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*Institute for Economic  
Research on Innovation*

TSHWANE UNIVERSITY OF TECHNOLOGY

# *New Economic Manifesto's for the Well- being of All*

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An Alternative @ Rio+20: Peoples' Sustainability Treaties & the Manifesto

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# Outline of Presentation

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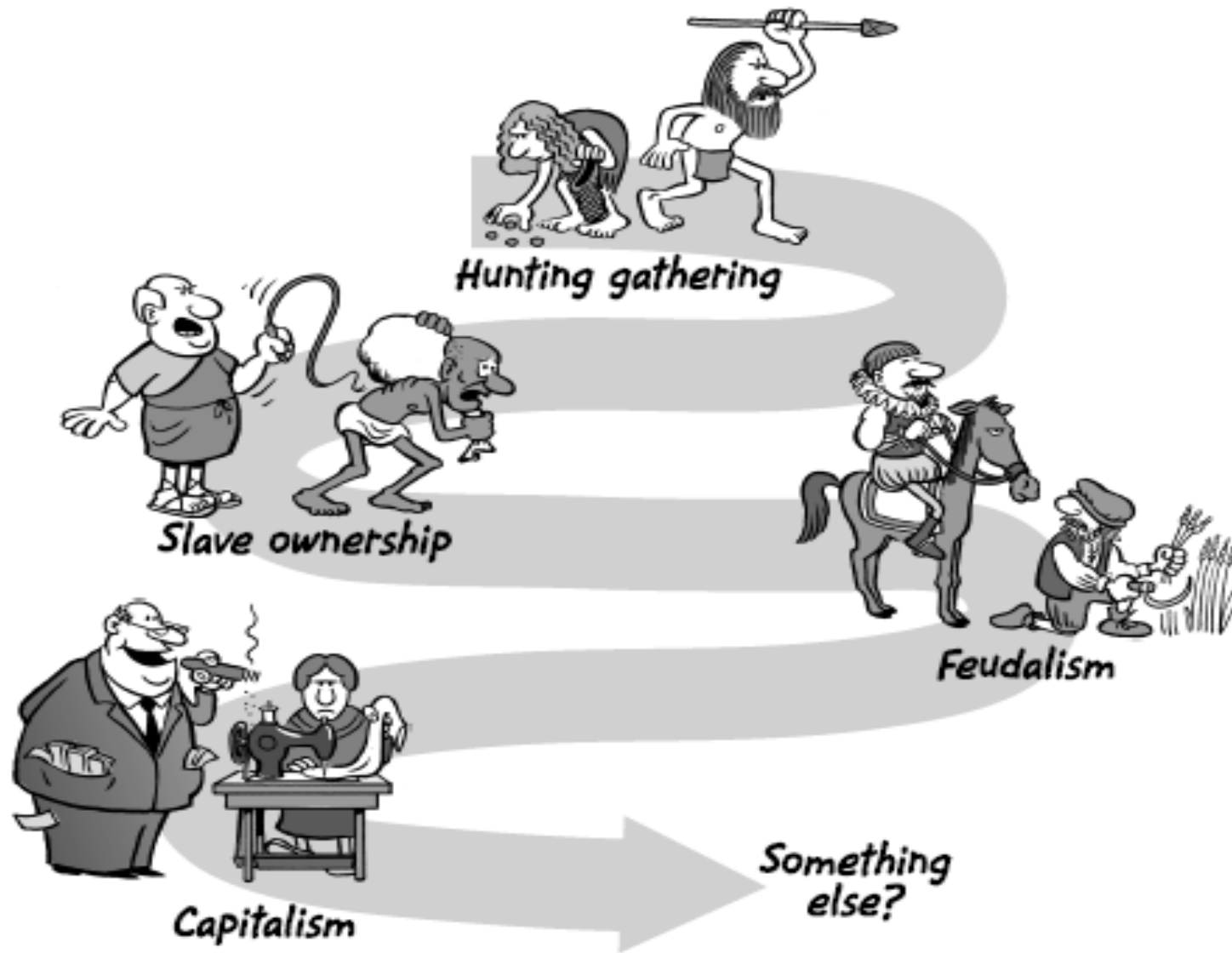
1. Introduction
2. Conventional Economics
3. Contemporary Paradoxes
4. Towards Manifestos'

# What is the Economy, Anyway?

- ❑ The economy is the sum total of the work we must perform to produce the goods and services we need to survive and live
- ❑ Without work (broadly defined as “productive human effort”), nothing happens in the economy

# GDP: Use With Caution

- ❑ GDP should never be used as the measure of economic well-being or “progress”:
  - ❑ Does not include work that is not performed for money (such as Home-based Care, and Community Volunteering)
  - ❑ Does not consider the distribution of output (“average” per capita GDP says little about how most people live)
  - ❑ Does not consider whether output is useful or destructive (child care versus warfare)
- ❑ GDP is relevant, but be careful how we use it
  - ❑ Never assume higher GDP is automatically “good”



# The Politics of Economics

- ❑ There is no objective “truth” in economics
- ❑ Economic theory has always tried to keep up with changes in the economy
- ❑ Economic debates have always reflected real-world conflicts and struggles
- ❑ Economics today is used to defend the system



**Joan Robinson:** “The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists”

# *Economists over Time*

1400 – 1700's	<i>Mercantilists</i>	states & merchants
1750 – 1776	<i>Physiocrats</i>	“laissez-faire, laissez-passer”
1723 – 1790	Adam Smith	markets & macroeconomics
1772 – 1823	David Ricardo	rents & taxes
1776 - 1834	Thomas Malthus	population & growth
1818 – 1883	Karl Marx	capital & revolution
1835 – 1882	William Stanley Jevons	theory of political economics
1834 – 1919	Leon Walras	pure economics
1842 – 1924	Alfred Marshal	principles of economics
1883 – 1946	John Maynard Keynes	welfare & public works
1886 – 1964	Karl Polanyi	social system determinism
1883 - 1950	Joseph Schumpeter	business cycles and ‘creative destruction’
1930 -	Richard Nelson	Evolutionary Economics
1938 -	Michel Aglietta	Régulation Theory

# The History of Economics

- ❑ Paralleling the evolution of the economy, economics also constantly evolves
- ❑ But economics is not a neutral science
- ❑ Economic theories and ideas always incorporate values and ideologies
  - ❑ They all aim to criticise or justify particular economic arrangements, not just explain them
- ❑ And economics responds to the problems and controversies experienced in the economy



# Axioms of Léon Walras

- ❑ *model of general equilibrium*
- ❑ *The economic universe is determinate*
- ❑ *It exists in a void rather than in an ecosystem*
- ❑ *All relations in an economy are self-regulating, in the sense that any disturbance “sets in motion forces tending to restore the balance”*
- ❑ *These “forces” result exclusively from the behaviour of isolated individual agents*
- ❑ *The behaviour of these agents conforms to certain mathematical properties*
  - ❑ *consumer choice is characterised by transitivity (if X is preferred to Y and Y to Z, then X is always preferred to Z), completeness (out of the set of all possible bundles of goods given her income, she considers her preference between every pair of them) and independence (consumers are not influenced by the choices of other consumers)*
- ❑ *[www.paecon.net](http://www.paecon.net)*



# Market-based Rationality

- ❑ Rational economic behaviour of individuals in a market setting creates the structure of social institutions
  - ❑ the legal system,
  - ❑ property rights,
  - ❑ family and kinship relations and
  - ❑ all other social institutions
- ❑ leading to optimal solutions of human and social problems

# Financialisation” of the economy

- ❑ *attempts to reduce all value that is exchanged whether tangible, intangible, future or present promises, either into a financial instrument or a derivative of a financial instrument*
  - ❑ “the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions” (Gerald Epstein: University of Massachusetts)
  - ❑ “transformation of future streams of income (from profits, dividends, or interest payments) into a tradable asset like a stock or a bond” (Ramaa Vasudevan: Dollars & Sense)
- ❑ Growing divergence between the real (productive) and financial economies
- ❑ Rising economic and political power of “rentiers”
  - ❑ those whose earnings come from financial activities and from forms of income arising from ownership claims (such as interest, rent, dividends, or capital gains) rather than from actual production
- ❑ Rapid expansion of consumer credit
  - ❑ Rising inequality
  - ❑ *Asset Bubbles*
  - ❑ Stagnant wages

# Understanding Neoliberalism

- ❑ Multi-dimensional effort to restore business power
  - ❑ Economic, political, and cultural power
- ❑ Response to “problems” of the late Golden Age:
  - ❑ Inflation – Worker militancy
  - ❑ Falling profits – National liberation
- ❑ Two clear cannon shots signalled new era:
  - ❑ Economic governance: Volcker shock, interest rates
  - ❑ Political governance: Thatcher, Reagan
- ❑ Neoliberalism is NOT equivalent to “shrinking the state”
  - ❑ Rather, it redirects policy & power to aid business

# Key Goals of Neoliberalism

- ❑ Reduce and control inflation; protect the value of financial wealth
- ❑ Restore insecurity and “discipline” to labour markets
- ❑ Eliminate “entitlements”; force families to fend for themselves
- ❑ Roll back and refocus government activities to meet business needs; cut taxes
- ❑ Generally restore the economic and social dominance of private business and wealth
- ❑ Claw back expectations; foster a sense of resignation to insecurity and hardship

# Key Tools of Neoliberalism

- ❑ Use interest rates aggressively to regulate inflation and control labour markets
- ❑ Privatize and deregulate more industries
- ❑ Scale back social security programs (especially for working-age adults)
- ❑ Deregulate labour markets (including attacks on unions)
- ❑ Use free-trade agreements to expand markets and constrain government interventions

# Contemporary Practices

- ❑ The forms of accounting associated with macroeconomic management -- which arose out of a colonial and immediately post-colonial political experience -- do not provide a more 'accurate' understanding of a pre-existing world, but just set up new practices in new places whose ostensible ambitions come to grief again and again.

Lohmann (2002)



# *Change the system, not just the boundaries*

- ❑ 2000 – French Students
  - ❑ Post-Autistic Economics
- ❑ Cambridge & Oxford –
  - ❑ Post-Autistic Economics Review
  - ❑ [www.paecon.net](http://www.paecon.net)
- ❑ 2001 – Kansas City Proposal
  - ❑ *Cultural, social, political, moral & historical neglect*

# Heterodox Economics

- ❑ Pluralistic
- ❑ Inter-disciplinary
- ❑ Policy-oriented
- ❑ Starting with the real world
- ❑ Challenging the status quo

- ❑ (2010) 100 Words on Heterodox Economics, Heterodox Economics Newsletter, Issue 100, 31 May

# Post-Autistic Economics

- ❑ AGAINST:
  - ❑ “uncontrolled use” of economics’
  - ❑ treatment of mathematics as “an end in itself”= “autistic science”
  - ❑ repressive domination of neoclassical theory
  - ❑ derivative approaches in the curriculum
  - ❑ dogmatic teaching style
    - ❑ *no place for critical and reflective thought*
- ❑ FAVOURS:
  - ❑ engagement with empirical and concrete economic realities
  - ❑ prioritising science over scientism
  - ❑ a pluralism of approaches adapted to the complexity of economic objects and to the uncertainty surrounding most of the big economics questions
  - ❑ initiating reforms to rescue economics from its autistic and socially irresponsible state

<http://www.paecon.net>

# Jevons Paradox

- ❑ Improvements in steam engines that decreased the use of coal per unit of output also served to increase the scale of production as more and bigger factories were built
- ❑ Hence, increased efficiency in the use of coal had the paradoxical effect of expanding aggregate coal consumption
  - ❑ William Stanley Jevons (1865) The Coal Question

# Quality of Growth

- ❑ *It is rapidly becoming clear that the dominant paradigm of economic growth is one of the most significant obstacles to a serious global effort to deal with climate change*
- ❑ *But this destabilizing, fundamentalist growth-consumption paradigm is itself more effect rather than cause*
- ❑ *The central problem, it is becoming increasingly clear, is a mode of production whose main dynamic is the transformation of living nature into dead commodities, creating tremendous waste in the process*
- ❑ *The driver of this process is consumption – or more appropriately overconsumption – and the motivation is profit or capital accumulation: capitalism, in short*
- ❑ *Walden Bello (2008) “Will Capitalism Survive Climate Change?” in Bangkok Post, March 29 (Professor of Sociology at the University of the Philippines)*

# Growth & Crisis'

- ❑ *the need for higher profits and endless growth has intensified environmental destruction, resource depletion, instability, social and political inequality, and even global warming These problems have become systemic and solutions therefore require long-term systemic change*

# Campaign Contradictions

## □ True Prices:

“strive for a sustainable global economy in which all social and environmental damage is reflected in prices.”

## □ Commons:

“right to subsistence”

“nature as interlocutor”

“Commons are not resources”

Makes possible new forms of accumulation that treat commons and commoners as “free gifts!”

Adapted from: Green Economy Colloquium (2012)

# Heterodox Challenge

- What is harder, but absolutely necessary, is to develop a real alternative—a practical, living, developing political economy, devoted to the committed analysis of social and economic problems, challenging the existing capitalist system and its ideology, forming an integral part of our political practice



## *Towards New Economics Manifestos*

- “And it ought to be remembered that there is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things. The innovator has for enemies all those who have done well under the old conditions, and lukewarm defenders in those who may do well under the new.”

Niccolò Machiavelli (1515)

# Remember not to Forget

*"I don't care who writes a nation's laws -- or crafts its advanced treaties -- if I can write its economics textbooks"*

Paul Samuelson

quoted in Skousen (1997)





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*Thank you, ...r*

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