



MARK OLIVER SMITH

Dear Milt,

I have gathered the enclosed thoughts about Economics and its related disciplines with some faint-heartedness. I am not an Economist. My formal introduction to the subject took place in the last two years of High School. I wanted to undertake further studies in the subject but this was not to be. Nevertheless I wandered about the subject with courses in the other social sciences. These included Moral and Political Philosophy, Government and Social Psychology. While these courses do not focus on topics such as Trade, Capital, Labour, Savings, Investment, Free Markets, Competition, Price, Value and so on, they do provide an opportunity for questioning the philosophical issues and assumptions that relate to similar subjects.

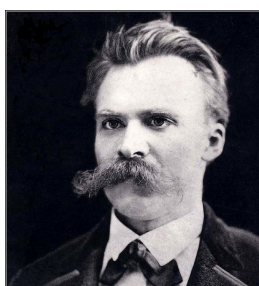
I have decided to put to one side my diffidence in view of the fact that so few of the trained Economic specialists predicted the financial meltdown of 2008. If the experts lacked understanding there may well be a case for the non-expert to have an opinion!

I thought, initially, that I would call these notes: '*An Outsider's Attempt to Gain an Insider's Perspective on the Causes of the American Financial/Economic Collapse of the 8th September 2008*'. However I had to abandon that title because it was based on an erroneous idea that the current financial meltdown was economic in nature. At its root it is a moral-spiritual problem which has to be approached by using a much wider lens than economic theory.

It is too simplistic to ascribe the causes of the present financial collapse to the effects of sub-prime mortgages, or predatory lending practices or unsecured borrowings or inflated valuations or the behaviour of corporate cowboys who engage in casino capitalism or bankers who gamble in credit-default swaps or speculators who use unearned income to gamble on possible scenarios of the future. These malpractices do cause breakdowns but collectively, they are only surface indicators of a much deeper-seated cancer. The origins of the cancer are to be sought in another domain altogether.

The reason I have called these notes '*Towards Economica-Ecologia-Ethica*' is to highlight the importance of the Spiritual-Moral Dimension and the Ecological Dimension in ALL matters of Economics. My use of the word 'Towards' in the title is to suggest that any changes in the present system can only be achieved over time. The moral-spiritual dimension is rarely, or only embarrassingly, acknowledged. In Chapter 4 I refer to the transformation of moral values. I could have used Friedrich Nietzsche's (1844-1900) phrase '*Umwertung aller Werte*' i.e. the devaluation of all values. This term applies to the processes that have worked insidiously into the economic domain and divested Economics of a value base apart from self-interest. A forerunner to these processes was the elaboration of the '*Felicific Calculus*' of Jeremy Bentham.

This misguided attempt also had its heraldic form in the '*Political Arithmetic*' of Sir William Petty. These processes are not so much examples of falling for the '*naturalistic fallacy*' as they are of attempting to ignore the existence of a qualitative domain. Morality cannot be reduced to economics, nor can economics be reduced to mathematics. The domain of values exists independently and above that of economics. **The failure to engineer a society where economics is a servant and not a dictator of society is the root cause of the present dilemma.** Until economic behaviour is governed by ethical and moral principles the present breakdown will be repeated.



Friedrich Nietzsche

Jeremy Bentham



Sir William Petty

I have devoted Chapter 5 to a brief introduction of Steiner's attempt to formulate an approach to government which gives primacy to the Spiritual-Cultural domain over the Economic domain. I am not so naïve as to believe that Steiner's proposal would have any more success today than it had in Post World War I Germany. However, an examination of his writings does have the merit of altering one's perspective by challenging long-held assumptions. Unless the western world changes its thinking about the total restructuring of society the present economic maverick will run wild again.

It seems to me that if we are ever to avoid a repetition of the current financial meltdown we will have to gain a greater perspective on the nature of money and the nature of banking. Onetime, banks were providers of '**service**' to industry, commerce and the householder. Today, they are providers of '**products**' and competitors of industry and commerce. They take advantage of the householder and exhibit the worst features of corporations. Some economic genius of the future will have to devise an acceptable range of new currencies which can be widely traded. These currencies will have to meet the impending challenges of widespread dislocations through unemployment, the effects of climate change, and the social impact of the information age.

Much love

Dad

Dear Milton,

I have added another chapter to '*Towards Economia – Ecologia – Ethica*'. In many respects this new chapter (Chapter 7) should come first in the collection. However I have decided to avoid dislocating the typing layout. Besides, it does not matter greatly in which order three interrelated and interconnected disciplines are arranged. To insist on a disciplined presentation would interfere with the reader's right to perceive his own interrelationships!

Two and a half years after I penned my own reflections about the Financial Collapse of 8 September 2008 I read Ross Garnaut's *The Great Crash of 2008*. I was pleased to learn that I got some insights right even if they were not always couched in the jargon of a professional economist. However Professor Garnaut's analysis of the collapse was that of a diagnostic physician. His proposals were directed at keeping the dying patient alive by altering the dosage of the same medication. He gave no thought to the restructuring of society for the benefit of yet-to-be-born patients. Nor did he examine the philosophical foundations of corporations or the inappropriateness of the monetary system. Of course, these things cannot be altered over night. However we can move **towards Economia – Ecologia – Ethica** if we can find the courage to re-examine and re-lay the philosophical foundations of our economic thinking.

M.O.S.

January 2011

CONTENTS

Letter to Son Milton

CHAPTER 1 THE NATURE OF ECONOMICS AND RELATED PHILOSOPHICAL ISSUES

Citation from *The Turning Point*, Fritjof Capra

- Part I** **THE NATURE OF ECONOMICS**
 Oikonomia and Privare
 Process and Structure
 The Inter-relatedness of Economics
 The Cousins of Economics
 The Primary Source of Economic Ideas
 Differentiating Acute Symptoms and Chronic Disorders
- Part II** **RELATED PHILOSOPHICAL ISSUES**
 Economics and Meteorology
 Unintended Consequences
 Price and Value
 Products and Services
 Confusing Rights of Human Beings and Corporations
 Amoral of Corporations
 Mortgaging the Future
 Corporations Are Legally Persons But Lack The Moral
 Responsibility Expected Of Persons

CHAPTER 2 THE ATTEMPT TO CONVERT A DESCRIPTIVE ACCOUNT OF ECONOMY INTO A PRESCRIPTIVE SCIENCE

Citation from Fritjof Capra

- Part I** **THUMBNAIL SKETCH OF THE ATTEMPT**
 Historical Overview
 The Merchantilists
 The French Physiocrats
 Sir William Petty's Political Arithmetic
 Thomas Hobbes and his *Leviathan*
 John Locke and the Right to Property
 Adam Smith and the *Causes of The Wealth of Nations*
 David Ricardo and Economic Modelling
 Vilfredo Pareto and Welfare Economics
 John Stuart Mill and *Liberty*
 Karl Marx and his Labour Theory of Value
 John Maynard Keynes and Governmental Intervention

Frederick von Hayek and Free Market Capitalism
Milton Friedman and Government Deregulation

Part II

SUMMARY STATEMENTS OF ECONOMISTS

CHAPTER 3
MATHEMATICS AND MODELLING

Citation from Geoff Davies

Economics and Mathematics
Characteristics of the Number System
Natural and Real Numbers of Egypt
Differences in Mathematical Philosophies
Limited Applicability of Mathematics (Kline)
Three Different Registers of Reality (Lacan)
 The Real
 The Symbolic and
 The Imaginary
Misapplication of Modes of Reality
Tracking a Moving Target
The Investment Dollar Has No Identity
Man and the Economic Process
Scaling Assumptions
Causation and Correlation
Savings and Investment
Debt
Trading in Credit – Defaults
Trading in Futures

CHAPTER 4
ECONOMICS AS AN ASPECT OF THE SOCIAL QUESTION

Citations from J.G. Bennett and Fritjof Capra

Part I

ECONOMICS AS AN ASPECT OF THE SOCIAL FABRIC

The Collapse of Communism and the Financial Meltdown of
Capitalism
The Pathological Pursuit of Power by Corporations
The Composition of the Social Fabric
The Spiritual Cultural Domain As An Autonomous Domain
Morals, Ethics and Axiology
 Morals
 Ethics
 Axiology

Part II MORAL FOUNDATIONS OF ECONOMICS

Two Moral Philosophers
 David Hume (1711 – 1776)
 Jeremy Bentham (1748 – 1832)
 Two Ethicists
 G.E. Moore (1873 – 1958)
 Marcus George Singer (1926 -)
 Two Value Theorists
 Max Scheler (1874 – 1928)
 Nicolai Hartmann (1882 – 1950)

Part III ECONOMIA – ECOLOGIA – ETHICA

Economia
 Ecologia
 Ethica
 Economia – Ecologia – Ethica

CHAPTER 5
STEINER’S AURUF ZUR BEGRUNDUNG EINES
KULTURATES (An appeal for the establishment of a
cultural parliament)

Citation from Rudolf Steiner’s *The Social Future*

Part I STEINER’S THOUGHTS ON THE RESTRUCTURING OF SOCIETY

The Preliminary Two Memoranda
 The Collapse of Post WWI Germany
 Der Kommende Tag

Part II THE THREE-FOLD SOCIAL ORDER

The Ideal Social Order
 The Synarchy of Saint-Yves d’Alveydre
 The Social Body as Three Interlocking Spheres
 The Spiritual Sphere
 The Political Sphere
 The Economic Sphere
 Competition and the Cultural/Spiritual Sphere
 Redefinition of the Purpose of Money
 Concluding Remarks
 Selected References

CHAPTER 6

MONEY, MONEY, MONEY

Citation from Bernard Lietaer

- Part I** **ATTEMPTING TO DEFINE MONEY**
 Origins within Mystery Temples
 Money and Its Transition from the Real World to the Virtual World
 Secondary Functions of Money
 National Currencies
 Fiat Currency and Monetarism
 Globalisation and Information Technology
- Part II** **NON-TRADITIONAL CURRENCIES**
 Barter
 Complementary Currencies
 The 'LETS' of Canada
 Warminster's 'LINK' System
 Tomes 'ACORN' System
 Manchester's 'BOBBIN' System
 The 'WEBS' System of N.Z.
 Australia's 200 Systems
 The French 'LE GRAIN DE SEL'
 the Swiss WIR
 Complementary Currencies – A Beginning
- Part III** **FINANCIAL CAPITAL, PHYSICAL CAPITAL, SOCIAL CAPITAL AND NATURAL CAPITAL**
 Modern Capitalism
 Financial Capital
 Physical Capital
 Social Capital
 Natural Capital
 Integrating the Four Capitals
- Part IV** **STEINER AND THE CHARACTERISTICS OF MONEY**
 The Economy as Servant of Society
 Four Novel Elements of the Economic Sphere in the Threefold Social Order
 Self-Governing
 Working Associations to be Co-operative
 Land, Labour and Capital outside Economic Sphere
 Money to be Deprived of Virtual Reality
 Money Flow and its Changes in Value
 Acquisition of Value as Purchase Money
 Loss of Value as Loan Money
 Negative Value as Gift Money
 Money Made To Die
 Money, Savings and Investments

CHAPTER 7

THE THEOLOGY OF ECOLOGIA

Citation from Edward O. Wilson

Part I

ECONOMIA – ECOLOGIA – ETHICA

An Inter-disciplinary Task
 Greenpeace, Bio-centrism and Gaia
 Judeo – Christian and Islamic Mythos
 The Promised Land – Contrasting Attitudes
 Quality and Quantity in Indigenous Societies
 Principles of Economy in Non-Literate Societies
 The Vernacular Economy of the Outer Hebrides
 From the Vernacular Economy to the Cash Economy and the
 Entry into the Virtual World
 Money and Physics (Electronic Transfer)
 Linguistic Confusion

Part II

UTOPIAN FANTASIES

Secular and Religious Blueprints
 Robert Owen and New Harmony
 ‘A New Society’
 Harmonie
 Disharmony in New Harmony
 John Humphrey Noyes and Oneida
 The Abolition of Private Property
 Sexual Experimentation and Biblical Authorisation
 Doctrine of Perfectionism
 Communism of Love
 Last Days of Oneida
 Joseph Smith and the United Order of Enoch
 A Multi-faceted Life
 Principles of the United Order
 Later Modification
 Modern L.D.S. Welfare Programs

Part III

SUSTAINABILITY

Interconnectedness and Ecoliteracy
 Lovelock’s Gaia Theory
 Ecosystems as Climate Regulators
 Fritjof Capra and Holism
 Mapping with the New Mathematics
 Capra on Inter-relatedness
 Authentic and Counterfeit Holism (Bortoft)
 Ecologia, Economia and Ethica as a Whole

CHAPTER 1

THE NATURE OF ECONOMICS AND RELATED PHILOSOPHICAL ISSUES

‘An economy is a continually changing and evolving system, dependent on the changing ecological and social systems in which it is embedded. To understand it we need a conceptual framework that is also capable of change and continual adaptation to emerging situations’.

(Fritjof Capra, *The Turning Point*, p. 196)

PART 1

THE NATURE OF ECONOMICS

Oikonomia and Privare

The word 'oikonomia' is translated into English as 'economics'. It refers to housekeeping. It embraces the exchange of goods and services between people on a household basis, a city-state basis and an international basis.

The latin word 'privare' actually means 'to deprive'. The Roman usage, in its pure form, points to the original meaning ascribed to 'private' property. Private property was only justified to the extent it served the 'well-fare' of all. We have moved a long way from the original meaning. Today 'private' property implies that the state **cannot** deprive the individual of ownership without compensation.

Process and Structure

Economics is concerned with processes of exchange rather than discrete transactions. While each exchange may be discrete in its execution the process of exchange has reverberations and ripple effects far and wide. The nature of the exchange is usually concerned with goods and services but the exchange may also involve '**intellectual property**'. Perhaps the most important part of the definition concerns the word 'processes'. In other words Economics is concerned with exchanges which are in continual **movement**.

The Interrelatedness of Economics

The study of Economics has had different names. The Merchantilists referred to Economics as '**Political Economy**' while Sir William Petty called it '**Political Arithmetic**'. Vilfredo Pareto introduced the term '**Welfare Economics**' to draw attention to the importance of Ethics in relation to Economics. Today, it is fashionable to speak of **Econometrics** or **Mathematical Economics**. The changing

names not only reflect the changing times they also reflect the inter-relatedness of economics and other disciplines.



Sir William Petty



Vilfredo Pareto

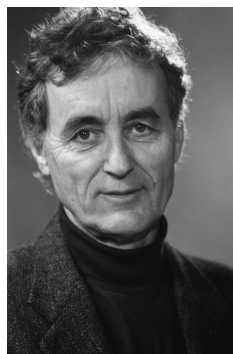
Economics cannot be reduced to a single study. Its essential nature is its inter-relatedness to other disciplines.

One commentator has issued a challenge to those who would adopt a reductionist approach to defining Economics: -

‘to recognise that the economy is merely one aspect of a whole social and ecological fabric; a living system composed of human beings in continual interaction with one another and with their natural resources, most of which are, in turn living organisms’.

Fritjof Capra

The Turning Point, p. 195



Fritjof Capra

The Cousins of Economics

Economics is related to such areas as Accountancy, Politics, Ethics, Ecology, Sociology, Psychology and Mathematics/Statistics.

The Primary Sources of Economic Thinking

However, underpinning these secondary disciplines of study are the more foundational philosophical domains. These primary domains include Noetics, Axiology, Epistemology and even such metaphysical areas as Ontology, Jurisprudence and Theology. The philosophical basis of Mathematics and the application of mathematics to social behaviour is also an important foundational study. **Economics must be understood as an interdisciplinary field rather than a single science.**

Differentiating Acute Symptoms And Chronic Disorder

In order to gain an understanding of the financial disorder of the American economy it is necessary to get beyond the insights of the instrumental secondary disciplines. The real causes of the financial collapse can only be found in the domain of Noetics and Axiology. A faulty derivation of values from facts and misunderstandings about the application of symbolic logic lie behind the present collapse. After corrective action has been taken on existing economic mal-practices it will be necessary to formulate an entirely new paradigm of exchange. Merely tightening regulatory functions of the present system will be palliative. The overall social system itself must be changed if the present chronic disorder is to be overcome. This will involve greater use of complementary currencies and a re-definition of what constitutes 'capital' so that 'Social Capital' and 'Ecological Capital' also become a medium of exchange.

PART II

RELATED PHILOSOPHICAL ISSUES

Economics and Meteorology

If one were to look for an appropriate analogy to the realm of Economics one could do little better than to turn to the field of Meteorology. The economic process is like the weather i.e. it changes as conditions change. Indeed, the noted economist John Maynard Keynes used meteorological terms such as '**cycles**' and '**patterns of growth**' and '**fluctuations in growth cycles**'. Just as it is not easy to formulate a science of meteorology it is not easy to formulate a Science of Economics.



John Maynard Keynes

Unintended Consequences

We may blame Adam Smith for the introduction of the phrase '**unintended consequences**' or its equivalent. In his *The Wealth of Nation* Bk IV, Ch. II, Adams outlines the outcome of the labours of every individual to employ his own capital in his **own interest**. Strangely enough when each pursues his own self interest, 'and intends only his own gain/he is in this as in many other cases, **LED BY AN INVISIBLE HAND** to promote an end which was **NO PART OF HIS INTENTIONS**'

In this justification of self-interest Adam Smith has 'smuggled' axiology into economics without a realisation that he had given birth to a 'greed is good' capitalism.

..... 'By pursuing his own self-interest he frequently promotes that of the society more effectually than when he really intends to promote it'.

See *Wealth of Nations*

Bk IV, Ch. II



Adam Smith

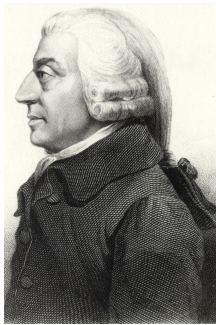
However, there are many specific examples in economic practice where fiscal policy has unintended consequences. An example of this is the awarding of bonuses for having children. While the intention may have been to assist young families financially the outcome was often to reward young single parents who had little social responsibility and spent the bonus on frivolous consumer goods.

Again, in a credit-fuelled economy borrowers spend money that is not earned. Their spending preferences distort the structure of the economy. This results in outcomes never intended.

Price and Value

The terms 'price' and 'value' are often confused by the economic layman and sometimes poorly defined by recognised theorists. We may say the 'price' of a commodity is its cost of production plus its profit. But this shorthand, commonsensical definition papers over the hidden costs of research and development, plant and equipment depreciation and fluctuations in wages. When we

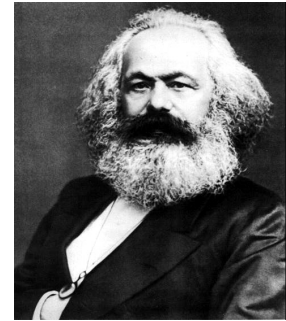
look at the meaning of **'value'** we can see, too, that it is by no means a simple concept. Adam Smith, David Ricardo and Karl Marx thought that the value of a commodity was only to be derived from the human labour required to produce it. Today, however, the value of something may also include the cost of capital investment, the cost of land and the degree of intellectual 'capital' incorporated into the commodity (or service) being marketed. There is an urgent need to examine the nature of 'value' and the meaning of 'wealth'.



Adam Smith



David Ricardo



Karl Marx

Products and Services

It is astonishing to learn from bank advertisements that the banks offer their clients a range of **'products'**. It is only in recent years that this has happened. The public has for long been under the impression that the role of banks was to offer **'services'** to clients. Whence cometh the change? The new advertising alerts us to a significant change in the role of banks – from processes to 'so-called' products. Again, the ownership of businesses and corporations by banks has introduced changes to the role and functions of banks by stealth.

Rights of Humans and Rights of Corporations

Again, another aspect of economic legerdemain concerns the legal status of corporations. This has been so brilliantly described by Joel Bakan:

'By the end of the nineteenth century, through a bizarre legal alchemy, courts had fully transformed the corporation into a "person", with its own owners and managers and empowered, like a real person, to conduct business in its own

name, acquire assets, employ workers, pay taxes, and go to court to assert its rights and defend its actions.'

p. 16 *The Corporation*



Joel Bakan

As a person, corporations were granted the protection of The Fourteenth Amendment's rights to "due process of law" and "equal protection of the laws". These rights were originally entrenched in the Constitution to protect freed slaves!

Amorality of Corporations

Joel Bakan not only outlines the historical details of how the nature of corporations was changed from specific, short-lived and purpose-driven joint-stock companies to large-scale, powerful mega-institutions which are beyond the control of the law. He also describes their amorality. Bakan describes the behaviour of the corporation in the words of Dr Hare: *'Corporations are singularly self-interested, intent on maximising profits. They seek to manipulate public opinion and admit no deficiency nor are they prepared to concede second-place to a rival. Corporations lack empathy and unable to feel remorse. They are unconcerned about victims of their behaviour and their lawyers go to inordinate lengths to frustrate legal challenges. Enron's story illustrates the extent to which corporation behaviour is inspired by 'executive greed', 'hubris' and 'criminality'.* (pg. 58)

'Pfizer's Hank McKinnell described it (Enron's behaviour) as a symptom of the corporation's **flawed institutional character**'.

(Ibid, p. 59)



Hank McKinnell

Governments will have to be strong enough to redefine the nature and scope of corporation power. If they fail to do so corporation power will overthrow governments. At present Corporations have all the rights of individuals without the moral accountability of individuals.

Mortgaging the Future

In a credit-fuelled boom, money is spent even though it is not yet earned. This unearned expenditure is, in reality, a drawing on future earnings and there is little wonder that many Superannuation Funds are showing losses! Cheap credit actually discourages savings. It transfers wealth from savers to borrowers. When governments spend money that has not been earned they are mortgaging the future.

CHAPTER 2

THE ATTEMPT TO CONVERT A DESCRIPTIVE ACCOUNT OF ECONOMY INTO A PRESCRIPTIVE SCIENCE

‘Descartes believed that the key to the universe was its mathematical structure. By applying numerical relations to geometrical figures, he was able to correlate algebra and geometry and, in doing so, founded a new branch of mathematics, now known as analytic geometry. This included the representation of curves by algebraic equations whose solutions he studied in a systematic way’.

Fritjof Capra

***The Turning Point*, p. 43**

‘The only values appearing in current economic models are those that can be quantified by being assigned monetary weightings’.

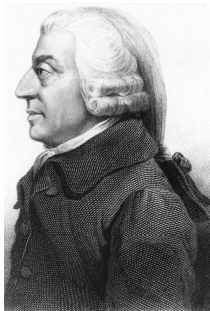
Ibid, p. 198

PART I

THUMBNAIL SKETCH OF THE THEORISTS

Historical Overview

The twentieth century witnessed the further development of Economics into a 'science'. It is a long journey from Adam Smith, David Ricardo, Thomas Malthus, Vilfredo Pareto, Karl Marx, John Stuart Mill, to John Maynard Keynes and Milton Friedman. Unfortunately, the transformation of a descriptive subject into a prescriptive 'scientific' pursuit was just as ridiculous as the attempt to reduce biology to physics and chemistry! Both pursuits were doomed to failure.



Adam Smith



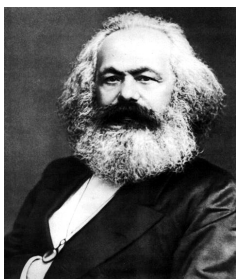
David Ricardo



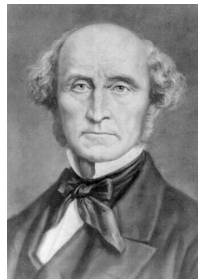
Thomas Malthus



Vilfredo Pareto



Karl Marx



John Stuart Mill



John Maynard Keynes



Milton Friedman

Economics is embedded in an inclusive social and environmental context in which values should determine qualitative relationships between individuals. These qualitative relationships cannot be reduced to quantities nor can values be reduced to facts. To regard economics as a 'science' and to ignore the pivotal role of human psychology in the transactions of economic life is not only the first error of modern capitalism; it is an orientation which will lead to recurring collapses. Again, to allow

Economics to dictate the standards of morality is to reverse the ethical order of precedence. The following historical overview of economic theory in the western world culminates in the exaltation of free-marketing, globalisation and the promotion of self-interest.

The MERCANTILISTS developed the idea that a nation's wealth resulted from its success in foreign trade. Mercantilism developed in 16th and 17th Centuries. They introduced the concept **balance of trade**.

The Mercantilists did not call themselves Economists but were Politicians, Administrators and Merchants. They did use the term 'Political Economy'.

The FRENCH PHYSIOCRATS criticised the growth of **mercantilism**. They claimed that only agriculture and the land were truly productive of wealth. The teachings of the Physiocrats laid the foundations for the **doctrines of laissez faire**.

French: '**physiocrats**' means 'the rule of nature'.

Leading exponent was the physician **Francois Quesnay**



Francois Quesnay

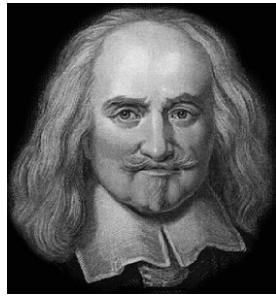
Sir William PETTY was professor of anatomy at Oxford and of music at London. He was physician to the army of Oliver Cromwell.



Sir William Petty

In his *Political Arithmetic* he argued that concepts should be replaced by numbers, weights and measures where possible. He wrote about the **quantity of money in circulation** and its **velocity in circulation**.

Thomas HOBBS (1588-1679) was a thorough-going critic of Aristotle's teleological view of the universe. He advocated a purely materialist and mechanistic model of the universe. Hobbes also broke with Aristotle's equation of **politics** and **ethics**.



Thomas Hobbes

In his *Leviathan* he described '**Life as a war of all against all**' and '**Life was nasty, brutish and short**'.

John LOCKE (1632-1704) repudiated the Stuart notion of the **divine right of kings** and substituted a notion of **the natural rights of man**. '**Representative Government**' was to safeguard the individual rights of man to property and the fruits of his labour. Locke's political views led to his understanding of society which was **atomistic**. The function of government was to interfere as little as possible in the **natural order** or **state of nature** that existed before government was formed. These **natural laws** included **freedom, equality** of all **individuals** as well as the **right to property**.

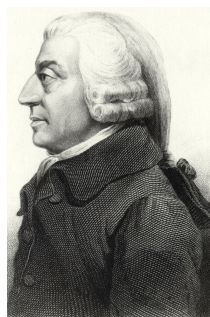


John Locke

Whereas Petty had held that prices and commodities should reflect justly the amount of labour they embodied **Locke** said **prices** were **also** determined **objectively** by **demand** and **supply**. This not only liberated the merchants of the day from the **moral law of just prices** it **equated economics with mechanics**. The variations, however small, could be described mathematically with the precision of Newton and Leibniz's **differential calculus**.

Locke's analysis led, logically, to the thinking which claimed that **economics** could become an **exact mathematical science**. (*Essay Concerning Human Understanding*)

Adam SMITH (1723-1790) was David Hume's best friend. Adam Smith is known as **the father of the free enterprise system**. Smith advocated **self-interest**. He wrote at a time when factories and mills were replacing hand crafts. He adopted the theme of **laissez faire** from the Physiocrats: '**the invisible hand** of the **market** would guide the **individual self-interest** of all entrepreneurs, producers, and consumers for the harmonious betterment of all'. This was a result which was **independent** of the **intentions** of the participants and thus Smith paved the way for the development of an **objective science of economics**.



Adam Smith

He wrote the 'bible' of capitalism: '**An Enquiry into the Causes of the Wealth of Nations**' (1776). He argued against the mercantilist views that wealth is increased by foreign trade. Wealth came from **human labour** and **natural resources** and the numbers of **workers** engaged in **production**. Output could be increased by the

division of labour. He taught that **prices** would be determined by **free markets** by the **balancing of supply and demand.** This is a new statement of Newton's laws of motion and equilibrium. In international trade he wrote of the **comparative advantage.**

David RICARDO (? -1817) is regarded as the most influential of **systematic economic thinkers.** He was a multi-millionaire stockbroker at 35 years. He introduced the concept of an '**economic model**' – 'a logical system of **postulates** and **laws** involving a limited number of **variables** that could be used to **describe** and **predict** economic phenomena. He was the first theorist to factor in the cost of labour required to build machines and factories.



David Ricardo

After reading Adam Smith's *The Wealth of Nations* he devoted himself to the study of political economy. While he modified Smith's thinking he used it as a base. The Richardson system accepted that fluctuations would occur – **boom** or **bust** and that progress would come to an end because of population growth, limited food supply and poorer **marginal land usage.** The owners of machines, in receiving a profit, were doing so because of the **worker's labour.** Marx built his theory of **surplus value** on this argument.

Vilfredo PARETO (1848 - 1923) is regarded as the Father of **welfare economics.** His theory of **optimality** was based on the assumption that social welfare would be increased if the satisfaction of some individuals could be increased provided it did not decrease in others.



Vilfredo Pareto

Welfare economics has persisted to this day. It spawned a number of **Utopian** experiments. These (Lanark, Harmony, New Harmony) explored the delights of reduced working hours, increased wages, and workers co-operatives. Robert Owen, Joseph Smith, and Mahatma Gandhi were caught-up in these failed movements.



Robert Owen

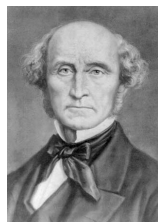


Joseph Smith



Mahatma Gandhi

John Stuart MILL (1806 – 1873) is considered the last of the **utilitarians** and the successor of **Jeremy Bentham** (1748-1832). While **Mill** enunciated the goal of government was ‘to achieve the greatest happiness for the greatest number’ he later modified his views in his treatise *On Liberty*.

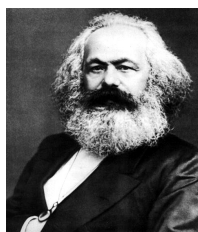


John Stuart Mill

Jeremy Bentham

In his *Principles of Political Economy* Mill asserted that **economics had to be concerned with production** and the **scarcity of means**. Distribution was a political not an economic process. This **Neo-Classical approach** differed from the **maths/scientific** approach and the **Arts of Social Philosophy**.

Karl MARX (1818-1883) regarded himself as a social critic not just an economist. He advocated a doctrine of **praxis** (or action) to change the world. Marx was influenced



Karl Marx

by Hegel, Feuerbach, Fourier and St. Simon. He saw history as **class warfare** where **employers** (owners of the means of production) fought **employees** (workers). Marx's **labour theory of value** lost much of its force with increased mechanisation and technological advances. Also the production process cannot easily be separated into **land, labour** and **capital**. He had profound insights into the **interrelatedness of all phenomena**.

His *Das Kapital* predicted the eventual collapse of capitalism. **The Communist Manifesto** was a call to **workers of the world to unite**. In his *Critique of Political Economy* he used the **labor theory of value** to raise issues of **justice**. Marx knew that wages and prices were politically determined and that the **surplus value** was appropriated by capitalists who thus turned **labour into capital**. This capital was not distributed ethically.

John Maynard KEYNES (1883-1946). His name is usually associated with **mathematical economics**. He certainly studied the **market mechanism** with its **curves of demand and supply** as functions of **price**. Keynes focussed his sights on the **macro-level** and showed that short-term changes could be effected between such variables as **national income, total consumption** and **total investment**. He could see that there were **fluctuating business cycles**. He saw that additional investment increased employment which in turn lead to higher demand for consumer goods.



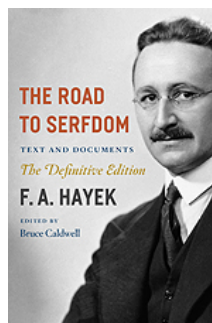
John Maynard KEYNES

In his *The Economic Consequences of Peace*, he could foresee that the proposals put forward at Versailles would lead to the economic ruin of Europe. Keynes had

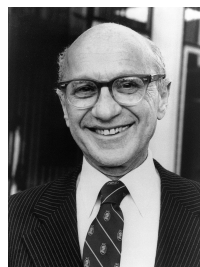
little time for Woodrow Wilson and less for Clemenceau. He regarded Lloyd George as superior to both. Unfortunately he was not able to stave off the **general depression**. He wrote his *General Theory of Employment, Interest and Money* in 1934. He did not appreciate that the post World War II period would usher in an era of **global economics**.

Friedrick von HAYEK (1899-1992). He was an influential Austrian economist and political scientist. In 1974 he shared the Nobel Prize for Economics. He held important academic posts in London (1931-50) and Chicago (1950-62).

In his most famous book *The Road to Serfdom* (1944) he defended **liberalism** and **free market capitalism** when Keynesian intervention by governments was popular.



Milton FRIEDMAN (1912 -) was Professor of Economics at Chicago University (1946-83). He championed the **free market** saying that government intervention in the economy should only be allowed to govern **inflation** by **limiting the amount of money in circulation**.



Milton Friedman

Like von Hayek his ideas gained popularity after the economic crisis in America in the 1970s. He won the Nobel Prize for Economics in 1976 and served as a policy adviser during Ronald Reagan's two terms as U.S. President (1981-89).

PART II

SUMMARY STATEMENTS OF ECONOMISTS

ECONOMIC THEORISTS	LEADING THOUGHTS
1. MERCANTILISTS	Wealth derived from Balance of Trade
2. PHYSIOCRATS FRANCOIS QUESNAY	Wealth derived from Agriculture Doctrine of Laissez Faire
3. SIR WILLIAM PETTY	Political Arithmetic and Quantification of Qualities. Velocity and Circulation of Money
4. THOMAS HOBBS	Materialism (not Teleology) and Mercantilist's views
5. JOHN LOCKE	Non-Governmental interference of 'Natural Order'. Economics as mechanics
6. ADAM SMITH	Father of 'Free Enterprise' and advocate of 'self-interest'. Market guided by 'Invisible Hand'
7. DAVID RICARDO	Economic 'Modelling', Theory of Surplus Value
8. VILFREDO PARETO	Father of 'Welfare Economics'
9. JOHN STUART MILL	Distribution, a political, not an economic process. Utilitarianism
10. KARL MARX	Wages and Prices politically determined thus turning labour into capital by owners of means of production
11. JOHN MAYNARD KEYNES	Governmental Intervention can overcome problems of cyclical fluctuations
12. FRIEDRICK von HAYEK	Defended Liberalism and Free Market Economy
13. MILTON FRIEDMAN	Championed Free Markets

CHAPTER 3

MATHEMATICS AND MODELLING

'If I own two pigs, I can see and touch my pigs. On the other hand if I owe two pigs but own no real pigs, a mathematician might say I own two negative pigs. My two negative pigs is an imaginary quantity. It has no physical reality. There is no mess. Whereas the responsibility of owning a thousand positive pigs might well exhaust me, I can own a thousand negative pigs as easily as I can own two negative pigs ... Not only do negative pigs require no maintenance, they maintain their value indefinitely.

Like money, debt is a very convenient invention. Indeed, we have seen that money represents a form of debt: my ten-dollar note represents a debt owed to me by society. However money and debt are abstractions with no physical reality. Because they are abstractions, debt, money and negative pigs can be multiplied without limit.'

Geoff Davies

***Economia*, p. 370**

MATHEMATICS AND MODELLING

Economics and Mathematics

In modern economic thinking there is an assumption that the exchange processes can be automatically translated into monetary terms which, in turn, can also be automatically translated into the number system. It is time both these assumptions were re-examined.

Characteristics of the Number System

Mathematics is widely understood to be based on laws which are absolute, eternal and invariant. Few economists are aware that the tool subject they use so freely is capable of being understood from different perspectives. There are philosophies of mathematics and to assume that they are all in agreement and form a universal language is the first error in a mathematically-inspired approach to economics.

Natural and Real Numbers of Egypt

While the differences between cardinal numbers (quantity) and ordinal numbers (quality) is generally appreciated it is not widely known that numbers can be natural, real, irrational, incommensurable and imaginary. The economics of the Egyptians would be entirely different from modern western economics. This would, in large part, be traceable to the fact that the ancient Egyptian number system began with 1 and not 0. Their number system had all its elements **natural** and **real**. There is little appreciation that it was not until the late sixteenth century that 0 (zero) was placed before 1. This meant that in a qualitative sense 'unity' (oneness) lost its first position! 'Nothingness' now stood between the natural number and the negative numbers!

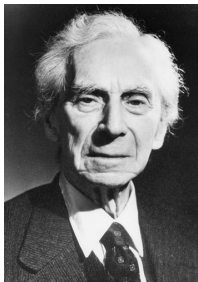
Differences in Mathematical Philosophies

Future students of Economics will need to be better grounded in mathematical philosophy than they are today. They will need to appreciate the fact that the different mathematical camps are hostile to each other:

‘These camps included those who thought mathematics could be derived from logic, such as Bertrand Russell (1879-1970) and Alfred North Whitehead (1861-1947), the intuitionists, like Henri Poincare (and Leopold Kroneker (1832-1892) and the formalist school led by David Hilbert (1862-1942) and a set-theoretic school, initiated by Ernst Zermelo.’

Craig Eisendrath

At War With Time, p. 119



Bertrand Russell



Alfred North Whitehead



Henri Poincaré



Leopold Kroneker



David Hilbert



Ernst Zermelo

Limited Applicability of Mathematics (Kline)

Morris Kline issued a warning when he wrote:

‘Thus the sad conclusion which mathematicians were obliged to draw is that there is no truth in mathematics, that is, truth in the sense of laws about the real world. The axioms of the basic structures of arithmetic and geometry are suggested by experience, and the structures as a consequence have

a limited applicability. Just where they are applicable can be determined only by experience (Caps mine).

Ibid, p. 119

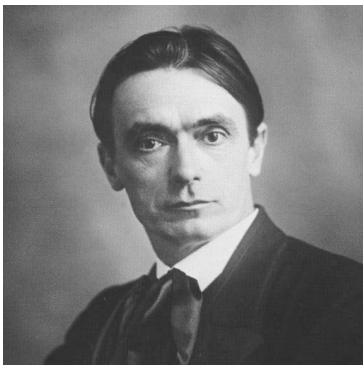


Morris Kline

The Different Registers of Reality (Lacan)

Mathematics is not the only subject that deals with the real, the symbolic and the imaginary. The French psychoanalyst Jacques Marie Lacan (1901-1981) developed an ontology which differentiated the real, the symbolic and the imaginary. Disorder in thinking will arise when there is confusion between the three registers. **It is very likely that each register of reality generates its own logic.** When economists draw their demand and supply schedules and play with their economic models they are very likely confusing the different registers and applying a quite inappropriate logic to their analyses.

Misapplication of Modes of Investigation



Rudolf Steiner warned biologists that false understandings would be derived if the methods of investigating physics were applied to life sciences. According to Steiner it is important to investigate things according to their own nature. The failure to do so would be forcing laws and principles onto the subject matter which owe as much to the methodology as the matter under consideration. For example, a Botany which extracts a plant from its soil and then examines it under a microscope is ignoring one of the plant's most essential qualities viz. its living relationship to the earth. This

relationship can never be observed under a microscope. Likewise, the ‘freezing’ of the economic process at a particular moment in time and then predicting likely outcomes may be all right for physics but quite inappropriate for economics.

Tracking a Moving Target and Confusing Processes with Products

It was Rene Descartes (1596-1650) whose thought led to a mechanistic approach to physics, astronomy, biology, psychology and medicine. Isaac Newton (1642-1727) with his mechanistic physics and his three laws of ‘motion’ completed the materialistic framework provided by Descartes. Indeed the co-ordinates of Descartes and the infinitesimal calculus of Newton provided the mathematical tools for tracking the movement of objects, missiles and eventually rockets. It is these self-same tools which are applied to the exchange **processes**. It might be objected ‘that processes are not objects in space’ and, indeed, they are not. It is a remarkable intellectual sleight-of-hand to hear bank advertising talking about its ‘new products’ when they should be referring to ‘improved processes’!



Rene Descartes



Sir Isaac Newton

The Investment Dollar Has No Identity

All dollars are not of equal value. The dollar earned by the labourer making clay bricks is not equal to the dollar won by the punter. Yet when deposited in the same bank they are treated with equal reverence. When the bank dips its lending hand into the investment barrel it does not disclose which of the two dollars it is putting to work. The investment dollar has no identity, it cannot be tracked and, more importantly, it is divested of its moral worth. Until this piece of economic ‘legerdèmain’ is exposed and replaced the body-economic will continue to convulse. The laundering of dirty money into the amorphous pool of investment has far-reaching effects on the health of a nation.

Man and the Economic Process

In their endeavour to establish Economics as a Science, theorists have made the same mistake as physicists. They have attempted to write 'man' out of the economic framework. The 'invisible hand' of Adam Smith is completely disembodied! Just as quantum physics has reluctantly conceded viz that man as observer is involved in the outcomes of the observation process so, too, must economic theorists understand that man's thinking and man's behaviour are not only at the centre of the economic process but effect its outcome. Man does not look at the economic process from an **outside observation box**, he is **in the process itself!**

Scaling Assumptions

When Psychologists design attitude scales they assume an equality of degree between each of the numbers on the scale i.e. on (say) a measure of 6 on a 0-7 scale of 'political conservatism' assumes that the trait and the numerical scale have a certain **isomorphism**. The distance between 6 and 7 is assumed to be the same as the distance between 1 and 2 or 4 and 5. However the nature of the trait may be asymmetrical. It may not be possible to be 'half-radical' and 'half-conservative'! Likewise there may not be a correspondence with the properties of the number system and those of economic values. The number system is an inadequate instrument when it comes to distinguishing between such concepts as 'price' and 'value'.

Causation and Correlation

It is sometimes claimed that a booming economy leads to crime reduction. However attractive such an outcome may be it should not blind the social scientist to an error in thinking. Just because two things are correlated does not mean that one causes the other. A correlation simply means that a relationship exists between two factors but it tells you nothing about the direction of that relationship. X may cause Y or Y may cause X or it may be that both X and Y are being caused by another common factor.

Savings and Investment

There is a widespread confusion in people's thinking. It concerns the inability to distinguish between money and wealth. A similar confusion relates to the inability to distinguish price and value. Money savings in a bank do not grow of themselves. They only grow when banks invest. However rewards from savings are usually too low and are frequently manipulated. Rewards from investments are often excessively high and/or erratic. Unfortunately our monetary system does not separate the two distinct functions. It does not distinguish between money as a medium of exchange and money as medium of investment. They are, in fact, two different types of money and yet they are treated in an identical fashion.

Debt

The charge of interest on money borrowed may appear to be proportional but in reality, when debt is viewed in its totality, it assumes an exponential growth. Thus debt, although an abstraction, can quickly become astronomical. This is certainly true of the current American foreign debt. However the things in the real world, which debt is supposed to represent, cannot multiply in the same way as the abstraction. We have thus invented a system which does not correspond to the real world. Our continual efforts to increase the National Domestic Product to keep pace with debt are doomed to failure.

Trading in Credit – Defaults

When financial institutions trade in credit defaults they are attempting to mask the consequences of failure. Institutions which make mistakes in providing credit should be held accountable for their own trading faults. Bad debts of American banks should not be unwittingly purchased by Australian superannuants.

Trading in credit-defaults is not analogous to the processes of solving simple equations.

Trading in Futures

The trading in Futures should be recognised for what it is: it is an insidious form of gambling. This practice is more appropriately a matter for casinos and should be banned from banking services. The mathematics of gambling should not be the basis of investment banking.

CHAPTER 4 ECONOMICS AND THE MORAL SPHERE AS ASPECTS OF THE SOCIAL FABRIC

‘The domain of Values is that part of Reality where QUALITY alone is significant, in contradistinction to the domain of Fact which is governed by QUANTITATIVE laws, including those of framework.’

J.G. Bennett

The Foundations of Moral Philosophy

Ch. 26, Vol. II, p. 39

‘The evolution of a society, including the evolution of its economic system, is closely linked to changes in the value system that underlies all its manifestations. The values a society lives by will determine its world view and religious institutions, its scientific enterprise and technology, and its political and economic arrangements.’

‘The study of values is of paramount importance for all social sciences. Economics attempts to determine what is valuable at a

given time by studying the relative exchange values of goods and services.'

Fritjof Capra

The Turning Point

PART I

ECONOMICS AS AN ASPECT OF THE SOCIAL FABRIC

The Collapse of Communism and the Financial Meltdown of Capitalism

The collapse of Communism took place during the fourteen-month period from June 1989 through July 1990. The financial meltdown of American Capitalism occurred on September 2008. These events present an opportunity to re-examine the foundations of our western politico-economic systems. They enable the thinking person to ask, afresh, the fundamental question: what type of society do we want?

The Pathological Pursuit of Power by Corporations

The most abhorrent elements of Capitalism are embodied in its crowning achievement viz. the Corporation. The modern Corporation is profit-driven, self-centred and obsessed with its own image. It promotes competition and choice but is often found guilty of collusion. It protects its reputation by employing a bevy of corporate lawyers and it spends large amounts on advertising and executive salaries. Corporate behaviour is aimed at the transformation of moral values to a measurable monetary standard.

The Composition of the Social Fabric (Economics, Politics, Judicature and the Spiritual-Cultural Domains)

The Economic domain is only one of many domains that combine to make the social fabric. The other domains include the Political domain, the Judicature and the Spiritual-Cultural domain. There is, admittedly, an intrusion of the economic domain into the other domains. This is simply because these other domains need financial support in order to function. However, this support should not make the other domains subservient nor should it threaten the autonomy of the other domains. In recent times there has been a noticeable trend for the modern state to put a monetary tag on all the other domains. This provides an opportunity for those who control the purse-strings to manipulate the other domains.

The Spiritual-Cultural Domain As An Autonomous Domain

Americans would probably identify the Spiritual-Cultural Domain with the Christian religion and some aspects of the Arts. Australians would probably do the same except they would substitute Sport for the Christian religion. In the present context, the Spiritual-Cultural domain is that sphere of the total social organism which identifies, develops, promotes and examines the values, the ideals and aspirations of the social organism. If the pitfalls of the old order are to be avoided it is essential that a new and autonomous Spiritual-Cultural parliamentary house be formed.

Morals, Ethics and Axiology

In Part 2 of this chapter (see below) more attention will be given to these subjects:

- **Morals**

Despite what some Pietists may think, morality is not a synonym for 'approved sexuality'. Morals is concerned with the nature of 'goodness'. Moral philosophy is concerned about the nature of 'oughtness'. Thus the question of "what type of society **ought** we have?" is a moral issue not a political issue or an economic issue.

- **Ethics**

Ethics is concerned with defining the meaning of '**rightness of behaviour**'. Ethics is a sub-section of Morality. Thus: 'is it right that five percent of the population own ninety-five percent of a nation's wealth?' is an ethical question not a political or an economic one.

- **Axiology**

Axiology is the study of values. Recent philosophers speak of different kinds of values in different fields of experience: aesthetic, economic, religious, logical and moral values. Thus western societies value individual freedom. Islamic societies value social justice while Asiatic societies place a high value on filial piety.

PART II

MORAL FOUNDATIONS OF ECONOMICS

This part will provide an introduction to two Moral Philosophers, two Ethicists and two Value Theorists. It does not seek to promote any of them. The intention is to open up these subjects for consideration.

Two Moral Philosophers

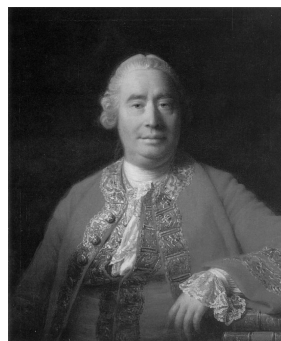
(1) **David Hume** (1711 – 1776)

David Hume is known more for his epistemology than his ethical position. He did write *Inquiry concerning the Principles of Morals* (1751). Hume is probably best known for his drawing attention to the “is-ought” problem. This may be stated as the problem of how to get values from facts. Antony Flew refers to Hume’s Law:

‘What is by this law ruled out as illegitimate is any attempt strictly to deduce conclusions about what ideally **ought** to be so from any premise or premises stating only what, it is supposed, actually and already **is** the case’

See p. 135

Thinking About Social Thinking



David Hume

Vernon Bourke summarised David Hume’s complicated ethical position in these words:

‘Hume rejected the notion that reason can command or move the human will. He insisted that ethics should concentrate on certain **impressions** or feelings of approval or disapproval within the agent’

and

‘an action or sentiment, or character is virtuous or vicious, because its view causes **pleasure**, or uneasiness of a particular kind’.

p. 6 *History of Ethics*

Thus Hume’s ethical position is subjectivist and utilitarian. Hume was a fore-runner of British Utilitarianism in its several varieties. His emphasis on feelings has been taken up by psychological approbative ethicists.

(2) Jeremy Bentham (1748 – 1832)

Although Bentham was more interested in the philosophy of law and politics he did write *Introduction to the Principles of Morals and Legislation* (1789). He distrusted appeals to ‘natural law’ as a basis for morals. He adopted the notion of **utility** as an ethical principle. Later he developed a ‘**Felicific Calculus**’ to quantify pleasure and pain.

Jeremy Bentham

Bentham saw no **qualitative** differences between pleasures. His calculus was an attempt to **quantify** pleasure by using six determinants:

- intensity
- duration
- certainty or uncertainty
- propinquity or remoteness

and where it was necessary to make judgements in relation to groups he added

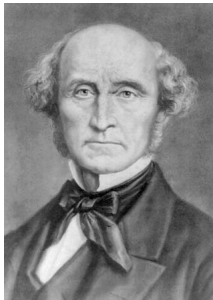
- fecundity and
- purity.

To decide the morally right course of action it was only necessary to do some simple arithmetic!

William Godwin took the focus away from the pleasure-principle of **individuals** and extended it to **society**. Godwin's Utilitarianism was expressed:

'that action is right which extends the greatest happiness to the greatest number of people'.

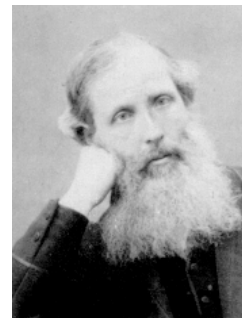
Other great Utilitarian Philosophers include John Stuart Mill (1806-1873), Alexander Bain (1818-1903) and Henry Sidgwick (1838-1900). Sidgwick thought that there were really only three distinct approaches to the central problem of ethics or moral judgement: egoistic hedonism, universalistic hedonism and intuitionism.



John Stuart Mill



Alexander Bain



Henry Sidgwick

Two Ethicists

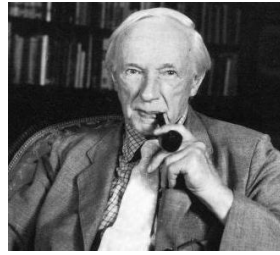
(1) **George Edward Moore** (1873 – 1958)

In his book *Principia Ethica* startled the world of Moral Philosophy by asserting that 'good' cannot be defined. To identify 'good' with a natural property is to commit the '**naturalistic fallacy**'. In the intrinsic ethical sense 'good' is a simple, indefinable quality, which is unique and nonnatural and which must be known in itself. As far as Moore is concerned, all moral laws are

'merely statements that certain kinds of actions will have good effects'

Principia Ethica

Chapter 5, pp. 88-89



George Edward Moore

In his shorter work *Ethics* (1912) Moore revised his previous position and averred:
 'that whether an action is right or wrong always depends on its actual
 consequences'

Ethics, p. 83

In *Ethics* Moore asserts that pleasure is the only 'ultimate good' but hastens to add that the ultimate good is different from the intrinsically good. The latter will involve a great deal more than pleasure.

Ethics, p. 31

(2) Marcus George Singer (1926 -)

The Ethicist, Marcus Singer, espoused a stance which is a combination of Kant's Categorical Imperative and what may be regarded as 'indirect utilitarianism'. Kant's **Categorical Imperative** affirmed that one should act in such a manner that every action should become a general rule of conduct. Singer's '**Indirect**' **Utilitarianism** emphasised the importance of consequences of various **kinds of action**. Thus, for Singer, the major problem in 'morals' was not one of theory but of determining the facts of concrete cases. Singer summarises his position:

'One thus considers the consequences that actions **of that kind** may generally be expected to have, and by such means directly determines the morality of that **kind** of action.'

Generalization in Ethics

pps. 173-174

In many respects, Singer's focus on consequences rather than intentions or intrinsic goodness paved a way for the adoption of a morality which was materialistic in outlook.

George Singer

Two Value Theorists

(1) **Max Scheler** (1874-1928) came under the influence of Edmund Husserl and his treatment of the **phenomenology** of values. Phenomenology is nothing less than a theory of what is of the essence of the appearance, or the 'phenomenon', of the object in consciousness. This contrasts with Kant's idea of the reality of '**the thing in itself**'. He combines 'phenomenology' with the '**Mitwelt**' (the shared world of experiences).



Max Scheler

Scheler described four aspects of the basic feeling of sympathy or interpersonal feelings:

- **Miteinanderfühlen** or community of feeling
- **Mitfühlen** or fellow feeling
- **Psychische Ansteckung** or psychic contagion; and
- **Einsfühlung** or emotional identification.

The capacity to enter into such relations defines the essence of being human. Whereas Gefühl or physiological feeling is non-intentional (bodily pain, hunger and so on) Fühlen is intentional and thus constitutes the value experience.

‘Since the higher, psychic feelings can be shared with others – emotions like joy and sorrow, remorse, despair, and happiness – it is on this level that ethical values are intuited. As interpersonal experiences these feelings provide a certain objectivity, universality, and absolute character to their value objects. Love is the most perfect feeling of community and it has a special status in moral experience. It is most important for ethics.’

See Ch. XIV *Axiological Ethics*
History of Values Series
 Vernon J. Bourke, p. 131

Scheler accepted the premise that there were many diverse moralities among the peoples of the world. He sought to discover whether these moralities could be rated. He proposed four standards to assist ethicists:

- **duration** (a lasting value is better than a fleeting one)
- **extension** (how widely held a value may be)
- **independence** (the higher value is never the foundation for the lower value)
- **depth of satisfaction** (the more profound the value experience the higher the value).

Using these standards Scheler proposed the following four scales of value:

1. **Sinnliche Werte**

These are values related to the senses and include objects of pleasure and pain and various sorts of utility.

2. **Lebenswerte**

These are life values and include the noble and the mean, strength and weakness, good quality and bad quality.

3. Geistige Werte

These are cultural values such as the beautiful and the ugly, the legal and illegal, the knowledge of what is true.

4. Werte des Heiligen und Unheiligen

These are religious values, beatitude and despair, feelings of holiness and the opposite.

For Scheler moral values are not the four levels described. They are only levels of general value.

MORAL VALUES ARISE WHEN A PERSON ACTS IN SUCH A WAY AS TO REALISE, OR PREFER, A **SACHWERTE** OR THING-VALUE OF A HIGHER LEVEL TO A SIMILAR VALUE ON A LOWER LEVEL. All values are thus **Personwerte**.

For Scheler, selen (oughtness) is of two kinds: (1) ought-to-be, and (2) ought-to-do. Good as a value 'rides on the back' of an act.

(2) Nicolai Hartmann (1882-1950)

Hartmann's three volume *Ethics* (1926) is a more organised version of Scheler's axiology. The first volume treats moral phenomena; the second deals with moral values; and the third is devoted to moral freedom.



Nicolai Hartmann

Hartmann's Three Value Levels

Unlike Scheler, Hartmann thinks that the higher values are based on the lower ones and to some extent depend on them.

1. Elementary Philosophical Categories

These embrace modal oppositions of necessity and freedom, being and non-being relational opposites of harmony and conflict, simplicity and complexity, qualitative and quantitative oppositions of universality and singularity, humanity and nation.

2. Values Relating To A Person's Life

These values condition the content of a person's life and include: life, consciousness, activity, suffering, strength, freedom of will, foresight, purposive activity, values in goods: existence, situation, power, happiness.

3. Special Moral Values

A. Fundamental Moral Values: the good, the noble, richness of experience.

B. Special Moral Values:

1. **Values of the Ancient Moral System:** justice, wisdom, courage, self-control, and other Aristotelian virtues.
2. **Christian Values:** brotherly love, truthfulness, trustworthiness and fidelity, modesty, humility and aloofness, being true to one's being, humour.
3. **Modern Moral Values:** love of humanity, radiant virtue, ethical ideals, personality and personal love.

Ought-To-Be and Ought-To-Do

The ought-to-be has a teleological connotation. It means ought-to-be realised. Only some values are of moral significance and carry the implication of ought-to-do.

'Values are Independent of Moral Consciousness but for the ethical person they have an obligation'

and

'Accountability and responsibility for one's free personal acts are the key features of the moral life'.

See Ch. XIV *History of Ethics*
Axiological Ethics pps. 125-148
by Vernon J. Bourke

PART III

ECONOMIA, ECOLOGIA AND ETHICA

Economia

Economics is commonly understood to be totally concerned with **quantity**. A little thought however will demonstrate that in allocating scarce resources between competing ends decisions have to be made which are **value-laden**. How much of public expenditure is to be allocated to defence, education, the unemployed? These decisions are moral issues and have to be decided by a **qualitative** value system.

Ecologia

Economic decisions are not made in vacuo. They have to take into account such global issues as pollution, de-forestation, climate change, water supply and the weakening of the ozone layer.

Ethica

What would be accomplished if a nation had an exceptionally high standard of living when the rest of the world was starving and on the verge of extinction from pollution? Economic issues cannot be separated from Ethical issues.

Economia/Ecologia/Ethica

Economia/Ecologia/Ethica is a composite inter-disciplinary and over-arching field of study. Its three-foldness extends into every aspect of the social fabric. Its individual elements should not be hived off and treated as separate elements in their own right.

CHAPTER 5

STEINER'S AUFRUF ZUR BEGRÜNDUNG EINES KULTURATES

(An appeal for the establishment of a cultural parliament)

‘The Threefold Social Order can bring about a healthy social organism that will overcome the polarizing tendency of modern life AND MAKE THE ECONOMY THE SERVANT OF SOCIETY RATHER THAN ITS MASTER.’

The Social Future

Rudolf Steiner

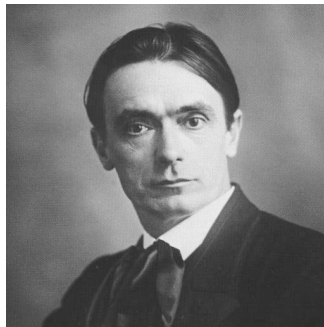
Editor’s Note

PART I

STEINER'S THOUGHTS ON THE RESTRUCTURING OF SOCIETY

The Preliminary Two Memoranda

In May 1917, Otto von Lerchenfeld approached Rudolf Steiner to outline his ideas on how a lasting peace could be sustained once the First World War was concluded. After three weeks of collaboration with the German diplomat Steiner drafted two memoranda. These memoranda spelt out Steiner's critique of the politics of Germany that led to war. They also expressed Steiner's thoughts on how a true peace could be achieved. More importantly they sketched his thoughts about a fundamental restructuring of society. Although these ideas reached some upper echelons of the German and Austro-Hungarian governments they made no general impact whatsoever.



Rudolf Steiner

The Collapse of Post WWI Germany

Immediately following the Armistice, Steiner attempted to communicate his concept of '**Threefoldness**' in a series of public lectures. A number of prominent Germans (250) signed Steiner's **Appeal to the German People and the Civilised World**. This appeal was published in several major newspapers. However, Germany was becoming crushed by the effects of unemployment and astronomical inflation. This collapse of the economic and financial infrastructure led to political unrest and paved the way for opportunists and extreme factions from both the left and the right. Steiner became a target from such groups and was almost assassinated in Munich.

Der Kommende Tag

In 1919 Steiner's followers agreed to form an association of economic enterprises and thus make a small attempt to implement his ideas on social renewal. This association required that participants surrender private ownership and agree to receive equity in the general holding. The profits of the association were to flow into the spiritual-cultural domain, especially the newly established Waldorf school.

Steiner named the association 'The Coming Day: Shareholder Corporation for the Furthering of Economics and Spiritual Values' (known as '*Der Kommende Tag*') (see p. 139 *A Life For The Spirit* by Henry Barnes).

The Association struggled for a year or so, under great difficulties, which included banking inertia, and had to be liquidated.

PART II

THE THREE-FOLD SOCIAL ORDER

The Ideal Social Order

In a certain sense, Steiner proposed that the ideal social order ought to be a three-fold organism in a manner similar to the structure of the human organism. The human organism, according to Steiner, consists of three systems working side-by-side:

- nerves-senses system
- the rhythmic system
- the metabolic process.

The Synarchy of Saint-Yves d'Alveydre

Steiner's proposal seems to be a modified version of 'Synarchy' which was a system of social organisations advocated by the French occultist Saint-Yves d'Alveydre (1842-1909). 'Synarchy' was popularised by 'Papus' (Dr Gerard Encausse) in such books as *What is Occultism* (Rider, 1913).

'The basis of synarchy, which Saint-Yves said meant 'totalism', was the application of a triune concept of the human organism to human society. The cephalic, rhythmic and metabolic-limb systems of the human body were to have their sociological counterparts in the spiritual, legislative and economic life of each nation.'

p. 29 *Rudolf Steiner and Holistic Medicine*, by Francis X. King.



Saint-Yves d'Alveydre



Dr Gerard Encausse (Papus)

Steiner used the same classification as Saint-Yves and promulgated the same correspondences.

Nerves-senses – the Spiritual System

Rhythmic – the Political/Legislative System

Metabolic – the Economic System.

The Social Body as Three Interlocking Spheres

The social order, like the human body, was in sound health when the three interlocking systems were well co-ordinated.

In proposing the differentiation of the unitary state, Steiner sought to imbue new life into the three great ideals of the French Revolution viz. liberty, equality and fraternity:

(i) The Spiritual Sphere

The spiritual sphere is a domain concerned with human **liberty** or human freedom. Spiritual affairs such as education, the arts, the sciences, the religious pursuits and other cultural concerns should not be subservient to either political or economic domination.

(ii) The Political Sphere

The political sphere is a domain concerned with the life of public rights and that aspect in which all people ought to have **equality** before the law;

(iii) The Economic Sphere

The economic sphere is a domain concerned with the production, distribution and consumption of goods and services necessary to daily life. The principle upon which this sphere ought to be based is that of **fraternity**. Steiner envisaged the formation of co-operative working associations united in a spirit of brotherhood rather than competition. The threads from the individual associations were to be gathered up by a Central Economic Council.

'The main task of the Central Economic Council was to produce the needs of consumption and to distribute them at their 'TRUE PRICES'.

*Three fold Government for Social
Peace*

T. Gordon Jones, p. 12

Steiner's social theory was outlined in *The Threefold Commonwealth* which was published in 1919 immediately after the First World War. This work now appears in English as *Towards Social Renewal* or *The Three-fold Social Order*.

Competition and the Cultural/Spiritual Sphere

Steiner's views on economic matters assume an understanding of his thoughts on the Three-fold Social Order. In June (1-12) 1922 Steiner gave a series of lectures entitled *World Economy, the Formation of a Science of World Economics*. Steiner's economic thinking places competition in the cultural sphere and not in the economic sphere. The economic sphere is, ideally, to be characterised by a fraternity of brotherly Associations where the relationship between producers, distributors, and consumers is a spirit of co-operation, not competition. The entire human community should share in the wealth created. The three factors of production: land, labour and capital, should not be treated as commodities to be fought about. The essential thing about the means of production should be in their circulation not in their ownership. Labour belongs to the realm of rights between equal human beings and should not be regarded as a power struggle between unequal antagonists. Land should not be traded as a commodity. No one should inherit land or get rich merely by sitting on a piece of land. Land should be allocated fairly and to those who can put it to the best use.

Redefinition of the Purpose of Money

It is not possible to summarise the contents of Steiner's 70 public lectures and 20 private ones in a page of notes. There is, however, one novel element in this total theory which deserves a brief mention. This concerns his re-definition of the traditional role of money.

'To be a true medium of exchange, money must come into existence at the same rate as economic values are created and go out of existence at the same rate as economic values are consumed, worn out or destroyed. The lifetime of money should correspond with that of products (goods and services), else money will be an unfair competitor. The money issued in any one year should have ceased to exist by the time that the production of that year has vanished.'

*Threefold Government for Social
Peace*

T. Gordon Jones, p. 24

Concluding Remarks

Steiner's importance is in his insistence that the economic sphere should be subservient to the spiritual-cultural sphere.

SELECTED REFERENCES

King, Francis X; *Rudolf Steiner and Holistic Medicine*; Nicholas-Hays Incl; York Beach; Maine, 1991.

Steiner, Rudolf; *Towards Social Renewal, Basic Issues of the Social Question*; Trans. by Frank Tomas Smith; Rudolf Steiner Press; London, 3rd Edit; 1927.

Steiner, Rudolf; *The Social Future*; Anthroposophic Press Inc; N.Y., 1972.

Steiner, Rudolf; *World Economy, The Formation of a Science of World Economics*; Trans. Owen Barfield and T. Gordon-Jones. London, 1972.

Steiner, Rudolf and Christopher Houghton Budd; *Rudolf Steiner Economist – Articles and Essays*; New Economy Publications; 1996.

CHAPTER 6

MONEY, MONEY, MONEY

‘Professor Robert Guttman of the Economics Department of Hofstra University describes the international monetary system as the Achilles heel of the U.S. and the global community as a whole. It is the one way whereby a true Depression could repeat itself, with massive unemployment and socio-political consequences.’

Bernard Lietaer
***The Future of Money* p.**

104

(2001)

Part I

ATTEMPTING TO DEFINE MONEY

Origins Within Temples of Mystery Religions

In his book *The Future of Money*, Bernard Lietaer outlines a brief history of money. It begins as a **symbol** in a mystery religion. The 'shekel' was a coin equal to the value of one bushel of wheat ('she' meant 'wheat' and 'kel' was a measurement similar to our 'bushel'). Incidentally, the word 'shekel' survives as Israel's monetary unit. The original purpose of the shekel was to record entitlement for sexual intercourse with a temple priestess at the temple where the surplus wheat of the farmer was being stored.



Bernard Lietaer

Money and its Transition from the Real World to the Virtual World

In 1971 the United States ceased to define the value of the dollar in terms of gold. The transition from the real world to the virtual world followed like this:

- Wheat
- Gold, Silver
- 'One Pound Sterling' (Paper)
- Binary bits in computers
- Cyber-purse

Thus the nature of money as equivalent value in the real world has metamorphosed into an agreement within a **given community** of a means of payment. Each

member of the community must have confidence that an agreement will be honoured by the country's banking system.

Secondary Functions of Money

Money has a number of comparatively secondary functions. It is used as a unit of account, as a store of value and as a tool for speculation. It should be noted that money is NOT a good store of value. Managing surplus money involves a choice of allocating it between:

- real estate
- bonds
- stocks, and
- currencies.

In the global casino, speculative trading in the purchase and sale of real goods and services abroad is a mere side-show. Lietaer estimates that 98% of all foreign transactions are speculative and only 2% relate to the real economy. The bulk of this speculative volume is due to banks' own currency trading departments. Making money on money-market fluctuations is not **real** money

National Currencies

The nation-state is a relatively recent development. Prior to its advent money issues were made by the sovereign. In January 1999 the European Common Market created a single currency, the Euro, to replace 11 national currencies. Transnational trading was, at one time, undertaken with the backing of the gold standard. In more recent times the U.S. dollar has become the global currency. No doubt, with the increased use of the Internet, this situation will change.

Fiat Currency and Monetarism

Fiat Currency is a currency created out of nothing by the power of an authority. All national currencies are fiat currencies. If too much currency is issued, it devalues relative to the goods and services. Too much currency causes inflation. Conversely,

too little currency causes deflation. Milton Friedman advocated that the money supply should be increased in proportion to the long-term national output, as measured by the Gross Domestic Product. Friedman's proposal became known as MONETARISM. Attempts to implement monetarism in the 1970s were soon abandoned. Nowadays the money supply is manipulated by varying interest rates.

Globalisation and Information Technology

The present Information Age with its powerhouse of computer technology has revolutionised marketing. Share-trading, currency exchanges and money transfers can be transacted at the speed of light. There are enormous virtues in such global exchanges. There are also enormous risks. Markets can be easily manipulated by unscrupulous and national economies. Countries, such as Iceland, can be brought to their knees without a system of proper controls. The speed with which globalisation of markets effects local markets has alarmed many. It has resulted in a consideration of more localised and viable complementary currencies.

Part II

NON-TRADITIONAL CURRENCIES

Barter

Barter is, by definition, the exchange of goods and services **without** any form of currency. The parties need to have 'matching needs and resources'. The absence of these two conditions is the reason why money was invented as a medium of exchange.

Complementary Currencies

A complementary currency refers to an agreement within a community to accept a non-national currency as a means of payment:

- **The LETS** is the most well-known of the complementary currencies. The LOCAL EXCHANGE TRADING SYSTEM (LETS) was re-invented in the early 1980s by Michael Linton in British Columbia, Canada. He incorporated a local non-profit corporation which is basically a MUTUAL CREDIT COMPANY. Members join by paying \$5 set-up fee and \$10 yearly membership fee. Members begin with a zero balance and accumulate '**green dollars**' in their account while paying some actual dollars. The credit (and debit) green dollars are registered by phone or note to the central registry.
- **WARMINSTER'S 'LINK SYSTEM**
- **TOME'S 'ACORN' SYSTEM** and
- **MANCHESTER'S 'BOBBIN' SYSTEM** are some of the 200 or so local exchange trading schemes operating in Britain (at 2001).

Ed Mayo, director of the New Economics Foundation, an alternative economic think tank claims it would be wrong to dismiss complementary currencies as the passing fad of misty-eyed do-gooders.

‘Some people get involved because they’re interested in recreating a community.’

The Future of Money, p. 163

- The **WHANGAREI EXCHANGE and BARTER SYSTEM (WEBS for short)** was started by David James, a Quaker from Whangarei, and Vivian Hutchinson from Plymouth in New Zealand. Mark Jackson’s Ph.D. thesis examined 61 ‘green dollar’ systems. He found 47 of these functioned well while 17 were moribund.
- In **AUSTRALIA** there were over 200 systems operational in 2001. One of the best known is the Blue Mountains **LETS** with well over 1000 members.
- The **FRENCH ‘LE GRAIN DE SEL’** was started in 1993 by Claude Freysonnet, an organic farming specialist from Ariège. Two and a half years later there were over 200 ‘Sel’ networks in France. In addition, there were some 350 centres specialising in knowledge and information.
- The **WIRTSCHAFTSRING GENOSSENSCHAFT (‘WIR’)**
The WIR is a SWISS example of a complementary currency and is the oldest continuous system in the modern western world. It was founded in 1934 by 16 members in Zurich. In 1935 it had 2,950 members but fell to 624 during World War II. It gradually picked up year after year:
1960 WIR had 12,567 members
1980 WIR had 24,227 members
2000 WIR had 80,000 members

Most of its members are middle-class individuals and small to medium-sized businesses.

There are two ways by which a member can obtain WIR either by selling goods or services to someone else in the circle, or by obtaining a WIR credit from the coordinating centre. The WIR is thus a hybrid of mutual credit and

fiat currency (whenever a loan is made). Loans have a very low interest rate (1.75% per annum).

Complementary Currencies – A Beginning

Complementary Currencies are not a panacea for complex problems of unemployment in the Information Age. Nevertheless they should not be overlooked as a means of generating economic activity and providing more employment opportunities when the effects of global/corporate raiding become more apparent.

Part III

FINANCIAL CAPITAL, PHYSICAL CAPITAL, SOCIAL CAPITAL AND NATURAL CAPITAL

Modern Capitalism

Modern Capitalism only recognises financial capital and physical capital. If we are ever to move toward *Economia-Ecologia-Ethica* we will have to recognise the reality and significance of social capital and natural capital.

Financial Capital

Financial capital refers to cash, stocks and bonds. It also includes 'Intellectual Property' such as patents and trademarks. As the Information Society gathers momentum the role played by Intellectual Property will assume greater significance. It will be the source of endless conflicts and disputes.

Physical Capital

Modern accounting systems also make allowances for the purchase and depreciation of plant, equipment and real estate. Thus, today, economics generally recognise financial capital and physical capital.

Social Capital

Social Capital receives no mention in the audited statements of governmental and corporate balance sheets. It refers to the unpaid work of mothers, the voluntary service of carers, scout leaders, emergency service workers, volunteer aiders abroad, the contribution of artists, composers and unpaid creative people who render unpaid service to the community.

Natural Capital

Natural Capital refers to the quality of soil, the quality and availability of water, clean air, mineral wealth, biodiversity etc.

Integrating the Four Capitals

A system will have to be found of integrating the COMPETITIVE nature of financial and physical capital with the CO-OPERATIVE requirements of social and natural capital. Whether this can only be achieved at a local level, a multi-national level or a global level only time will tell. Certainly a start has already been made at the local level. To get beyond that is the challenge of ECONOMIA-ECOLOGIA-ETHICA.

Part IV

STEINER AND THE CHARACTERISTICS OF MONEY

The Economy as Servant of Society

In Chapter 5 a short introduction to Rudolf Steiner's appeal for the establishment of a cultural parliament made some novel points. They appear to be novel because they run counter to present day economic thinking. Indeed, they only make sense in a totally different framework of social organisation. Steiner's threefold social order represents an effort to make the economy the servant of society rather than its master.

Four Novel Elements of the Economic Sphere in the Threefold Social Order

Christopher Houghton Budd draws attention to some of Steiner's novel, but cardinal ideas:

- Firstly, the economy should be **self-governing** and separated from the political sphere of rights and the spiritual sphere of the arts, the sciences, religious pursuits and education.
- Secondly the economy should be concerned with the production, distribution and consumption of goods and services. These processes are to be performed by **co-operative working associations** in a spirit of fraternity rather than competition.
- Thirdly the three factors of production – land, labour and capital – are all **OUTSIDE** the economic process and none of them should be treated as commodities. For example, land is not a commodity to be bought and sold for personal use. The allocation of land usage belongs to the province of the cultural/ spiritual sphere not the economic sphere. The essential thing about the means of production is in their circulation – not in their ownership.
- Fourthly, money should not be regarded as a 'thing in itself'. It must always be representative of real economic events and phenomena. Money must not

be an unfair competitor and its lifetime must correspond to the lifetime of the goods and services it helps to create. (See *Articles and Essays by and about Rudolf Steiner Economist*; New Economy Publications; 1996 Bristol England).

Money Flow and its Changes in Value

Steiner conceives money as a medium of exchange, loan or gift whether it takes the form of a bank credit, a cheque, paper money or coin. Money flows in one direction through the three domains of goods, of productive enterprise, and of culture. As money flows through these domains it is **valued differently**:

- it **receives value** with the production of commodities (**purchase money**);
- it **loses value** when invested (**loan money**); and
- it has **negative value** in the cultural domain (**gift money**).

It is then renewed by reissue as purchase money again.

There is always the danger that money will be given a fixed and permanent value. If this is done money will become an unfair competitor with the real economy. In order to preserve money's characteristics of having a change in value Steiner proposed that it have a limited life span!

Money Should Be Made To Die

In Steiner's economic thinking, money has to be divested of its virtual reality. It should be made to die! It should have no fixed value and, on issue, it should be dated. According to T. Gordon Jones, money as a true medium of exchange, should come into existence at the same rate as economic values are created and go out of existence at the same rate as economic values are consumed.

'The lifetime of money should correspond with that of products (goods and services), else money will be an unfair competitor. The money issued in one year should have ceased to exist by the time that the production of that year has vanished.'

(See 'Threefold Government For Social Peace' by T. Gordon Jones, Rudolf Steiner Publishing Company 1943, p. 24).

Money, Savings and Investments

Money should keep pace with the real economy and the concept of '**savings**' be recognised as a false abstraction. For Steiner the very idea that money can be saved is a falsehood. 'Savings are in fact a confusion of and an interloper between '**giving**' and '**investing**', the true forms of financing the economy – the one cultural, the other commercial.' (See Christopher Budd, p. 109). For Steiner 'the economic counterpart of an active, initiatory cultural life is risk taking, not risk avoidance (as in modern financing).' (Ibid, p. 109). Savings is not, therefore, an example of loan money at work.

'Loan money describes a movement in the overall economic process between the making of an investment and the generation of a surplus. The concept refers to the economic role of money in the economic process, and NOT to the legal form.' (See Budd's Essays, p. 110).

CHAPTER 7

THE THEOLOGY OF ECOLOGIA

‘Almost all the crises that afflict the world economy are ultimately environmental in origin: they prominently include climate change, pollution, water shortage, defaunation, decline of arable soil, depletion of marine fisheries, tightening of petroleum sources, persistent pockets of severe poverty, the threat of pandemics, and a dangerous disparity of resource appropriation within and between nations.’

**Edward O. Wilson
Pellegrino University Research
Professor Emeritus at Harvard
University in his Foreword to
*Commonwealth – Economics for a
Crowded Planet* by Jeffrey Sachs**

‘A sustainable society is one that satisfies its needs without diminishing the prospects of future generations.’

**Lester Brown
Building a Sustainable Society
Norton, New York, 1981**

Part I

ECONOMIA – ECOLOGIA – ETHICA

An Interdisciplinary Task

It may seem strange to those interested in Economics that ecological and ethical issues are being discussed in the same breath and presented as integral elements of an over-arching and inter-related master discipline. It may appear stranger still that Theology is linked with Ecology. Yet it is only through the cross-fertilisation of unlikely disciplines that the inter-relatedness of all social phenomena can be found. The theological foundations of modern western capitalism were understood by Marx and Durkheim and Weber even though they did not possess the consciousness to formulate a new theological foundation. They could describe the excesses of the old order without abandoning its framework. On the other hand the Utopians poured new 'wine' into old 'bottles' without understanding that it was the 'wine' that needed replacing not the 'bottles'! They gave attention to the theology but got the economic aspects out of focus!

Greenpeace, Bio-centrism and Gaia

The new ecological awareness is widely attributed to the effect **Rachel Carson's** *Silent Spring* (1962) had on academics and students. Environmental protestations and student rebellion resulted in grass-roots demonstrations and the emergence of 'flower-power' in the 1970s. The **Greenpeace** movement was founded and became a political force in western government. The Norwegian philosopher **Arne Naess** formulated a new ethic of '**Biocentrism**'. It was a doctrine that destroyed man's privileged anthropo-centrism and preached a more unitive and holistic world view. This approach drew attention to the interdependence and interconnectedness of the natural world. Perhaps the greatest impact to the new ecological awareness was given by **J.E. Lovelock's** *Gaia Hypothesis* (1968).

‘the Gaia hypothesis came to be seen by the wider culture as the basis for a more spiritual and mythopoetic orientation towards ecological issues, whereby the Earth was regarded not only as an intricately self-sustaining and self-organising life system but as Gaia herself, the Earth goddess, a cosmic being of sacred status and value ..’

(*Cosmos and Psyche* by Richard Tarnas p. 436)

Judeo-Christian and Islamic Mythos

The Judeo-Christian creation myth proposes an anthropomorphic deity who created man on the sixth day of creation and gave him **dominion over** the fish ... and **over** the fowl ... and **over** the cattle and **over all the earth** and **over every creeping thing**. Man was given a companion who was extracted from his rib and the original pair were told to be fruitful and multiply and **replenish** the earth and **subdue the earth and have dominion over every living thing** including **every herb bearing seed and every tree**. Adam and Eve were placed in an Edenic Paradise and they were both naked but were not ashamed until they ate of ‘the tree of the knowledge of good and evil’. Once they disobeyed God’s command they lost their innocence and were **expelled from the garden of Eden** with some punishment. Eve was to **suffer in childbirth** and **be ruled by her husband** (Genesis 3: 10). Adam had to **toil** with **the soil** which was ‘**cursed for thy sake**’ (4: 17). Only after death was it possible for man to return to a ‘**new heaven and a new earth**’ (Rev. 21: 1).

The Promised Land – Contrasting Attitudes

In Hebraic mythology the ‘**promised land**’ is to be sought somewhere other than where you ‘are’. It is someone else’s territory to be captured by conquest and with the assistance of Yahweh. This ethno-centric vision of searching for ‘a land flowing with milk and honey’ may be contrasted with the mythologies of the Navaho Indian or the Australian Aborigine. In these mythologies the earth, the sun and landscape where they **presently** live is already sacred. They do not seek a promised land – they already live in it! Their understanding of the outer landscape is that it has to be matched by an alteration of their ‘inscape’ so that they accommodate themselves to their existing environment. They give ‘thanks’ for what they **already have** and are

not concerned with restlessly seeking someone else's possession. They do not seek to own the land so much as they seek to belong to it!

Quality and Quantity in Indigenous Societies

Non-literate indigenous societies do not measure social health by national accounting procedures. Indeed, they do not have a very sophisticated cash economy. In societies where sea shells have exchange value this has more to do with aquatic cosmology and sexual potency rather than as an abstracted medium of exchange. Non-literate societies barter with real goods. They deal in real numbers and not in virtual reality. Debt is toted up in real pigs not in imaginary pigs. The value they place on goods is more of a **qualitative** nature rather than a **quantitative** one.

Principles of Economy in Non-Literate Societies

In non-literate societies such as the Aborigines of Australia or the Navaho Indians of America there are sacred sites and traditional hunting grounds but no 'landlordism'. Hunting, gathering and fishing activities are conducted to satisfy immediate needs and surplus windfalls are shared and not stored. The economies are cashless and barter is the character of trade. Human relationships are based on co-operative sharing rather than competition. Economic activity is attuned to the seasons and religious festivals reinforce a spirit of gratitude and thanksgiving. The principle of sustainability of food and water supply is assisted by walkabouts and seasonal relocations.

The Vernacular Economy of the Outer Hebrides

Alastair McIntosh in his inspirational *Soil and Soul* borrows Ivan Illich's phrase '**the vernacular economy**', to describe the Hebridian economy of pre-modern times. McIntosh characterises that economy as one which was based on mutuality, frugality, reciprocity and exchange by barter. The process of '**mutuality**' is based on the principle of sharing a surplus before trading where the joy is in the giving not in the accumulating. The concept of '**frugality**' is a positive virtue, it is not one based

on meanness. It involves the wise and creative utilisation of scarce resources and eschews the deliberate amassing of scarcities for personal gain. The concept of '**reciprocity**' is based solely on the function of sharing, and not on the value of the commodity. 'It differs from mutuality only in so far as it makes explicit that there are no free lunches and everyone must play their part. Mutuality comes into play as a safety net, when people are unable to care for themselves.' It results in a welfare state based on mutual co-operation – a mutual society! (see pps 29-30).

McIntosh describes another vernacular pillar of Celtic society which appears in modern western economies. This pillar is '**barter**'. In barter the principles of measurement and cash value obtrude in the exchange process. 'I give you one fish in exchange for three eggs. In other words goods and services have a fixed **price** in terms of other goods and services' (see p. 30).

The Transition From The Vernacular Economy To The Cash Economy and The Entry Into The Virtual World

In the vernacular economy mutual dependence was the glue to identity and social cohesion. Barter provided a simple accounting role for money. However, the number system has secondary characteristics apart from counting. In the transition from the vernacular economy to the cash economy the enumerative and real characteristics of the number system are replaced by a whole set of secondary characteristics. These include the provision for zero which did appear in Europe before the sixteenth century. Once zero was placed before 1 it became possible to develop the concept of negative numbers. These properties of numbers were applied holus-bolus to the money system without any real thought as to whether there was an identity of quality. Negative numbers became identified with debt without asking whether the properties of numbers are in fact isomorphic with the real world. Ross Garnaut claims that the total notional value of derivative products since 2000 AD is one quadrillion dollars (one thousand million million). What is real in such a statement? It is an example of the **virtual** world being mistaken for the **real** world. This distinction must be preserved if financial collapses are to be avoided in the future.

Money and Physics (Electronic Transfer)

The previous section alluded to the relationship between money and the properties of the number system. It sought to demonstrate that this relationship had broken down. One could add: that at one time the velocity of turnover in goods and services had some meaning. Today, the speed at which financial transactions are made, we can also say that financial services have broken down. The almost instantaneous transfer of capital in exchange-rate transactions can create instantaneous 'paper wealth'. However this virtual wealth does not correspond to wealth in the real world. It can bankrupt an economy at the speed of light!

Linguistic Confusion

Language legerdemain in economic theory is rampant. The distinctions between price and cost, between wealth and value, between product and process, between intellectual property and real estate, between investment and gambling, between work and labour, between saving and gifting, between wealth and greed, between individual and corporate rights and so on are not made. These confusions invariably work to the advantage of those who can manipulate the financial system.

There is much in economic theory which not only obfuscates the truth but which will lead to continual breakdowns in the economic process. The failure to distinguish between quantity and quality is not simply a matter of semantic confusion; it is a matter of consequence in the real world. It is a theological distinction rather than an economic one but it has profound consequences in the real world.

Part II

UTOPIAN FANTASIES

Secular and Religious Blueprints

There is a wide literature on the subject of Utopias. The literature on aspects of political and social thought concerned with the betterment of society or the creation of an ideal society is also vast. This literature ranges from Karl Polyani's *Primitive, Archaic, and Modern Economies* (Essays of Karl Polyani edited by George Dalton, Doubleday and Company, New York, 1968), to *Soil and Soul, People versus Corporate Power*, by Alistair McIntosh. The range spreads over the Religious – Political spectrum. It includes learned treatises from Plato, Thomas More, Francis Bacon, Jean Rousseau and Karl Marx. There is also a 'literature' which emanates from reformers like Robert Owen, John Humphrey Noyes and the Mormon Prophet Joseph Smith. These men were more concerned with social institutions and applied Christianity than political theories. While they were motivated by religious impulses they were not as radical as the cult movements of the Rev. Jim Jones (People's Temple) or David Koresh (Branch Davidians) or Marshall Applewhite (Heaven's Gate).

Robert Owen and New Harmony

Robert Owen was a wealthy man who had made his money from cotton mills in England. He was a philanthropist and a social reformer. In his factories he reduced working hours, improved conditions and banned the employment of children under ten years. By



1813 he began to question the direction taken by society as a result of the Industrial Revolution.

'A New Society'

Robert Owen wrote a book: *A New View of Society* in which he advocated a return to the values of a village lifestyle. He was not prescriptive on the details but thought these could be worked out by co-operative associations of 800-1200 members. Such co-operatives would hold property in common and do some farming (see *The Culture Cult* by Roger Samball p. 23).

Harmonie

The Grand Duke Nicholas had offered to finance Owen to set up socialistic-type enterprises in Russia; but Owen preferred America. In 1825 he purchased 'Harmonie', Indiana from the German Harmonist George Rapp. Rapp was building 'Economy' on the banks of the Ohio. Owen paid Rapp \$100,000 for the 30,000 acres and with \$150,000 capital he soon attracted 900 members to his new society. 'Owen-inspired communities' began to mushroom throughout America (see Fawn Brodie: *No Man Knows My History* p. 105).

Disharmony in 'New Harmony'

Unfortunately Owen's lack of clear direction attracted 'scores of ... the conceited, the crotchety, the selfish, the headstrong, the pugnacious, the unappreciated, the played-out, the idealists, and the good-for-nothing generally'. (Inquest on New Harmony by J.H. Noyes reported by Roger Samball in *The Culture Cult* p. 23). Such riff-raff cannot agree on communal government nor can instant communalism replace the tried-and-proven values of home-grown institutions. Owens did not stay long in New Harmony and in less than two years the whole enterprise fell into a heap. Owens failed in his experiment to transfer his idealist blue-print onto American soil.

John Humphrey Noyes and Oneida

The Abolition of Private Property

In his chapter on 'Designer Tribalism' Roger Samball introduces John Humphrey Noyes with the following words:

'The abolition of private property is usually designer tribalism's number-one priority, and the Abbó de Mably's vision of a world in which "all are equal, all are rich, all are poor, all are free, and our first law is that nothing is to be privately owned" is entirely typical.'

(The Culture Cult p. 24)

Sexual Experimentation and Biblical Authorisation

Samball continues by adding two other features to such cultures viz. new sexual arrangements and biblical authorisation. These three elements appear with slightly varying emphases in a number of experimental sects. These include the Shakers of Jemima Wilkinson, the Mennonite followers of Amman (the Amish), the Kibbutz of Modern Israel, the United Order of Enoch of the Mormons and The Oneida Community of John Humphrey Noyes.



Noyes and Smith's attempts are briefly introduced in the following notes.

Noyes' Doctrine of Perfectionism

John Humphrey Noyes had attended Andover and Yale Divinity Schools and his religious obsession grew until 'in 1834 he arrived at an unshakeable conviction that the Kingdom of God could and would soon literally be realised on earth.' (see Samball p. 26). In the early 1840s Noyes had formulated a doctrine of Perfectionism. This doctrine was based on salvation by faith and only those who neared perfection could be saved. The chief article of this doctrine was a 'communism of love'.

A Communism of Love

The citizens of the imminent Kingdom of God had to be obedient to the highest standards of love. Noyes promulgated the nature of these standards. It meant that usual Christian observances had to be revoked since they only led to secret adultery and sexual monotony. The new order required more generous provisions. Monogamy would be replaced by love of the entire community. Group marriage or 'multigamy' became the new ideal. Women were expected to change their sexual partners often. Noyes supervised some of these liaisons and in due course this led to the development of a privileged hierarchy with greater access to favoured women. Strangely, under these new arrangements reproduction was prohibited (*coitus reservatus*). As time passed Noyes introduced a revival of the medieval '*jus primae noctis*' and finally decided to allow reproduction.

Last Days of Oneida

By 1879 the Oneida Community's days were drawing to an end. They had practised a life style in which competition for wealth had given way to a form of egalitarianism. This egalitarianism however had not been applied to the regime of communal love. Here Noyes and his elders enjoyed preferential treatment. When John Humphrey Noyes was charged with statutory rape in 1879 he fled to Canada. This brought to an end one of the most bizarre experimental new societies spawned on the American continent.

Joseph Smith and the United Order of Enoch

Joseph Smith's Multi-faceted Life

In her widely researched life of Joseph Smith, *No Man Knows My History*, Fawn Brodie sets the Mormon Prophet in the social and religious maelstrom of his time and the moving frontier of early 19th century America. Joseph Smith was not only the creator of a new Restoration church he developed into a Town Planner, the Mayor of an



Incorporated City, a Lieutenant-General in the Nauvoo Legion and at the time of his death he was a candidate for the Presidency of the United States. His new church appropriated a great number of the elements of the revival movements of New England and the western frontier with its millenarianism and its unexplained mounds. One of Joseph Smith's interests stemmed from his Campbellite convert – Sidney Rigdon. He inherited some germinal ideas about an **economic order** from Rigdon. In his inimitable style, Joseph Smith re-cast these communal ideas into a revelation setting up the United Order of Enoch.

Principles of the First Formulation of the United Order

In Joseph Smith's first formulation the Lord dictated to all converts:

‘thou shalt **consecrate** all thy properties, that which thou hast, unto me,
with a covenant and **a deed** which cannot be broken,
and they shall be laid before the bishop of my church.’
(Book of Commandments, Ch XLIV, verse 16. Fawn Brodie footnotes (on p. 106): this should not be confused with the revised version of this revelation published later in the Doctrine and Covenants (see Section 42).

Joseph Smith's Modifications to Communal Living

Unlike the Shakers and the New Harmonists Smith provided for individual reward for personal effort. The Bishop returned an amount of property sufficient for the original owner and his family over which he acted as steward. This was ‘more akin to farm tenancy than to true communal agriculture’. The United Order faltered in Ohio. The explanation given was that Ohio had never been consecrated. The situation would be different when the Saints moved to Missouri and when a Temple was built. In fact it never was. Joseph was assassinated and the Latter-Day-Saints were driven out of Missouri in 1844 and moved to Utah.

Modern L.D.S. Welfare Programs

The L.D.S. Church has developed an extensive system of modern welfare programs. These are based on the provision of job opportunities – especially in centralised farming and canning-manufacturing. The church has extensive food storage and silo operations in agricultural areas. Its contribution to the welfare of Northern and Central American Indians has been highly acclaimed. Welfare has always been a concern of the L.D.S. Church. Its stream of converts from the agriculturally dispossessed of Europe and the surplus of deserted wives led to the development of the United Order and the adoption of polygamy. Both of these practices have been abandoned in their original form. The United Order and Plural Marriage are two aspects of Joseph Smith's doctrines that have been highly modified and transformed because of political resistance. His attempt to build the Kingdom of God on earth has lost little of its momentum even if Joseph's revelations have been adjusted from time to time. Joseph Smith's United Order of Enoch may have changed its modus operandi but his welfare order proved to be more durable than the Utopian fantasies of Robert Owen and John Humphrey Noyes.

Part III

SUSTAINABILITY

The following notes are based on the book *Grow Small, Think Beautiful – Ideas for a Sustainable World from Schumacher College* (edited by Stephan Harding; Floris Books; 2011).

Interconnectedness and Ecoliteracy

This collection of articles and speeches by invitational guests of Schumacher College addresses aspects of sustainable living for the future. The contributors have expertise across a range of disciplines. There are contributions from systems theorists, energy consultants, economists, biologists, educators, agriculturalists, banking reformers, and holistic ecologists. The variety and originality of the ideas expresses the hope that sustainable living in the future will be dependent on the generation of new ideas from **inter-disciplinary relationships**. The future will have to be based on ecological rather than biological systems.

‘This means that **ecoliteracy** must become a critical skill for politicians, business leaders, and professionals in all spheres.’

Fritjof Capra p. 75

Lovelock’s Gaia Theory

James Lovelock’s contribution (Ch. 5) to the Schumacher College’s festival of ideas gave him the chance to restate his Gaia Theory. The ‘Theory’ began as an **‘hypothesis’** which stated that:

‘the biosphere (is) an active adaptive control system (and is) able to maintain the Earth in homestasis.’ (1969)

As a restated **‘theory’** Lovelock formulated the hypothesis in 1981 in these words:

‘The evolution of organisms and their material environment proceeds as a SINGLE TIGHT-COUPLED PROCESS from which self-regulation of the

environment at a habitable state appears as an emergent phenomenon.'
(1981)

Lovelock's new formulation conceded that 'the regulation came from the WHOLE SYSTEM, life AND the material environment, tightly coupled as the single entity, Gaia' (see p. 68). He proclaimed the declaration:

'The Earth is a self-regulating system made up from all life, including humans, and from the oceans, the atmosphere and the surface rocks).
(Ibid)

Ecosystems as Climate Regulators

Ecosystems were regulators of climate and atmospheric composition. Lovelock issued a warning about climate change;

'The green concepts of sustainable development and renewable energy that inspired the Kyoto agreement are too late.'

Under the circumstances Lovelock reluctantly admitted that the requirements for future energy supplies could now only be met by nuclear energy.

Fritjof Capra and Holism

Fritjof Capra is a physicist who turned his attention to systems theory. Later Capra became the founding director of the Centre for Ecoliteracy in Berkeley. In his invitation address to the Schumacher College, Capra outlined some of the qualities of systems thinking. He explained that the reason why the 'whole was greater than the sum of its parts was to be found in **the quality of 'relationships'**.

'Understanding life requires a shift of perspective, not only from the parts to the whole but also from objects to relationships.'

The relationships Capra was highlighting was not only between the systems components but between the whole system and the contextual environment in which

the whole system operated. Cells operate within organs, organs with organisms, organisms within ecosystems.

Mapping with the New Mathematics

According to Capra relationships involve **qualities** between things. While traditional science measures and weighs by **number**, relationships in the organic world need to be **mapped**. Relationships may be represented by patterns, networks, cycles and feedback loops. They are **non-linear** and require a new kind of mathematical language. This language is popularly known as '**complexity theory**'. Chaos theory and fractal geometry are examples of the new forms and patterns which describe relationships in the non-mechanical world.

Capra on Inter-relatedness

'Evolution is no longer seen as a competitive struggle for existence, but rather as a **cooperative dance** in which **creativity** and the **constant emergence of novelty** are the driving forces Scientists (now realise) that a living system – an organism, ecosystem, or social system – is an integrated whole whose properties cannot be reduced to those of smaller parts.'

(p. 73)

Authentic and Counterfeit Holism (Bortoft)

Henri Bortoft in his book *The Wholeness of Nature* (Bortoft 1996) makes the distinction between '**authentic**' and '**counterfeit**' holism. Authentic Holism is illustrated in the process of holography where each part is an integral part of the whole, where the whole is reflected in its entirety, in all of the parts. Counterfeit Holism on the other hand regards the parts as consisting of isolated, individual units which, when assembled, make a whole.

Ecologia, Economia and Ethica as a Whole

In order to move towards a solution of the economic problem it is necessary to understand it is but one part of the whole. There has to be a wider lens through which the values of Ethics and Ecology are able to shine. Only when we provide for this cross-fertilisation will we move towards a more sustainable future.

BIBLIOGRAPHY

Bakan, Joe; *The Corporation – The Pathological Pursuit of Profit and Power*; Constable, London; 2004.

Bourke, Vernon J.; *History of Ethics, Vol. 2 Modern and Contemporary Ethics*; Axios Press, Published by arrangement with Doubleday, a division of Random House; 2008.

Brodie, Fawn; *No Man Knows My History – The Life of Joseph Smith The Mormon Prophet*; Alfred A. Knoff 1946.

Capra, Fritjof; *The Turning Point*; Published by Fontana Paperbacks; 1983.

Davies, Geoff; *Economia – New Economic Systems to Empower People and Support the Living World*; Aust. Broadcasting Corp.; 2004.

Downing, David; *Capitalism*; Heinemann Library; 2002.

Garnaut, Ross; *The Great Crash of 2008*; Melbourne University Press; 2009.

Harding, Stephan (Ed.), *Grow Small, Think Beautiful – Ideas for a Sustainable World from Schumacher College*; Edited by Stephan Harding, Floris Books; 2011, p. 73

See especially *Systems Thinking and the State of the World: Knowing How to Connect the Dots*.

Levitt, Steven D. and Dubner, Stephen J.; *Freakonomics – A Rogue Economist Explores the Hidden Side of Everything*; A1

Lietaer, Bernard; *The Future of Money Creating New Wealth, Work and a Wiser World*; Century; London; 2001.

Lowe, Ian; *A Voice of Reason – Reflections on Australia*; University of Queensland Press; 2010.

McIntosh, Alistair; *Soil and Soul – People versus Corporate Power*, Aurum Press Ltd London; 2001.

- Sachs, Jeffrey; *Commonwealth – Economics for a Crowded Planet*; Penguin Books; 2009.
- Samball, Roger; *The Culture Cult – Designer Tribalism and Other Essays*; Westview Press; 2001.
- Saul, John Ralston; *The Collapse of Globalism and the Reinvention of the World*; Viking; 2005.
- Saul, John Ralston; *The Unconscious Civilization*; Penguin Books; 1997.
- Shutt, Harry; *The Trouble with Capitalism – An Enquiry into the Causes of Global Economic Failure*; Zed Books; 1998.
- Sinclair, David; *The Pound – A Biography*; Arrow, 2000.
- Steiner, Rudolf; *Towards Social Renewal*; Trans. by F.T. Smith; Rudolf Steiner Press, London; 3rd Edit.; 1977.
- Steiner, Rudolf; *World Economy: The Formation of a Science of World Economics*; Trans. Owen Barfield and T. Gordon-Jones; London, 1972.
- Steiner, Rudolf; *The Social Future*; Anthroposophic Press, Inc.; Spring Valley, N.Y.; 3rd Ed., 1972.
- Steiner, Rudolf, and Budd, Christopher Houghton; *Articles and Essays by and about Rudolf Steiner Economist*; New Economy Publications; 1996.
- Thompson, David (Ed); *Political Ideas*; A Pelican Book First Published by C.A. Watts, 1996 and Pelican in 1969.
- Wilson, Edward O. *Consilience – The Unity of Knowledge*; Alfred A. Knopf NY, 1998.