

Field: Social Sciences

Introductory Speakers:
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Session Topic:
Economic diversity

Economic Variety is a topic which basically is neglected in Mainstream Economics where concepts like the representative household and the representative firm are applied with the aim to abstract from heterogeneity which then allows the application of rigorous calculus. Without doubt by this strategy economics has gained deep insights embedded in a formal elegant framework.

However, neglecting economic variety is also a major source for oversimplification in many fields, in particular when it comes to the analysis of economic development processes. There is a wide agreement that the most important driving force of economic development is technological process and with it innovation processes.

Innovation itself introduces a first heterogeneity as one can differ between innovating actors and non-innovating actors. Furthermore, learning and innovation processes are fed by different knowledge sources: Universities and public research institutes, R&D laboratories of private firms and entrepreneurs. These different sources do not only bring in varying knowledge but combine their individual competencies in varying ways, having in mind varying strategies and finally introduce varying innovative solutions.

All these different characteristics of variety may lead to complex processes of interaction and synergetic benefits in the form of spillover effects, network externalities and other positive externalities. Modern innovation research therefore puts heavy emphasis on economic variety and its adequate representation in the analysis of economic development processes. Generally, one can say that the analysis of patterns and pattern formation processes are at the heart of these new approaches which aim for a better understanding of the origins and regularities of economic development.