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Raoul Beunen, Kristof Van Assche, & Martijn Duineveld, *Evolutionary Governance Theory: Theory and Applications*, Springer, 2014, 348 pp. $115 Hardcover.

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Book Review

Evolutionary Governance Theory: Theory and Applications is not an easy read for economists. Theory, when narrowly defined, is a set of statements logically connecting the assumptions to the hypotheses that can be empirically examined. Evolutionary governance theory, or EGT as Raoul Beunen, Kristof van Assche and Martijn Duineveld (the editors of the book as well as authors of some chapters) abbreviate, is neither illogical nor anti-empiricist; it nevertheless follows a tradition more philosophically continental than most economists are accustomed to. Readers who are more comfortable with a different tradition but open-minded enough will no doubt benefit from the insights from this 350-page book and the collection of articles/chapters by twenty-three scholars from different fields of studies. What follows in the rest of this review is my reflection on EGT as an economist educated in the American system. It is not possible to closely examine and it will also be unfair to comment on all twenty-two chapters with many topics and research outside my expertise.[2]Please consider this a warning in advance.

A closer look at the resume of the editors would reveal that EGT emerges from their research in planning and in the philosophy of social sciences, although authors of many other chapters extend the EGT approach to their own specialties including economics, law and political science. Many of them make frequent references to the first two chapters penned by the editors, which can be viewed as their manifesto of the new theory.

"Governing has never been a matter of government alone and the often mentioned shift from government to governance does not imply that governments are nowadays no longer playing an important role." (p.3) This statement on the first paragraph in the first chapter makes a sharp contrast to the mainstream economic approach. Binary coding runs deep in our discipline. Any economy can be deconstructed into the government versus the market with zillions of individuals maximizing their utilities *given* their preferences assigned by the impartial observers, i.e. *the* economists. EGT, on the contrary, is constructive (or constructivist). They further explain, that "[g]overnance is never a matter of a few people taking decisions… There are always other actors who need to comply with

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[2] In particular, Part IV with several case studies.

rules, who need to understand orders, others who need to cooperate, to advise, to make money." (p.4) Regardless of what the political institution is, everyone plays a role, big or small, in governance. Because of such complex dynamics, EPT offers "[a] theoretical framework [that] shows how understanding governance as entirely and continuously restructuring, allows for new understandings of broader changes in society, and new understandings of the spaces for intervention." (p.4) Contexts matter. This is a reason why the editors found inspiration in the work by Avner Greif, Douglass North and Elinor Ostrom. Mainstream economic theories are time and space independent; if we can find "one unifying principle"—not an attempt by EGT (p.23)—that makes the West so economically successful since the Industrial Revolution, failure of other countries to mimic such successes is simply a failure to follow the principle, not the logic for the construction of the principle itself. New institutionalists and economic historians seem to pay more attention to contexts—communities' path-, inter- and goal-dependence (Section 2.6). New Institutional Economics (NIE), rather vaguely defined by the editors, is one of the inspirations of EGT, and this is where my familiarity ends. The other two have a more continental root: Michel Foucault and Niklas Luhmann.

Discourses and communications are both key elements in understanding the work by Foucault and Luhmann. Foucault emphasizes the relations between power and knowledge in discourses. "Power generates discursive processes, knowledge creates power, and knowledge is a product of power relations… [and] [t]hose power relations partly spring from access to, use of, and privileging of certain types of knowledge about self and environment." (p.23) The self-environment distinction is echoed in Luhmann's conception of social systems (mostly, communications) and how they respond to their environment. The history of macroeconomics may illustrate Foucualt's power-knowledge relations and Luhmann's social system theory. Measures for the aggregate economy such as the real GDP and the consumer price index were developed by the political and the intellectual elites for the purpose of governance. They have generated discourses among scholars, and facilitated the development of the Keynesian and the neo-classical school of thoughts. Often, macroeconomic theories are challenged and advanced in response to the drastic changes in the global economic environment such as the Great Depression in the 1930s, the collapse of the Bretton Wood system and the stagflation in the 1970s and the Great Recession in the late 2000s. The scholarly communication not only generates the New Neo-Classical Synthesis in the 1990s, a consensus in methodology between the New Keynesian and the Neo-Classical schools of thoughts, but also generates power in the highest political order in economic policy. Alan Greenspan, a former banker, was succeeded by two academic economists Ben Bernanke and Janet Yellen. Among the regional Federal Reserve presidents, four have tremendous scholarly contributions in the field of monetary theory, time series econometrics and dynamic stochastic general equilibrium models.[3] Power generates knowledge and in turn knowledge generates power. To both Foucault and Luhmann, economists are not passive observers. Economists observe, communicate, and make impacts. Thus, EGT can also be described as a meta-analysis, as researchers should also be the subjects of study at a higher analytical order because of this recursive process. A rather extreme notion to economic scientists is performativity: economists do not just study the market,

[3] James Bullard, Charles Evans, Narayana Kocherlakota and Charles Plosser. Bullard, Kocherlakota and Plosser are listed in the top 10 of a flawed list of most influential economists by The Economist magazine. http://www.economist.com/news/finance-and-economics/21637412-economists-academic-rankings-and-media-influence-vary-wildly-shifting-clout. Accessed on May 1, 2015.

economists, by making statements about the market, creates the market. The above is my modest application of Foucault and Luhmann to economics; readers may want to verify my interpretations of their theories by reading "Power/Knowledge as a Driver for Governance Evolution," Chapter 9 by Beunen, van Assche and Duineveld and "Evolution of Governance or Genealogy of Power?" Chapter 14 by Dix. Hillier discusses "Performances and Performativities of Resilience" in the context of spatial planning in Chapter 12. Gunder's "The Role of Fantasy in Public Policy Formation" (Chapter 10) may interest academic readers in the field of ideology and social policy.

Given these intellectual lineages of EGT, it is best described as a methodological approach. Gert Verschraegen's "The Evolution of Welfare State Governance" (Chapter 4) serves as a typical example. This chapter focuses on the economic and the political systems. Economics define the market and seek for the conditions that make an equilibrium Pareto efficient. Thus, "[f]rom the point of view of the economic subsystem, [] welfare benefits can be seen as a major burden on economic productivity or labor market transparency." (p.58) Luhmann asserts that systems or subsystems are autopoietic. Economists have their internal communications (e.g. marginal product of labor equal to the real wage without government intervention) and without which the displicine cannot be economics. But "[f]rom point of view of the political system the welfare state is rather seen as an instrument of 'social cohesion' or 'interest intermediation' between generations (f.i. pensions, child benefits) or between employers and labor movement (f.i. unemployment benefits)." (p.58) In Luhmannian terms, as Verscharaegen point outs, these differences in terminologies are necessary to articulate the "identity" or "functional logic in a systematic and scholarly manner." At this level, from the standpoints of two groups of scientific observers, there is a rivalry in the two logical systems. However, at a higher level of observation, Verscharaegen argues that the welfare state, a politically sound idea may in fact be economically sound as well. "[B]y establishing social rights and setting clear boundaries to the economy, the welfare state defines the area of competence of the market and delineates it from all other, non-economic social spheres. It ensures that the market logic does not colonize societal domains such as education, the media, politics, health care, the arts, etc., and thus sustains the societal preconditions on which the market itself is dependent." (p.63) The two systems are in fact interdependent, but the internal logic of economics create a blind spot in our observations. Economies and markets are not created in a vacuum. They are founded on certain "societal preconditions" if we care enough to study the context. Yet, increasing productivity can dominate and alter these foundations and consequently limit the stability and the healthy growth of the economy. At one level, we may see the welfare state a contradiction to economic efficiency. At a different level, the evidence may be "[a]gainst the neo-liberal assumption of a big 'trade-off' between economic efficiency and social justice, [and] welfare states are thus built on the assumption that social policy is conducive to promoting economic adjustment, and that there is no contradiction between economic competitiveness and social cohesion." (p.60) This philosophical insight is profound. It also provides a rationale of the co-existence of both the market and the welfare state. Whether it is adequate in convincing market-obsessed economists and social justice crusading political scientists is a different story.

Indeed, many of the analyses found in the book require us to rethink of the commonly used concepts in a new light. For example, instead of arguing that law serves certain honorable moral purpose, as a social system, it serves a rather neutral function of "stabilizing expectations." (Chapter 4, "Planning and Law in Evolving Governance"). By stepping away from the internal logic fixated to a more narrowly defined scholarly tradition, social scientists from different viewpoints may be able to find synthesis that can lead us to solutions of many social problems. This agenda is very ambitious and the authors might not have succeeded in laying out a clear road map of their approach with only one publication. Economic methodologists would find the narratives in many chapters refreshing. Political economists would find unique insights in the aforementioned Chapter 4 and 10. Development economists would be fascinated by the rich case studies (Part IV)of countries in Asia and Europe conducted by planning researchers. Martin Petrick's "Between Individual Autonomy and Centralized Control: Outlining an Evolutionary Model of Neo-endogenous Rural Development" (Chapter 17) offers the most mathematically technical chapter of game theoretical modeling that microeconomists would appreciate. My only regret about the book is that the connection between EGT and NIE could have been elaborated more by additional authors familiar with NIE.