

The 'science' of the economists vs. our real economic needs. Part 3 of a trilogy¹

The über-, über-, über-economist of the world at the time, Alan Greenspan, president of the Federal Reserve System of the USA (The Fed)², could not explain – questioned at a Congressional hearing – what had caused the financial crisis of 2008. Let alone that he could have prevented it. He said: “yes, I found a flaw (...) in the model that I perceived is the critical functioning structure that defines how the world works, I made a mistake ...”.³ That model - in fact, his ideology - being the free, competitive market, and the assumption that the self-interested behaviour of organisations would protect their own interests, and then – baked into that model – would automatically further the interest of the collective as well⁴.

Economy really is the only field of expertise and academic standing where its ‘scientists’ and experts are not required to speak truthfully and act usefully. In other words, they can say whatever they want and just never solve any problem for mankind. They will still retain their status, the financial support for their projects, and they are even cut out to receive Nobel prizes!⁵

Let’s have a look at a theorem expressed by Gérard Debreu, French economist, awarded with the Nobel prize in 1983.

He said: “it is the economist’s duty to inform that the right to life cannot always be guaranteed because of the costs involved.”⁶

Indeed, ladies and gentlemen economists, I am afraid we cannot guarantee your jobs, institutions and projects anymore – and certainly not your status, it is just too costly. The intellectual, academic, political and cultural oxygen used up by your trade, leaves us gasping for breath and suffocates the real economic lives of people. The economy of millions of us has been destroyed, impaired or diminished because of our inability to focus on just that: the economic lives of people⁷. And modern economic theory and its ensuing macro-policies play an important role in obscuring our clear sight. They do that by presenting us with shining objects like mathematical models, statistical data, diagrams, graphs and computed programmes, by theories about ‘market’, ‘price and value’, ‘equilibrium’, ‘free trade and mandatory growth’.

¹ The 3rd article of the trilogy: *Dismantling Theories and Ideologies - Waking up to our Real Economic Needs*.

² Alan Greenspan was president of the US Federal Reserve System from 1987 to 2006.

³ See: <https://www.youtube.com/watch?v=7bF1EmyOaQQ>

⁴ The so-called ‘invisible hand’, a term coined by Adam Smith, but then much used out of context.

⁵ The Nobel prize for economics has been established in 1968 and is financed by the Bank of Sweden. It is not a Nobel prize. Peter Nobel has said that the association with the Nobel prizes is a “a PR coup by economists to improve their reputation”. (The Local, 28 September 2005, *Nobel descendant slams Economics prize*).

⁶ Bernard Maris, *Lettre ouverte aux économistes qui nous prennent pour des imbéciles*, Ch. 5.

⁷ Just to mention one example: the SAP (Structural Adjustment Programmes) of the IMF imposed on developing countries as a condition for obtaining loans. These SAP programmes have failed to develop any country, but deepened the misery of their people instead. The IMF employs, of course, the world’s top economists.

But then, what is the clear sight that we should focus on when we think ‘economy’? Any householder, if they are wise and benevolent, strives to achieve the physical survival and continued wellbeing of all the members of the household – and therefore everyone gets a seat at the dinner table. They will see to it that all children will get the education they need, so as to be able to manage their lives when they grow up. They will allow for the development of individual talents, and balance that with social coherence within the family. They will support where additional strength is needed and discipline where the power of the one threatens the freedom of the other. And as to the wider society they are operating in, the wise household manager knows that it is to no avail to dream about an ideal state to come in the future (like absolute equality). Instead, they just take daily responsibility and execute their plan in an environment of constant flux, with too many dynamic variables for anyone to oversee. Let’s call this approach ‘*oikonomia*’ – a Greek term and the source of our word ‘economy’. It means ‘management of the household’.

Instead, economists like Alan Greenspan – and it is their thinking that now rules the world – focus not on people, but on the so-called ‘perfect functioning’ of the market, and the necessity of eternal growth. Well, ‘markets’, my dear friends, are like our bowel movements. For a healthy person, they just happen organically and naturally. There is nothing to fret or theorize about. In the same way, trade is an occurrence in our economic lives that just happens by itself when people are economically healthy, when they can participate in the economic cycle of production and consumption. It requires no ideology nor theory to function just fine. The same with growth. Flowers, plants, trees or children, they just grow – when they are healthy. And what is more, they will grow until their natural mature size is reached and then stop growing. In the same way, our economies will grow, all by themselves, when the people concerned are healthy and strong, and then will organically stop growing when life’s needs are satisfied. Then, having fulfilled our basic economic needs, we can then continue to grow as human beings.

From this follows that the focus of our policies should be on the economic health of people, i.e. on keeping everyone included in the economic cycle of producing and consuming. Policies can lose their fretting over growth and perfect markets. These will just naturally ensue from the pursuit of people’s economic wellbeing. And because our economies are globally interconnected ‘keeping everyone included’ implies all of us on this planet, excluding and harming no one.

Now, let’s elaborate a little further on ‘keeping everyone involved in the economic cycle of the economy’, the true economic mandate for our political leadership. This is the same as our householder’s ‘everyone will have a seat at the dinner table’. Here we do not mean to implement a one-way programme by some centralized planning government. We tried that programme and it failed. ‘Keeping everyone involved’ implies aiming at the empowerment of each and every citizen, as they live their own culture of economy, their specific way of producing and consuming, and their specific culture of distributing⁸. The money-market model is just one amongst several, and there is no reason why it should have cultural predominance, marginalizing others. Communities should determine themselves by what economic structures they want their people to stay alive.

To lead that focus on ‘keeping everyone involved’ we need an economic indicator that shows us just that. We can design a statistical tool along the lines of a People/Quality (P/Q) indicator⁹, counting if people are involved, and measuring the quality of that involvement ... and lose Growth of National Product indicators like GNP.

⁸ Distribution of the goods and service we need to live can reach the consumer by voluntary service, barter or self-sufficiency. The money-market system is just one way. Objective economic thinkers should consider all possibilities equally, and in the end, it is the people who make their choice.

⁹ See Ch. II, 3, ‘*The Measure of Good Economy – Money or People?*’

Let me conclude with a prediction, because that is what economists love to do. But this prediction will stand, so I can vouch, unlike the fortune-telling of the present academia. If we were to introduce the P/Q indicator today, then in 10 years we would have made quite some headway towards an *oikonomia* of empowered people and worldwide peace. And after 20 years this world would have completely changed its face, unrecognizable as to what it looked like before. We would have to consult our records to remember how it was, and we would feel deeply ashamed of our stupid past.

If you wish to access all three articles of the trilogy '*Dismantling Theories and Ideologies – Waking up to our Real Economic Needs*', go to: <https://www.liemgiokin.com/columns-and-articles.html>

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