruction of Shared Prosperity and the Role of Economics

Source: Cambridge University Press

Crisis and Sustainability

Source: Palgrave Macmillan UK



Source: Columbia University

Central Banking And The Triumph Of Technical Rationality

Source: Oxford University Press

The Anatomy of the Mortgage Securitization Crisis

Source: Emerald Group Publishing Limited

Institutional analysis and the role of ideas in political economy

Source: Springer Science and Business Media LLC

Discipline and Profession in the United States, Britain, and France, 1890s to 1990s

Source: Princeton University Press

Uncertainty: A Diagrammatic Treatment

Source: Walter de Gruyter GmbH

Uncertainty: A Typology and Refinements of Existing Concepts

Source: Armonk

Reading the right signals and reading the signals right: IPE and the financial crisis of

2008

Source: Informa UK Limited

Knowledge and Liquidity: Institutional and Cognitive Foundations of the Subprime

Crisis

Source: Emerald Group Publishing Limited

Budget Deficit Alarmism Is Sabotaging Growth

Source: Informa UK Limited

Economic institutions: explanations for conformity and room for deviation

Source: Cambridge University Press (CUP)

Karl Polanyi's Critique

Source: Harvard University Press

The New Neoclassical Synthesis and the Role of Monetary Policy

Source
The F
Source
The E
Source
Fram
Source
Struce
finan
Source
A crit

x
1970

macroeconomics framework

Source: Oxford University Press (OUP)

The evolution of macro models at the Federal Reserve Board

Source: Elsevier BV

INSTITUTIONAL TRANSFORMATION AND STATUS MOBILITY: THE PROFESSIONALIZATION

OF THE FIELD OF FINANCE

Source: Academy of Management

Linking provided by Schole plorer

Related research (1)

People also read Recommended articles Cited by

Crisis, Ideas, and Economic Policy-making in Britain during the 1970s Stagflation >

Chris Rogers

New Political Economy Published online: 5 Apr 2012



Information for Open access **Authors** Overview R&D professionals Open journals Editors **Open Select** Librarians **Dove Medical Press** Societies F1000Research Help and information **Opportunities** Reprints and e-prints Advertising solutions Newsroom Accelerated publication Corporate access solutions Books Keep up to date Register to receive personalised research and resources by email Sign me up

