Bauer, Peter

Bauer, Peter (1915–)

Born in Budapest, Peter Bauer was one of the early pioneers in the field of development economics. A long-serving Professor of Economics at the London School of Economics, Bauer was made a life peer in 1983.

His early publications stem from fieldwork conducted in Malaysia and West Africa. Based on this experience, Lord Bauer became convinced that the same economic principles that applied in Europe and North America applied equally in Africa and Asia. This view was in sharp contrast to that held by most other development economists in the early post-war period: they often assumed that a different set of economic principles applied in underdeveloped countries (see UNDERDEVELOPMENT).

Professor Bauer applied his approach to most of the major issues involving economic development, including the role of trading activity and the significance of the informal sector in developing, the role of cash crops in development, the relation between economic progress and occupational distribution; conceptual and practical problems of price and income stabilization, and the operation of COMMODITY AGREEMENTS. His contributions also offer an effective critique of received approaches towards economic policy. While well satisfied. Lerner, in particular, emphasized that the root cause of the problem is the lack of an effective commitment to true full employment. With a domestic policy of full employment, a nation has no need to play the beggar-thy-neighbour game.

MATHEW FORSTATER

behavioural economics

Behavioural economics is a heterodox movement in contemporary economics which studies human and organizational decision-making, emphasizing the limits of human rationality and the inadequacy of knowledge. The most important contribution of behavioural economics is a bundle of theories developed by various scholars on the process of decision-making, not as a rational appraisal of utility maximization, but the product of the contradictory goals and the conflicting values of various groups within any firm.

Behaviourism

Behaviourism is an influential and ambitious school of psychology that emerged at the beginning of this century, culminating midcentury and flourishing mainly in the United States (through the work of J.B. Watson, E.C. Tolman, C.L. Hull, B.F. Skinner). Its roots can be found in associationist philosophy, functionalist psychology and Darwinian evolutionary theory. It began as a renunciation of mainstream psychology (that is, the introspective ‘psychology of the mind’ which emphasizes the study of the human consciousness), drawing attention primarily (almost exclusively) to patterns of behaviour in different settings. Behaviourism thus studies the influence of environmental stimuli on animal and human behaviour. In various laboratory (for animals) or social (for humans) settings, changes in behaviour are examined objectively and without reference to the experience of consciousness. Behaviourism has exerted a modest but considerable influence on the social sciences, especially on anthropology, sociology, political science and, more recently, economics.

Robert Looney

beggar-thy-neighbour policy

Policies that attempt to increase a nation's output, income and employment at the expense of another nation's output, income and employment are called 'beggar-thy-neighbour' policies. There are a number of forms that such policies may take, including limiting imports through TARIFFS or QUOTAS, promoting exports through (for example) export SUBSIDIES or through reducing exchange rates (see EXCHANGE RATE) or CURRENCY DEPRECIATION. When successful, these policies have no impact on aggregate activity in the world as a whole, but rather shift employment from one country to another. The amount of additional unemployment in the second country will not necessarily match exactly the amount of additional employment in the first country, as in the case of different multiplier values or rates of labour-productivity between the countries.

Beggar-thy-neighbour policies are not always successful, however; the second country may attempt to retaliate, for example. In this case, no shift in employment will occur, but everyone will end up worse off, as output and income in the world as a whole will decline. There are also a number of circumstances under which competitive depreciations may not work even without retaliation – for example, when non-price competition is significant or when MARSHALL–LERNER CONDITIONS are not satisfied.

Economists such as John Maynard Keynes, Joan Robinson and Abba Lerner railed against beggar-thy-neighbour policies, arguing that promoting domestic investment is the preferred means of increasing domestic employment. Under conditions of general underemployment, this will have the same general effect on the domestic economy as promoting an export surplus, but also results in a net gain for the world economy. Lerner, in particular, emphasized that the root cause of the problem is the lack of an effective commitment to true full employment. With a domestic policy of full employment, a nation has no need to play the beggar-thy-neighbour game.