

A Message from the Executive Director

Dear Friends,

I am pleased to present the Institute for New Economic Thinking's inaugural annual report to showcase our activities to date, underscore our mission, and disclose our operations.

The crisis of 2008 revealed to the world that the economics and financial professions are not fulfilling their responsibility to bring expertise to bear for the betterment of the human condition. Economic expertise has incurred severe damage to its credibility. One of the positive outcomes of this is that timeless and recurring debates about how to conceive of economic research and the economy are reopening. It is within this context of the needed re-examination of the practices of the profession that INET was founded 18 months ago.

The mission of INET is to create conditions for a younger generation of economists to step forward and examine the world freely.



INET encourages young economists to measure what hasn't been measured before, to say what they've been afraid to say for fear of not being published and promoted. We want to bring the efforts of the next generation into better alignment with the needs of mankind at this critical juncture. We need to open the dialog, enliven the debate. We need to have purposeful minds working together, starting from the understanding that we have failed as experts in the most recent episode.

We need to renew ourselves.

The need for innovative thinking

INET seeks to support innovative thinking by young scholars who will one day be the profession's leaders in academia and business. INET strives to support breakthroughs that profoundly alter the conversation in key areas of economic research. Theoretical, empirical, and methodological breakthroughs are all important. INET supports research addressed to the blind spots of the economic profession.



I am frequently inspired as I travel around the world and meet with scholars, policymakers, and businessmen across all spectrums and cultures. I sense a common goal and desire, a shared purpose. Many in the profession, in the private and public sectors as well as in academics, share an aching feeling inside that something is amiss. I have faith that many people across the gamut want to contribute to making the world a better place for their children and future generations.

A broader, more respectful conversation is more nourishing than branded affronts hiding behind pretense and armor. A group of people from across the ideological continuum banding together can help society create a new economics. An economics that is broadened, deepened, and enriched by humanity and humility. An economics that becomes more truly scientific, rather than engaged in rituals of method that pretend to scientific discipline. There will be resistance, of course. That is part of the challenge. Yet a community directing its energy to renewal can gather strength very quickly, particularly in the circumstances we have now, after the pain of crisis.

An array of accomplishments—with many more to come

I am proud of INET's work over the course of its first 18 months. We have awarded more than 50 grants for research and training, convened for dialogue and debate in two historic settings, launched a web community, formed academic partnerships, and recruited an esteemed global Advisory Board.

As we look to our next 18 months and beyond, we have a lot of work to do. With the lofty goal of inspiring and provoking new thinking, I turn to each of you.

Please join us in the INET community and help us set a new course. Create this new path through the example of your work, through your capacity as an architect of culture, and as a mentor. Create it so that young people, who since 2008 are studying economics in greater numbers than ever before, can see the way forward and emerge enthusiastically into this profession under the protective shield that you help create. Their success will be ours. We are partners in their creativity.

With the resources from our enthusiastic sponsors and your efforts, I believe we can build that community. Here and now. I know you can help.

Thank you,

Dr. Robert Johnson



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Our Mission

The Institute for New Economic Thinking (INET) was created to broaden and accelerate the development of new economic thinking that can lead to solutions for the great challenges of the 21st century. The havoc wrought by our recent global financial crisis has demonstrated the deficiencies in our current economic theories and shown the need for new economic thinking. INET is supporting this fundamental shift in economic thinking through funding for research and training, community building, and spreading the word about the need for change. We are already a robust global community of thousands of new economic thinkers, ranging from Nobel Prize-winning economists to teachers and students who have emerged out from the shadows of prevailing economic thought, attracted by the promise of a robust economic discourse.

Our mission is to nurture a global community of next-generation economic leaders, to provoke new economic thinking, and to inspire the economics profession to productively engage the challenges of the 21st century.



Paul Volcker

Former Chairman of the Board,
The Federal Reserve



The economics profession is in trouble. I have been involved in questions of economic policy for almost 60 years, and despite all the years of economic theorizing and the application of high-powered mathematical and statistical approaches, an analytic consensus on policy approaches has eluded us. Never has that been more evident than during these recent years of financial and economic turmoil.

We need to do better. We are dealing with an intellectual problem—a profession that has been absorbed by theoretical constructs abstracting from human behavior. We are dealing with ingrained ways of thinking. The challenge is to raise questions about accepted approaches, in drawing lessons from recent experience.

We need to pull economics back into the real world of political economy, the world that stimulated the thinking of the founders of modern economics many decades ago.

This process has begun. INET is proactively encouraging challenges to the orthodoxy. Its aim is to support and provoke new strands of intellectual thinking through conferences and grant funding. I admire INET's willingness to support that new thinking, and to ask questions and to instigate changes.

Economists through the years have made a huge contribution to many aspects of public policy and rational decision-making. Now that contribution needs to be broadened. Shaking up current economic thinking is a worthy part of that challenge.

Why INET

John Kay

Columnist, *Financial Times*



There is an obvious malaise in economics today. The clearest manifestations are the strong sense on the part of policy makers and the informed public that the profession failed to provide guidance either in the run up to the financial crisis or in the events that followed. Many students are disillusioned. They find that what they learn fails to answer, or even illuminate, the large social questions which lead them to take up the subject.

Properly conceived, economics requires an eclectic approach that uses many models (not just one), that draws on different strands of knowledge, and that is rooted in acute and careful observation and understanding of institutional context. The demand for such an approach is not, as sometimes interpreted, an attack on the use of mathematics in economics: mathematics is an indispensable tool, although the belief that analysis is relevant only if it lends itself to such expression is absurd. Nor does this view require a comprehensive rejection of mainstream economic traditions. What is wrong is not the use of rational choice models, which are often helpful, but exclusive reliance on them.

What is needed is a more pluralist approach to the subject, which nevertheless demands the same standards of intellectual rigor that the mainstream tradition imposes. This is the role of INET.

Yaga Venugopal Reddy

Professor Emeritus,
University of Hyderabad,
and Former Governor,
Reserve Bank of India



INET provides a great opportunity to exchange diverse views on the theory and practice of economics. This diversity is enabled by the active participation of scholars with varied theoretical inclinations, practitioners with differing experiences, and some representatives from emerging and developing countries. Further, the outreach to political leadership, media, and civil society makes INET truly unique.

INET has already established a reputation for being a forum for fresh thinking on economic research. It has generated interest in unorthodox thinking in centers of learning, such as the University of Hyderabad (UoH), and the Indira Gandhi Institute of Development Research (IGIDR) in India. There are extensive references in the media to discussions at INET conferences.

INET is also taking a broader view of economic policies and is actively interacting with experts in other disciplines. The rigidity and uniformity of economic models are being legitimately reviewed due to the inspirations of INET, though this is only a beginning.



Why INET

Economics will be more important and more exciting in the next five to ten years than it has been at any time since the 1970s. The scale and nature of the problems has suddenly become much more daunting and in order to start dealing with these problems, new ideas are going to be required. Academic economics has been dominated by a monolithic and ideologically motivated set of ideas built around misleading assumptions about rational expectations and efficient markets. These concepts, which have monopolized public policy as well as economics since the intellectual counter-revolutions of the 1970s and 1980s, are no longer suitable for dealing with the challenges of public policy today. In fact the ideas of defunct economists were largely responsible for causing the global financial crisis and its appalling socio-political aftermath.

The promise of INET is to re-launch economics so that it can address the policy challenges issues now confronting the world and to bring economics back to its roots. Economics must combine abstract model-building with empirical observation of politics, history, and psychology. Economics was launched in its present form in 1776 when Adam Smith wrote the *Wealth of Nations*, and its aim was to clarify ideas about the practical public policies that would improve social conditions and promote wealth creation. For the past 20 years economics has lost this ambition. The intellectual giants who invented economics as a serious discipline, people like Adam Smith, Ricardo, Schumpeter, and Keynes, would not be even be recognized today as serious economists. If they submitted one of their works to the *American Economic Review*, it would be laughed out of court because it does not use the techniques and models of modern economics. If they applied for a job today in a leading economic department at a leading university, they would not even be granted an interview. Economics must be reopened to genuine debate. Economists should understand better than anyone the pernicious effects of allowing the subject to be controlled by an intellectual monopoly.

Economists were caught off-guard by the financial crisis. What went wrong? The wrong kind of data. Empirical economics relies on large datasets. But global economic crises, paradigm shifts, and regime changes in macroeconomics are rare events. The three crises of global capitalism are the great depression, the great stagflation of the 1970s and early 1980s, and the global financial crisis. The Great Depression and the great stagflation were each followed by a shift in macroeconomic paradigm and in macroeconomic policy regime—and by about two decades of satisfactory economic performance.

However, in neither case did the practitioners of the new macroeconomic paradigm direct attention to the unintended consequences caused by the successes of the new policy regime, which with hindsight can be seen to have produced the seeds of the following crisis.

What went wrong? The wrong kind of problem. Academic economic research favors specialization. But the way lower macroeconomic risk—as the outcome of a successful Taylor rule regime of the 1990s and 2000s—could interact with a wage squeeze and with a deregulated financial sector recycling rapidly-increasing global financial surpluses did not fit a specialization.

What can INET do? INET is energizing economists to ask the right questions—the big questions about why the crisis happened, why economists were ill-equipped to understand it, and how the profession can be mobilized to refocus its research and training. Academic economics has much to contribute to improving policy but it needs a strong steer. INET has the momentum to provide this.

Anatole Kaletsky

Principal Economic Commentator,
Times of London
Chief Economist and Vice Chairman,
GaveKal Dragonomics,
Hong Kong



Wendy Carlin

Professor of Economics,
University College London



Why INET

Katharina Pistor

Michael I. Sovern
Professor of Law,
Columbia University



The calls for reassessing neo-classical economic orthodoxy emerging from the financial crisis could only be maintained if they had sufficient institutional support. INET does this by facilitating a continued critique and the development of alternative economic models. Such sponsorship is particularly significant in the area of law and economics where the neo-classical orthodoxy informs theorization and policy construction.

INET has provided a vital intellectual space for examining how the importation of core assumptions of the standard neo-classical tradition impacted the formation of financial market policies, how laws based on this foundation failed to prevent the crisis, and to what degree laws grounded in this approach contributed to the crisis. It is unclear whether the above research agenda, which employs diverse methodologies and theoretical perspectives, would have found such willing support through traditional channels. INET is a critical pillar in the construction of an economic theory and the policy prescriptions necessary for a more stable, sustainable, and equitable world.

Andrew Michael Spence

Nobel Laureate and
Professor of Economics,
NYU Stern
School of Business



INET is based on several premises. First, existing models and frameworks for understanding financial systems are incomplete, particularly with regard to their dynamic characteristics with special emphasis on risk. This then affects regulatory oversight and self-regulatory behaviors and properties (or their absence). This is an enormous gap that we need to fill. Second, innovations tend to come from the young who see things through a combination of fresh eyes and new powerful tools, sometimes coming from other disciplines. Third, progressing on these fronts is of central importance within the academy and in the global economy.

Stability and growth are at stake. INET is tackling these challenges by (1) providing funding for a wide range of alternative ways of thinking about the problem, especially by funding the young whose research support could otherwise be trapped and constrained by conventionality in the traditional funding mechanisms, (2) encouraging dialogue and argument, and (3) discouraging the fighting of old battles. It is an important enterprise.

Only time will tell whether we have made major progress, and it will probably never be possible to trace precisely the sources of inspiration and new knowledge. But that is always true for fundamental breakthroughs and it has not deterred INET from making an important effort.

Erik Bergl6f

Chief Economist and Special Adviser
to the President, European Bank for
Reconstruction and Development



I got involved in INET because I wanted economics to change, but I do not belong to those who think the discipline was better in the past. Yes, the global financial crisis reminded us that there are many things we still do not understand and many policy recommendations have to be revisited. But in my view, economic research and teaching have become much more interesting since I went to university. Economics has ventured into many new areas, and students today get a much richer description of the real world. The problem is that only a small fraction of the world's young talent is exposed to these exciting new developments. Most economics students in emerging markets and developing economies are taught in traditional mechanical ways that bear little or no connection to their own reality, and most young people are not exposed to economics at all. As a result, economic debates are hollow and seldom evidence-based. Moreover, the voices of economists from these countries are not well represented in global academic output or in the international debate. This is what I would like to change about economics—and I believe INET could play a unique role in enriching economics by bringing in a much broader development experience.

Why INET

The economy is the foundation of our existence. Whether you are considering a global economy or how it breaks down into national units, whether it is prosperous or whether it is in a state of financial crisis, it determines people's lives, which is why INET will have such a significant impact.

The financial crisis has shown us that the economics profession is currently inadequate at making predications about the future, and it has to be rethought from its fundamentals. The dominance that the prevailing paradigm currently enjoys makes it extremely difficult for people who think differently to make their way in the academic profession—which is very, very unhealthy. The stranglehold of the existing paradigm needs to be broken, and that is, I would say, the main thrust of what INET is trying to accomplish. INET is an attempt to encourage economists to rethink the very foundations of economics.

This is going to be a long process. One cannot expect a new body of thinking to emerge in less than a decade, but I believe INET is already a success because it has recognized that the current paradigm has failed and is now actively pursuing the evolution of a new way of looking at economic problems. INET is one of the most important initiatives I have been involved with, and it is certainly the one that has stimulated the most remarkable response. I have never been involved in any effort that has this much energy—latent energy that is now becoming galvanized.

With the world economy once again teetering, new economic thinking is more urgently needed than ever. A good economist must be, in Keynes' words, a "mathematician, historian, statesman, philosopher—in some degree." Such economists have been in short supply in recent years. INET is doing much to cure the problem, stimulating new thinkers and new thinking.

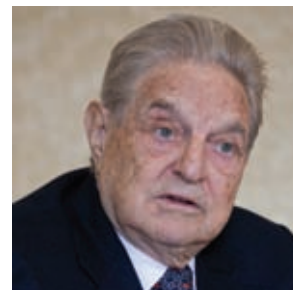
The challenge is to produce economic research that is both rigorous and useful for policy. We should not discard the elegant theoretical apparatus built by economics in recent decades. Rather, we should put it to work on the many problems faced by the global and national economies. Issues of multiplicity of equilibria, confidence, and self-fulfilling expectations, which have occupied the margins of conventional research, should now take center stage. INET is building a community of scholars and policymakers who work on these issues. I very much look forward to the results.

It is very clear that the 2007-2008 crisis was not merely a failure of bad regulation, nor merely a failure of bad management on the part of the banks, but also the result of some very flawed ideas that underpinned both policy-making and the investment community. Those ideas were often, but not exclusively, linked to the type of economic assumptions that have permeated academia and the financial world in the last three or four decades. This does not necessarily mean that economics is bad or wrong, but it does mean that some of the directions that economics has taken in the last two or three decades need to be revisited. And, ironically, some of the things that are most badly needed right now involve going back in history and looking back to earlier forms of economics and trying to put the current economics profession into a historical context—to better understand where ideas come from.

Most of the insightful new economic thinking that will shape the profession for the next 50 years will likely come from people we have not even heard of yet, next-generation thinkers who are coming up through the system. They are younger and have the ability to break the mold. The problem, though, is that the academic structure in America and the UK does not encourage much in the way of creative maverick thought. So one of the big challenges is—how do you actually incentivize a new generation of academics to try and actually challenge the dominant orthodoxies? I believe there are at least three things that INET can do right now. First, it can act as a central hub to support people who are trying to build a new type of economic thinking within the economic profession. Second, INET can reach out to other academic disciplines and other areas within the policymaking community to promote an interdisciplinary, collaborative approach to looking at the world. Third, INET can talk about some of the current issues through that slightly different prism, whether it is banking sector reform, international financial imbalances, or inequalities within economies.

George Soros

Chairman,
Soros Fund Management
Founder,
Open Society Foundations



Andrés Velasco

Former Minister of Finance,
Chile



Gillian Tett

U.S. Managing Editor,
Financial Times



Why INET

Jim Balsillie

Co-Chair and Co-CEO, Research In Motion (RIM), and Founder, The Centre for International Governance Innovation (CIGI)



When I consider the most pressing issues facing the global economy today, I ask, “How can economics be more helpful in addressing the world’s challenges? Are we fully supporting the right kind of education and research to contribute to solutions?” The challenges we face are many, as seen in the fallout from the global financial crisis—from shortcomings in financial regulation and international policy cooperation to the need to build greater leadership capacity. Concerns about sustainable economics are also acute. Not taking planet-wide action is no longer an option given the climatic challenges the world faces.

Taken all together, these imperatives inspired a partnership between the Institute for New Economic Thinking (INET) and The Centre for International Governance Innovation (CIGI). When George Soros and I first met last year to discuss how INET and CIGI might work together, we quickly realized that our shared belief in the value of research and innovative approaches to global challenges formed the basis for an effective combined effort.

INET’s activities bring together the brightest and most experienced minds in economic thinking with a new generation of researchers, to help chart a new course. This mission is an excellent fit with CIGI’s own research and policy development work to promote innovations in international governance, including in the global economy. At the Crisis and Renewal Conference in Bretton Woods in April, 2011, I witnessed first-hand the benefits of INET’s convening power. Top economists and policy makers in attendance demonstrated a willingness to fully engage in collaborative efforts to solve the complex global issues before them.

Adair Lord Turner

Chair,
Financial Services Authority



The financial crisis of 2008 has caused massive economic harm. Among its causes were badly designed and poorly enforced regulation. But behind these regulatory failures lay an intellectual failing—an over-confident belief that free financial markets would always deliver financial stability and efficient allocation of capital. And behind that conventional wisdom lay harmful tendencies in the discipline of economics: a tendency to assume human rationality in order to facilitate the use of mathematical sophistication, a failure to grasp the importance of inherent irreducible uncertainty, and a failure to draw on the lessons of economic history to ensure understanding of real-world dynamics.

We need better and more nuanced economic thinking to inform efforts to build a more stable financial system. New economic thinking is also required to address fundamental issues about policy objectives and the means whereby we achieve them—the balance between economic growth and other human aspirations, the areas where markets work well and those where they do not. INET is dedicated to such new economic thinking. It has already stimulated intense debate and supported important new research. It has a vital role to play in the years ahead.



Why INET

Like all professions, the economics profession has a language, culture, and internal logic of its own. What distinguishes it from other professions, and what makes the way it operates a matter of broader public interest, is that so much of its output is used for policy purposes. When, in the early 20th century, Anglo-Saxon philosophers decided that henceforth their subject should be confined to the study of language and formal logic, the only people who suffered were generations of philosophy students. When, in the late 20th century, Anglo-Saxon economists decided that modern, finance-driven economies were stable, self-regulating dynamic systems that acted to maximize social welfare, the outcome, eventually, was a global financial crisis and recession.

In short, economics is too important to be left to the academic economics establishment, and that, I think, is what justifies the existence of INET: the need to set up an independent organization that isn't beholden to a dominant economic paradigm or to the logic of tenure, and which can act as a critical but ultimately supportive voice.

I also think INET was right to try to avoid tying the organization to one particular view of the world. What is needed is a critical attitude towards any theories that seek to provide all the answers and a willingness to consider fresh ideas (and also old ideas that have been forgotten). Perhaps, somewhere out there, we will find a new Keynes, who can provide a grand unified theory of 21st century economics. Until she or he descends from the Gods, we will have to work with the tools we have, to deal with a complex and messy reality: economic history, theories of imperfect competition, behavioral economics, agent-based modeling, statistical inference, random field tests, and so on. As a student of and writer of economic history, I would put great stress on the first. But competition between rival approaches is healthy.

It is too early to say what impact INET will ultimately have. But in setting up new centers of research, providing financial support for a broad range of scholarship, making efforts to broaden the economics curriculum, and holding a high-profile annual conference, I think INET is already making a worthwhile contribution.

John Cassidy

Writer, *The New Yorker*



The global financial crisis unequivocally showed us that our current economic thinking has gaping holes. I am delighted to see that INET is playing a very important role in filling these holes. INET has a winning formula: it brings together three different groups—scholars of the highest caliber, policymakers, and market participants—and facilitates an open debate amongst them. The conferences organized by INET have brought these groups together and put them in front of the drawing board, creating an open environment where fundamental questions are asked and debated with no reservation.

INET can facilitate the creation of new theoretical and empirical frameworks with a view to helping policymakers with their decisions.

With its unique setup and outstanding leadership, I am confident INET will continue to prosper and substantially contribute to global economic thinking for many years to come.

Zhu Min

Deputy Managing Director,
International Monetary Fund



The Next Generation



The future of our global economic system ultimately lies in the hands of the next generation. Core to INET's mission is nurturing a global community of next-generation economic leaders, provoking and inspiring fresh and innovative minds to tackle the great challenges of our present reality and our immediate and distant futures.

INET is continuously devising ways to support the next generation through programs and initiatives that allocate funding, offer advice, provide access to like-minded individuals, and create new outlets for their ideas, including the widespread use of web video and social media platforms.

We seek to make a material impact on these young scholars by involving them in our conferences, directly funding their research through grants, and creating opportunities for them to work with talented peers under the guidance of an INET advisory board member in one of our research programs. INET has also visited a number of college campuses through our Campus Outreach Program, engaging students in spirited discussions on economics with a goal of inspiring them to enter the profession and contribute to meeting society's current and future challenges.

Joseph Stiglitz

Nobel Laureate and Professor of Economics, Columbia University



The young students I teach make me hopeful. Last year, a number of students approached me and asked, "Why are we wasting our time studying that perfect market model? It's so clearly irrelevant." They wanted to devote more time to understanding the kinds of issues with which INET is concerned.

Our hope for change lies in these young people who have not yet committed themselves to a flawed set of ideas, and whose eyes are more open. INET's role is to provide these young people with an opportunity to explore alternative approaches and ways of thinking. Many of them, I believe, have the same motivations for entering economics that I had when I entered the field, and which I continue to have. They could have gone into physics, math, or any other subject, but they believe that economics is a field in which they can exercise their intellectual faculties on the problems they think are important for society.

The Next Generation

How do intellectual revolutions occur? I believe they begin with the uniting of two things.

(1) The idea that there is something wrong with the existing body of theory, the basic paradigms that have driven and are driving a subject, which is clearly the state of economics today; and (2) A motivated and large number of young people, because all truly new theory and new thinking tend to come from the young:

- They do not have anything to protect, such as their past legacy.
- They need new ideas because new ideas are the means in which young people can break away from the past and create great reputations for themselves.

Martin Wolf

Chief Economics Commentator,
London Financial Times



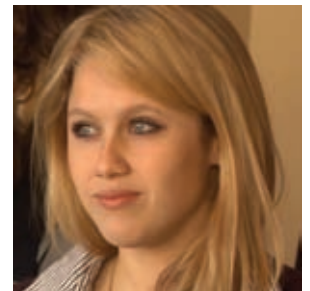
While attending the April, 2011 conference in Bretton Woods, it occurred to me that the “new” in New Economic Thinking lies not only in the quality of the Institute’s initiatives, but in the kind of collaborations required to build a better economic future. The conference benefited from the shared insights and contributions of a multi-national, diverse body of participants, including academicians, policy makers, think tank leaders, and students.

Students had the invaluable opportunity to engage with the Nobel Laureates and finance leaders who contributed to the development of our current economic system. Furthermore, we were not only invited into the conversation, but our perspectives were actively encouraged, valued, and incorporated into the discussion.

As a student exploring medicine and economics, my goal is to improve human well-being. I learned that INET shares this goal. And in some respects it seems that understanding human well-being as the goal of economics has been lost. I believe that many students today are also dedicated to improving human welfare in their respective fields, which is why INET’s collaboration with the next generation is so important. Students share INET’s optimism and energy, and they are open to challenging existing theories and facing the challenges ahead. As the future leaders of society, the “next generation” understands the importance of advancing an economic system that serves humanity and will be resilient in the future.

Susan Al-Ibrahim

Economics and
Pre-Med Student,
Barnard College
of Columbia University



Fashion and ideology are pervasive in economic thinking. Yet, at the same time, economics is a discipline notoriously uninterested in its own history and methodological underpinnings. Paradigm shifts in the history of economics are not uncommon—from adaptations on a previous theme (e.g. additions of imperfections or asymmetric information) to the radical overturning of an entrenched doctrine (e.g. the Marginalist Keynesian, or Rational Expectations revolution). Such transitions can make for wildly different economic policies. While often beguiling and beautiful in its internal logical consistency, economic theory can become entrenched in a “world view,” disconnected from reality, ignorant of other social sciences, and co-opted by special interest groups.

By supporting new and critical thinking, INET can help guard against these tendencies by promoting a next generation of economists who welcome pluralism, study the history of economic thought, and push the frontier of new methodologies while not forgetting old lessons. Since paradigms endure when codified into reproducible and teachable forms, INET will encourage critical analysis of current orthodoxy by coupling their support of new research with support for thoughtful teaching methods.

Leanne Ussher

Assistant Professor,
Queens College City
University of New York



INET Timeline



January



George Soros

Anatole Kaletsky, an editor-at-large writing about economics for the *Times of London*, discusses with **George Soros** the unique opportunity to reshape economics in the wake of the financial crisis.



Anatole Kaletsky

September

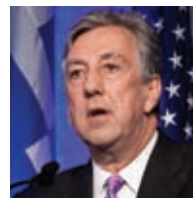
A diverse gathering of 25 economists, financiers, and journalists meet in Bedford, NY to take up the question initially raised by Kaletsky and Soros. The Bedford Summit, as it came to be called, reached the following conclusions which ultimately led to the formation of **INET**:

- Unanimous agreement that our economic paradigm must change
- A regret that mathematics had become the dominating language of economic, rather than an illuminating tool
- An understanding that much of economic work no longer reflected the real world
- A realization that the study of economics within graduate studies had been manipulated by the marketplace
- A recognition of the importance of empowering the young generation of economists to rethink our field

October



Robert Johnson is appointed Executive Director.



Robert Johnson

November



INET recruits an esteemed **Advisory Board**. INET's current Advisory Board totals 42 and includes six winners of the Nobel Prize in Economics.

2009

April

INET establishes its first partnership with the **Oxford Martin School** at the **University of Oxford**.



INET holds its first plenary **conference at Cambridge University**. More than 200 leading economists, government officials, and journalists come from around the world for three days of discussions focused on the theme: "The Economic Crisis and the Crisis in Economics."

July

INET announces more than **30 inaugural grant recipients**.



September

INET sponsors its second conference with Dynamics of Markets and Institutions in Europe (DIME) at the Central European University (CEU) in Budapest. The conference explores a new macroeconomic theory that understands the true relationship between finance and the real economy.



INET meets with students at leading universities and colleges, including UC Berkeley, Amherst, Williams, Swarthmore, Haverford, and Bryn Mawr.

October

INET announces more than **30 inaugural grant recipients** to advance the history of economics, history of political economy, human capital and economic opportunity, and other critical and underfunded topics.

December



INET Studios is created, where award-winning authors and key thinkers in economics are invited to participate in video interviews that are featured on INET's website.

2010

January

INET launches the first of its blogs, **The Money View**, authored by INET Advisory Board member **Perry Mehrling**.



Perry Mehrling

January



INET announces its partnership with The **Centre for International Governance Innovation (CIGI)**, including a commitment of \$25 million towards joint initiatives.

April

INET holds its second plenary **conference in Bretton Woods**, New Hampshire. More than 300 leading economists, government officials, students, business executives, and journalists assemble from around the world to engage in three days of discussions focused on the theme: "Crisis and Renewal: International Political Economy at the Crossroads."



June



INET and CIGI announce **23 grants** for individual research, research programs, and economic training.

2011

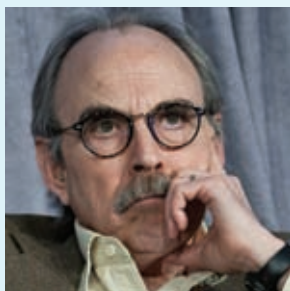
Program Overview

INET’s diverse programs empower the next generation of economists and scholars. We provide funding, advice, access to like-minded individuals, and new outlets for their ideas through research funding, strategic partnerships, conferences, and a collaborative online space.

<p>Research Funding</p> <p>Invests in key areas of economics research that require significant attention. Research funding is provided through an open-ended process allowing creative new thinking to bubble up, as well as an INET-initiated effort to encourage particular types of research.</p>	<p>Conferences</p> <p>Held around the world, bringing people from different fields together to debate vital issues that urgently require new economic thinking. INET stages an ongoing series of conferences and regional meetings that bring people together to debate and explore directions in new economic thinking.</p>
<p>Partnerships</p> <p>Creating intellectual hubs with leading universities, think tanks, and other research-oriented institutions to provide a global collaborative infrastructure for scholars. INET is establishing partnerships with leading thought centers around the world to provide intellectual hubs aligned with the INET mission and to support local communities of innovators.</p>	<p>INET Online</p> <p>A vibrant community of collaboration via web, multimedia, and social networking—the most powerful platform to foster new thinking globally. INET’s web site provides a rich environment for learning and collaboration.</p>

William Janeway

Senior Advisor,
Warburg Pincus



Two years from its founding, INET flourishes. INET’s requests for grant proposals have drawn submissions from across the spectrum of academic scholarship, from both established centers of excellence and a range of international institutions that INET is bringing into the global discussion. In parallel, INET has successfully launched multi-institutional, multi-disciplinary Research Programs to address such salient topics as the integration of finance and economics, inequality and human capital, the re-embedding of economic history, and the economics curricula.

The 2011 INET Conference in Bretton Woods confirmed the importance of INET’s mission and of its convening power. INET’s commitment to seeding a network of INET Institutes at major research universities will contribute to sustaining a trans-national network of scholars who share the founding vision and purpose. INET will not create and deploy a new “standard” model of what constitutes Economics—nor should it try. Rather, it is already catalyzing a multitude of approaches, both novel and neglected.

Research and Training

Overview

To advance new economic thinking, INET has committed \$12 million to economic research and training. In the past year, we have funded 47 research projects totaling almost \$9 million and supporting scholars across 17 countries. INET has encouraged research in specific underserved and critical areas, through both the creation of well-defined research programs and an open-ended solicitation of individual research projects. In addition, INET has devoted \$3 million to four efforts to improve economic training.

Focus on Macroeconomics

The impetus for the creation of INET was the deep shortcomings of conventional economic thinking in the lead up to and unraveling of the global financial crisis. In particular, standard macroeconomic models did not adequately appreciate the nature and political economy of financial markets and the possibility of systemic instability that threatens economic progress and social cohesion.

Given this key failure of thinking and imagination, INET has funded a number of promising research efforts that attempt to integrate the role of financial markets into macroeconomic models and understand the generation of macroeconomic dynamics in the real world. Funded research projects within this area include alternative technical approaches (agent based models, network approaches), newer and more realistic macroeconomic models (heterogeneous agents, endogenous asset bubbles), and alternative disciplinary approaches to understanding financial and macroeconomic performance (approaches from psychology, political science, law, etc.). The combination of these projects, it is hoped, will provide a much more robust set of intellectual underpinnings to assess and perhaps guide the global economy in years to come.

Focus on Economic History and Economic Thought

Conventional economists failed to anticipate the onset and depth of the crisis in large part because they had paid inadequate attention to the sub-disciplines of economic history and the history of economic thought. For many trained economists, economic history was seen as either unnecessary or at best additional data points to test a current research interest. Yet, the most insightful analyses of this crisis have come from economists who have a far deeper appreciation of comparable economic episodes in the past and how economies and policy makers reacted as a result. In addition, understanding the ways economists in different periods conceived of the economy allows current economists to resurrect valuable theoretical insights from the past that have been forgotten or ignored. The discipline of the history of economic thought has been even more neglected than economic history. INET has accordingly devoted substantial funds to resurrecting the traditional place of economic history and the history of economic thought in economic scholarship and training.

In addition to those two broad areas, INET has solicited and funded research in other fields where economic analysis is valuable, socially salient, and politically critical but in which, for many reasons, conventional thinking and funding have fallen short. Some of the topics here include research on the patterns and implications of long-term increases in economic disparities, the conception of fiscal policy as generating work and livelihoods, research on the social purpose of financial markets and so on.

Robert Johnson

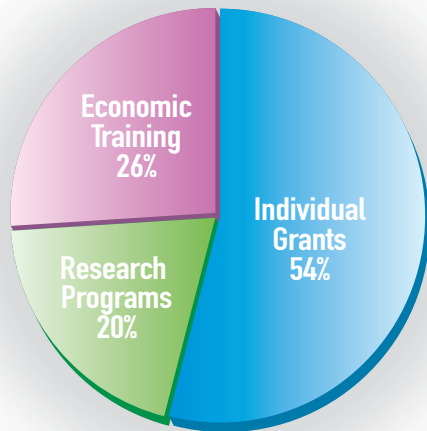
Executive Director, INET



As we look at INET's Grant Program, we are aiming to highlight and promote the critical areas in economic thinking and research as identified and selected by our Advisory Board. Our Research Programs, similar to a task force on a specific theme or issue, are directed by members of our Advisory Board and leading scholars, and work to complement the selected Project Grants. In the Project Grant cycles we learn what the world of creative people want to put forward, and we identify new research areas and new methods. But the Research Programs component of the Grant Program is where my Board identifies priorities and key absences in economic research and development, which we then target with a team of expert thinkers. The combination of the two, Research Programs and Project Grants, will be, probably in a 10-year time frame, the largest expression of INET's contribution.

Research and Training Overview

Total Investment in Research and Training = \$12 Million



For its two grant rounds in the fall of 2010 and the spring of 2011, INET reviewed roughly 900 proposals that underwent a rigorous screening process. An INET research jury composed of leading economists and social scientists narrowed down the proposals to those that:

- promised to make the greatest contribution to re-directing economic research, but
- had little likelihood of funding elsewhere

Based on these recommendations, final determinations were then made by the INET Governing Board whose membership is comprised of individuals outside of academic economics programs. Pages 18-19 highlight some of the path-breaking research funded by INET in the last year. A full listing of grant titles and grantees is provided on pages 20-21.

The INET Network of Grantees

- USA • Canada • Columbia • Chile • Brazil • Spain • France • Italy • UK • Sweden • Switzerland
- The Netherlands • Germany • Israel • India • China • Singapore • Hong Kong • Australia • New Zealand



Research and Training

Highlights

Research Programs

INET has launched four research programs that each engage a group of scholars over several years in a critically important general area. The **Human Capital and Economic Opportunity Working Group** is a global task force of researchers from multiple disciplines that seeks to restore and strengthen human capital development research. It establishes a community of researchers, educators, and policymakers focused on human development (including health and psychology) and related issues in finance, macroeconomics, and inequality. Within the global task force, seven topical networks of researchers have been established to explore specific aspects of these issues. These research networks are: Early Childhood Interventions, Measuring and Interpreting Inequality, Health Inequality, Family Inequality, Identity and Psychology, Markets, and Youth Human Capital and Economic Development.

The **Global Systemic Risk Initiative**, led by Fred Bergsten and Simon Johnson at the Peterson Institute on International Economics, seeks to change the conventional wisdom about how global banks take and manage risks. The program seeks to generate ideas that are both innovative and useful to realistic thinking about policy, particularly with regard to assessing systemic financial risk. Global interconnectedness makes this a particularly important and critical project for the moment.

Roman Frydman will lead a group of scholars in a research program entitled **Advancing Imperfect Knowledge Economics**. They will be creating and testing models that allow for disequilibrium in asset markets with effects on the real economy.

Roger Guesnerie at the Paris School of Economics in France has been funded to assemble **An International Network on Expectational Coordination** with highly regarded economic theorists from nine countries (Chile, China, France, Israel, Japan, the Netherlands, Spain, Switzerland, and the United States). This network will examine the implications of dropping the standard assumptions of the Rational Expectations Hypothesis that cause conventional macroeconomic models to tend toward equilibrium except for outside shocks.

Economic Training

INET has also funded four initiatives to improve economic training. The **Economics Curriculum Committee** was formed to study the process by which economists are made today and to brainstorm about possible reforms for producing economists of the future. The initial focus was on the undergraduate economics curriculum because the Committee saw an overwhelming concern with mastering technique and an insufficient focus on the history, institutions, and problems of the real world. Having come to an understanding of the problem, the next step is to devise concrete, country-specific strategies for producing change, which requires understanding the forces that produced the current system, and hence the opportunities for intervention in each locality.

The **Research Program in the History of Economic Thought**, headquartered in Duke University and led by Bruce Caldwell, promotes research in the history of economics, which has been disappearing from the economics curriculum. The program's goal is to reverse this trend. The program supports research through a variety of initiatives including a workshop series, conferences, and fellowships. In addition, the program has conducted workshops that focus on seminal thinkers in economics and on other themes in twentieth century economics.

Two projects to develop young scholars in economic history research have received INET grants: the **Economic History Laboratory**, headquartered at UC Berkeley and led by Barry Eichengreen, and the **Economic History Research Program**, headquartered at Harvard and Cambridge Universities and led by Emma Rothschild. They both aim to increase and accelerate the production of historically-literate economic historians who are capable of contributing to policy debates. The grants offer fellowships to attract additional candidates to the field, expand seminar budgets to allow for additional presentation and discussion of work in progress, and provide grants for exploratory archival visits and digitization of historical data. The larger purpose of these two grants is to produce change in the field of economics by making it a more fundamentally historical, institutional, and empirically grounded social science.

Research and Training Highlights

Examples of Individual Grants

Doyne Farmer, Santa Fe Institute; Robert Axtell, George Mason University; John Geanakoplos, Yale University; and Peter Howitt, Brown University, USA were awarded a grant to develop a full-fledged **agent-based model of the current financial crisis**. The model would be a genuine agent-based approach used to understand the microeconomic structure and the patterns of incentives and behaviors that can lead to financial instability.

Katharina Pistor of the Columbia University Law School was awarded a grant to set up **The Global Finance and Law Initiative**. The initiative will seek to undertake five case studies so as to construct a new theory of the relationship between law and markets. The project seeks to use a case-study approach to reveal the strengths and weaknesses of the constituent assumptions of law and that of economics and assess what elements can be genuinely complementary in building new theoretical approaches.

Arindrajit Dube of University of Massachusetts-Amherst and Ethan Kaplan of Columbia University and the Institute for International Economic Studies at Stockholm University were awarded a grant to research a **spatial approach to macroeconomic inference**. Many of the most important questions in contemporary macroeconomics have proven elusive due to heavy reliance by empirical macroeconomists on time series variation. The investigators will undertake three separate research projects using spatial cross-sectional variation in addition to time series variation to identify effects. The end product of the project will demonstrate that it is possible to address macroeconomic questions empirically in a more credible way than is practiced in contemporary macroeconomics.

Avner Offer of Oxford University, Philip Mirowski of the University of Notre Dame, and Gabriel Soderberg of Uppsala University were awarded a grant by INET for a research project to investigate the influence of economic doctrines on policy norms in recent decades through **analysis of the winners of the Nobel Prize in Economics**. The Nobel Memorial Prize defines high achievement in economics and validates the discipline's claim for scientific authority. In the policy tension between rules and discretion, it lends its weight to rules. The research project will analyze the extent to which the selection of a Nobel Prize in Economics winner confirmed or discredited theoretical and policy agendas in other countries, especially the USA.

Dirk Bezemer at the University of Groningen in the Netherlands received a grant for his proposal, Understanding Finance's Potential for Growth and for Crisis. He will develop a theoretical model that, for the first time, would **bring a stock-flow consistent framework into a more realistic agent-based model** (with multiple agents rather than one economy-wide agent as assumed by conventional models).



Research and Training Listing

Individual Research Grants

Agent-Based Model of the Current Economic Crisis

Doyne Farmer, Santa Fe Institute
Robert Axtell, George Mason University
John Geanakoplos, Yale University
Peter Howitt, Brown University, USA

Competition and Equality in Imperial China

Qian Dai, Wuhan University, China

Constructive Critique of Economic Modeling

Peter Spiegler, University of Massachusetts-Boston, USA

Developing a Market-Based Concept of System Risk

Edward Kane, Boston College, USA
Armen Hovakimian, Baruch College of the City University of New York, USA
Luc Laeven, International Monetary Fund

Development and Inequality: What can the “Asian” Experience Teach Us?

Vamsicharan Vakulabharanam, University of Hyderabad, India

Divergence of England

James Robinson, Harvard University, USA
Steven Pincus, Yale University, USA

Drivers of Technology Adoption

Diego Comin, Harvard University, USA

Economic Theories and Historical Consequences

Sophus Reinert and Francesca Viano, University of Cambridge, UK

Economic Thinking and Buddhist Thinking

Ronald Wintrobe, University of Western Ontario, Canada

Economics: Value Neutral or Value Entangled

Sanjay Reddy, The New School for Social Research, USA

Emergency Preservation of Federal Bankruptcy Court Records, 1940-2000

Mary Hansen, American University, USA

English Agricultural Markets and the State: The Corn Returns, 1685-1864

D'Maris Coffman, Newnham College, University of Cambridge, UK

Estimation of Stock Flow Consistent Models

Stephen Kinsella, University of Limerick, Ireland

Evolutionary Paths Toward the Financial Abyss

Giovanni Dosi, Sant'Anna School of Advanced Studies, Italy

Evolution of the Wealth and Income Distributions Across Generations

Melissa Tartari, Yale University, USA

Extending Monetary Macroeconomics and Developing a Dynamic Monetary Simulation Tool

Steve Keen, University of Western Sydney, Australia

Failure to Communicate? Central Bank Guidance in Good Times and Bad

Pierre Siklos, Wilfrid Laurier University, Canada

Finance and the Welfare of Nations: The View from Economic History

Alan M. Taylor, University of California, Davis, USA

Financial Contagion: Theory and Experiments

Antonio Guarino, University College London, UK
Douglas Gale, New York University
Marco Cipriani, George Washington University, USA

Financial Fragility and Systemic Risk

Domenico Delli Gatti, Catholic University in Milan, Italy

Hierarchy, Identity, and Collective Action

Rajiv Sethi, Barnard College, Columbia University, USA

How Big is Too Big?

Gerald Epstein, University of Massachusetts-Amherst, USA

In Search of the Financial Accelerator

David Weinstein, Columbia University, USA

Global Finance and Law Initiative

Katharina Pistor, Center on Global Legal Transformation at Columbia Law School, USA

Knightian Uncertainty, Informational Inefficiency and Financial Markets

Jayant Ganguli, University of Cambridge, UK
Scott Condie, Brigham Young University, USA

Large Scale Network Analysis of Firm Trade Credit

Leanne Ussher, Queens College City University of New York, USA

Sorin Solomon, Hebrew University Jerusalem, Israel

Marco Lamieri of Intesa Sanpaolo, Milan, Italy

Legal Fiction: An Intellectual History of the COASE Theorem

Steven Medema, University of Colorado Denver, USA

Long Run History of Economic Inequality

Facundo Alvaredo, CONICET and Paris School of Economics, France
Sir Tony Atkinson, Nuffield College, UK
Salvatore Morelli, Oxford University, UK

Long Term Costs of Macroeconomic Instability

Margaret Levenstein, University of Michigan, USA
Naomi Lamoreaux, Yale University, USA

Mathematics of Capital, Inventory, Financial Capital and Utility

David Harris and Timothy Glatzer, University of West Virginia, USA
Amy Blake, Keane Federal Systems, USA

Research and Training Listing

Methodology of Systemic Risk

John Davis, University of Amsterdam, Netherlands,
and Marquette University, USA

Wade Hands, University of Puget Sound, USA

Model Complexity and Prediction Error in Macroeconomic Forecasting

Cosma Shalizi, Mark Schervish, and Daniel McDonald,
Carnegie Mellon University, USA

Money and Empire: A Biography of the Dollar

Perry Mehrling, Columbia University, USA

New Tools in the Credit Network Modeling with Agents' Heterogeneity

Rosario Nunzio Mantegna, University of Palermo, Italy

Nobel Memorial Prize in Economics and its Influence on Market Liberal Policy Norms

Avner Offer, Oxford University, UK

Philip Mirowski, University of Notre Dame, USA

Gabriel Söderberg, Uppsala University, Sweden

Origins of the Graduate Economics Canon in the United States

Irwin Collier, Freie Universität Berlin and

John F. Kennedy Institute, Germany

Palais Royal Initiative

Michel Camdessus and Alexandre Lamfalussy,
Fondation International Triffin, Belgium and France

Paul Samuelson and the Keynesian Golden Age

Wade Hands, University of Puget Sound, USA

Policy Implications of Darwinian Versus Newtonian Views of the Economy

Kenneth Carlaw, University of British Columbia,
Canada

Political Economy of the New "Fiscalism"

Mario Seccareccia, University of Ottawa, Canada

Proposal to Develop Emotional Finance

David Tuckett, University College London, UK

Protocols of War and the Driving Force of Modeling Strategy

Judy Klein, Mary Baldwin College, USA

Reorienting Fiscal Policy: A Bottom Up Approach

Pavlina Tcherneva, Franklin & Marshall College, USA

Resurgence of Keynesian Macroeconomics

Steven Fazzari, Washington University, USA

Robustness of Policy Analysis to Departures from Model-Consistent Expectations

Michael Woodford, Columbia University, USA

Spatial Approach to Macroeconomic Inference

Arindrajit Dube, University of Massachusetts-Amherst, USA

Ethan Kaplan, Columbia University, USA, and
the Institute for International Economic
Studies at Stockholm University, Sweden

Spillovers to Slavery: The Long and Short Run Economic Impacts of Slavery in the USA

Jeremiah Dittmar, American University, USA

Stability and Growth Union: Putting EMU on Track

Notre Europe, Paris, France

Stock Market and Innovative Enterprise

William Lazonick, Academic-Industry
Research Network, USA

Technology-Skill Complementarity on the Eve of the Industrial Revolution

Karine van der Beek, Ben-Gurion University, Israel

Turbulent Dynamics in Advanced Economies (book)

Anwar Shaikh, New School for Social Research, USA

Understanding Finance's Potential for Growth and for Crisis

Dirk Bezemer, University of Groningen, Netherlands

Understanding Macroeconomic Fragility

Harald Uhlig, University of Chicago, USA

Research Programs

Advancing Imperfect Knowledge Economics

Roman Frydman, New York University, USA

Creating a Global Systemic Risk Initiative

Fred Bergsten, Simon Johnson, Peterson Institute for
International Economics, USA

Human Capital and Economic Opportunity

James Heckman, University of Chicago, USA

International Network on Expectational Coordination

Roger Guesnerie, Paris School of Economics, France
(Additional team members participating in this project are located
in Chile, China, Israel, Japan, the Netherlands, Spain, Switzerland,
and the USA.)

Economic Training

Berkeley Economic History Lab

Barry Eichengreen, University of California Berkeley, USA

Center for the History of Political Economy

Bruce Caldwell, Duke University, USA

Economic History Research Program

Emma Rothschild, Joint Center for History and Economics,
USA and UK

INET Economics Curriculum Committee

Perry Mehrling, Columbia University, USA,
Robert Skidelsky, Warwick University, UK

Building Community

Bringing People Together

Catalyzing and advancing a fundamental shift in global economic thinking requires collective energy and collaborative action. It requires debate and discussion, the sharing of open discourse and provocative ideas across multiple disciplines and geographic borders. The transformation of our economic system requires the kind of innovation that is only made possible through a diverse, global community of thinkers.

Through our conferences and collaborative spaces, INET is building and supporting the world's largest community of new economic thinkers—innovators who share a commitment to engaging the challenges of the 21st century.

Debating the Important Issues

INET stages a series of conferences and regional meetings held around the world that bring people from different fields and schools of thought together to debate on vital issues and questions that urgently require new economic thinking.

Conference proceedings captured on video are typically available on our web site, www.ineteconomics.org, shortly after a conference to enable the broadest community possible to re-experience the discussions and understand the issues.



Andrew Sheng

Chief Advisor,
China Banking
Regulatory Commission



Every Chinese historian understands that it takes centuries to change orthodoxy. The mainstream defends its beliefs against all comers, even if the world has changed.

What INET is trying to do is laudable and realistic. The Institute challenges the mainstream neo-classical economic thinking in every way, probing its weaknesses, browsing through the alternatives, and storming the gates at the same time.

The 2011 Bretton Woods Conference demonstrated INET's ability to gather together in one place different minds, young and old, to focus on what needs to push the economics profession out of its parochial comfort zone and address real-world problems. Bringing many young students and professionals together to participate in the debate paves the way for the next generation of thinkers to emerge. For INET to reach this level of engagement and influence in two years is a remarkable achievement.

Building Community Campus Outreach

INET has visited a number of colleges and universities throughout the U.S., where the Institute engaged with students and their professors in the larger conversation surrounding economic theory and practice. Discussions focused on economics in academia, addressing the challenges faced by the economics profession in the aftermath of the crisis and what it will take to change prevailing paradigms.

INET also invited select students to attend its most recent conference in Bretton Woods, where students had the opportunity to engage with the world's leading economic thinkers, attend sessions, debate issues, and propose ideas.



Zilong Wang

Philosophy Student,
Hampshire College



I was immediately attracted to INET when Dr. Johnson and Professor Stiglitz visited Amherst, Massachusetts more than a year ago. I have never heard such a candid and inspiring talk on economics from a grand perspective. That meeting has made me realize how cool economics can be, and what I can contribute to new economic thinking.

Since then, I have observed the INET community's exponential growth both online and in the real world. As a second year undergraduate student, it was extremely rewarding and eye-opening to participate in the 2011 INET Bretton Woods Conference. The leading thinkers and economists at the Conference were passionate about their work and straightforward with their own questions; both qualities are great examples for students. INET has instilled vigor and creativity into economic thinking, and has made the economics community much more attractive to young people around the world.

Joseph Stiglitz

Nobel Laureate and Professor of
Economics, Columbia University



The college campus is a place of great stimulation and a fantastic number of possibilities, and in our economic and financial climate, students face daunting decisions as they prepare themselves for the future. INET is creating critical platforms for communicating with students to discuss the realities of our current economic system and to engage them in our global efforts to effect change.

Building Community

2010 Conference

April 2010



Economics in Crisis and the Crisis in Economics

INET's Inaugural Conference at King's College, Cambridge

INET convened many of the world's most distinguished economists, academics, and thought leaders at its inaugural Conference "Economics in Crisis and the Crisis in Economics" held at King's College, University of Cambridge, April 8-11, 2010. The conference brought together a cross-section of thinkers to discuss the roots of the recent global economic crisis and the role that the discipline of economics played. More than 200 people gathered to discuss whether the prevailing economic policy paradigm and the theories behind it had failed, and whether a new paradigm of economic thinking needed to be developed to better suit the new demands of the 21st century.

The conference discussed a wide range of issues including the causes and solutions to the current economic crisis, regulatory reform, systemic risk, wealth inequality, the role of central banks, and the role of politics in the economy.

Keynote Speakers Included:

Adair Lord Turner,

Chair, Financial Services Authority

Dr. Guillermo Martinez Ortiz,

Former Governor, Banco de Mexico

Dominique Strauss-Kahn,

Former Managing Director, International Monetary Fund

Tommaso Padoa-Schioppa,

Former Minister of Economy and Finance, Italy

Conference Sessions Included:

- 1930 and the Challenge of the Depression for Economic Thinking: Friedrich Hayek versus John Maynard Keynes
- Has the Efficient Market Hypothesis Led to the Crisis? Collapsed with The Crisis?
- Networks and Systemic Risks
- What Kind of Theory to Guide Reform and Restructuring of the Financial and Non-Financial Sectors?
- Toward a New Global Financial Architecture
- Mathematical Models: Rigorously Testable, Qualitative Metaphors, or Simply an Entry Barrier

Adair Lord Turner, Chair, Financial Services Authority "Truly remarkable conference—a feast of intellectual inquiries."

Bruce Caldwell, Professor of Economics, Duke University "This is the first conference ever that brings together leading minds in the economics profession with policymakers and historians of economic thought."

Arun Advani, Economics Graduate Student, Cambridge University "The idea of the conference is to start again, to relook at economics and see what makes sense and what doesn't. To evaluate what ideas and models need to be thrown out, because as economists, we have never properly decided which things we should get rid of."

Conference Sponsors: The Centre For International Governance Innovation (CIGI) — Stiftung Mercator

Building Community 2011 Conference

April 2011



Crisis and Renewal: International Political Economy at the Crossroads INET's Second Annual Plenary Conference at Bretton Woods, New Hampshire

The historic Mount Washington Hotel in Bretton Woods, New Hampshire, was once again bustling with the sound of fresh ideas and forward thinking aimed at rebuilding a broken economic system. INET's 300-plus global assembly of economists, students, journalists, and government officials past and present filled the very Grand Ballroom where the 44 allied nations of World War II had gathered in 1944 for the United Nations Monetary and Financial Conference to discuss the reconstruction of the international economic system affected by the Great Depression and the war.

However, the global crisis we face in 2011 is fundamentally distinct from the challenges of 1944, and INET's goal in Bretton Woods was to generate constructive conversation and debate surrounding the critical economic issues of our time. There were no tangible resolutions or signed agreements. The purpose of this year's conference was to gather an international spectrum of thinkers, left to right, west to east, to challenge the system that allowed for financial collapse in 2008.

Conference Sessions Included:

- Getting Back on Track: Macroeconomic Management After a Financial Crisis
- Sovereignty and Institutional Design in the Global Age: The Global Market and the Nation States
- The Political Economy of Structural Adjustment: Understanding the Obstacles to Cooperation
- Sustainable Economics
- Optimal Currency Areas and Governance: The Challenge of Europe
- Panel Discussion: Rising to the Challenge: Equity, Adjustment, and Balance in the World Economy

Keynote Speakers Included:

Larry Summers,

Former Director of the White House National Economic Council

Gordon Brown,

Former Prime Minister of the UK

Adair Lord Turner,

Chair, Financial Services Authority

Paul Volcker,

Former Chairman of the Federal Reserve

George Soros,

Chairman, Soros Fund Management and
Founder, Open Society Foundations

Gillian Tett, U.S. Managing Editor, *Financial Times* "I went to Bretton Woods to explore new ideas about the economic situation and the world more generally. Essentially, the conference did two things. One, it tried to redefine the economics profession and point to new areas of research and new ways that economics needs to remake itself to be relevant. Secondly, it tried to address some of the burning economic and financial issues of the day. It was a fascinating, inspiring, and thought-provoking few days."

Andre Wilkens, Director of Strategy and Director of Mercator Centre Berlin, Stiftung Mercator "We have proudly supported INET's first two plenary conferences in Cambridge and Bretton Woods. We believe in INET's vision and goals and feel particularly aligned on topics dealing with climate change, the Euro crisis, and the rise of China."

Conference Sponsors: Carnegie Corporation of New York — The Centre For International Governance Innovation (CIGI)
Stiftung Mercator — Alfred P. Sloan Foundation

Building Community Promoting Conversation

INET has a dynamic web presence, engaging a global community with a vast range of media to open the conversation and to get the word out.

INET Online

INET's web site, www.ineteconomics.org, provides a rich environment for learning about and collaboration around economics. Through the extensive use of multimedia content and social media, we are empowering a global community to share ideas, experience events in common, and discuss pressing developments related to economics. The web site contains video interviews with leading figures who are shaping the future of economics and as well as other individuals engaged in new economic thinking. A range of thought-provoking blogs are also available.



Pierpaolo Barbieri

Former Graduate Student,
University of Cambridge



The key to facing these great challenges in economics—questioning the governments, questioning the role of “experts”, and questioning the ivory towers—is to get these ideas and questions out into the open. The ideas we develop here will be best used if they are more public. The more public they are, the more debate there can be, and the best way to achieve that is through the Internet. People who cannot attend the conferences in person can experience them online, and if you expose people to different views and conversations, you can increase debate. The more debate you have in a democratic society, the better the answers you generate will be.

THE WALL STREET JOURNAL

In the wake of a financial crisis and punishing recession that the models failed to capture, a growing number of economists are beginning to question the intellectual foundations on which the models are built. Researchers, some of whom spent years on the academic margins, are offering up a barrage of ideas that they hope could form the building blocks of a new paradigm.



“We’re in the ‘let a thousand flowers bloom’ stage,” says Robert Johnson, president of the Institute for New Economic Thinking, launched last year with \$50 million from financier George Soros, a big donor to liberal causes who has long been a vocal critic of mainstream economics. The institute so far has approved funding for more than 27 projects, including efforts by Messrs. Farmer and Tuckett aimed at developing new ways to model the economy.

(Excerpt from November 30, 2010 *Wall Street Journal* article on INET grants)

Building Community Promoting Conversation

Media Outreach

INET has developed a productive working relationship with media organizations around the world, helping us illuminate and amplify our initiatives as well as contribute our points of view on pressing issues.

Members of the INET community, including Executive Director Rob Johnson, numerous advisory board members, and grantees, are frequently called upon to contribute new economic thinking perspectives to media coverage on just about any aspect of the global economy. Since its inception, INET has been part of the coverage of literally hundreds of media outlets around the globe, ranging from the world's largest media organizations to highly respected blogs on economics and related topics.



Steve Clemons

Washington Editor-at-Large for
The Atlantic and Senior Fellow
at the New America Foundation



What generation hasn't said to itself, "We live in a time of great change"? They all have—at least through the last handful of centuries. Despite this, over the last several decades, the economics profession froze up, believing that it had reached the end point in the understanding of economic systems. They had modeled the ideal, the perfect point of equilibrium. Only problem is that life is naturally imperfect, grinding this way and that with progress driven by imbalances embedded in who we are.

But just as line operators working the backrooms of the one time monopoly AT&T gave way to the dynamism of code writers, fiber optic engineers, and wifi architects to connect people, a new generation of creative economic thinkers needs to push aside those economic players wedded to an anachronistic way of seeing the world.

Every sector undergoes revolutions. Cezanne upended the Salons. The Beatles, Dylan, Springsteen et al all shut the lid on their predecessors in music and social commentary. Why would the Chicago School of Economics and neoliberal economic thinking that had become dominant in the field be any different? The answer is that the world is ready and the field ripe for a revolution in economic thinking.

To achieve change, new, high-quality economic thinking needs to be cultivated. So, too, the inertia of the current system needs to be challenged—and writers, social leaders, those who hold the levers of power need to be inspired and convinced that a strategic leap into a different portal of economic thinking is vital and inevitable.

Richard Koo

Chief Economist,
Nomura Research Institute

INET is a long-awaited effort to breathe new air into economics and make the profession relevant again for analyzing real-world challenges. With INET offering a platform for those with new ideas, I hope that more new insights will join the public knowledge.



Partnerships

INET is establishing partnerships with leading thought centers around the world, including universities, think tanks, and other research-oriented institutions. The goal is to provide intellectual hubs aligned with the INET mission and to support local communities of innovators. Ultimately, a large network of centers in different countries will provide a global infrastructure for scholars to travel and more easily collaborate with colleagues around the world.

Through its initiatives, conferences, and collaborative spaces, INET is forming a global network of new thinkers who share a commitment to improving our economic world.

The Centre for International Governance Innovation (CIGI)

Through INET's partnership with the Centre for International Governance Innovation, the two organizations are collaborating to broaden and accelerate the development of innovative thinking that will lead to insights and solutions for the great economic and governance challenges of the 21st century.

Thomas Bernes

Executive Director, CIGI



At the Crisis and Renewal Conference in Bretton Woods in April, 2011, I was struck by the broad and strong commitment to developing new economic thinking to address the challenges our economies and societies face. CIGI shares in this commitment and is proud to work with INET in finding ways to make economics more relevant and helpful. Headlines from Washington and various European nations are a constant reminder of the relevancy and importance of our work. The challenges of stronger and sustainable growth performance, fiscal reform, better financial regulation, and addressing inequality are all front and center as the world continues to confront the aftermath of the global financial crisis. It is my firm belief that CIGI and INET's joint efforts in the areas of conferences, research, and campus outreach will help bring about the necessary innovation to help right the global economy.

Institute for New Economic Thinking @ Oxford

INET's joint academic institute with the Oxford Martin School at the University of Oxford focuses on new thinking in the field of economic modeling and looks at issues surrounding systemic risk.

Ian Goldin

Director, Oxford Martin School



INET has provided an extraordinary opportunity for partnership with the Oxford Martin School. By breaking the impasse in economics, INET will demonstrate the relevance and excitement of economic scholarship. Part of this agenda involves forming new links with institutions and individuals with differing economic perspectives and skills, as well as to draw upon the insights of other disciplines. The Oxford Martin School, like INET, is a start-up, created in 2005 as part of the University of Oxford to support innovative interdisciplinary research into the greatest challenges of the 21st century. In economics, the Institute for Economic Modeling founded in collaboration with INET has served to provide mutual leverage, doubling our and INET's capacity to address critical questions of economic modeling, forecasting, and systemic risk. The development of fresh insights into these areas of economics is vital if we are to avoid the disastrous policy mistakes of recent years.

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Financials

INET was established with a founding grant of \$50 million over 10 years from George Soros in October 2009. Jim Balsillie joined Mr. Soros as a founding sponsor in 2010 through a partnership with the independent non-partisan think tank on international governance which he founded in 2001, The Centre for International Governance Innovation (CIGI). Since then, INET has secured additional philanthropic support and formed strategic collaborations to further its work in the areas of research funding, international plenary conferences, and joint academic institutes. INET is grateful for the generous support from the individual and institutional donors listed on the following page.

Below is a financial report* representing INET expenses from January 2010 – June 2011.

Sources of Funds

Unrestricted	\$8,543,770
Restricted – Conferences	\$539,770
Restricted – INET Institute at the Oxford Martin School	\$740,232
TOTAL	\$9,823,772

Program Expenditures

Individual Research Grants	\$1,446,103 [†]
Research Programs	\$250,000 [†]
Economic Training	\$367,532 [†]
Inaugural Conference at King's College	\$697,495
Annual Conference at Bretton Woods	\$1,127,221
INET Institute at the Oxford Martin School	\$740,232 [‡]
INET Online	\$554,430
Video Production	\$498,848
Sub-Total	\$5,681,861

Supporting Expenditures

Salary and Benefits	\$1,146,667
Professional Services	\$673,003
Administration and Legal	\$617,078
Fundraising	\$474,813
Sub-Total	\$2,911,562
TOTAL	\$8,593,423

* Unaudited financials. 2010 audited financials available on request.

[†] INET funds multi-year research grants, programs, and training initiatives with an average timeframe of 3 to 5 years. The remaining commitment to current INET grantees represents a total of \$9,909,498. This will be awarded between July 2011 and January 2016, and includes four grants being bestowed through INET's partnership with CIGI.

[‡] INET and the Oxford Martin School, University of Oxford have a formal partnership that continues through 2014, at minimum. INET has committed an additional \$4,794,116 to this institute.



Recognition

INET is grateful for the generous support of the individual and institutional donors listed below.

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