

**Is the Function of Mainstream Economics to Avoid the
Analysis of Business as War?**
(John Nash was not a soldier.)

W. Robert Needham
(Revised August 2012)

“The age of chivalry is gone: that of sophisters, economists and calculators has
succeeded and the glory of Europe is extinguished for ever.”

Edmund Burke, 1790

“Equilibrium is just equilibrium.”

Professor Lionel Robbins, 1932.¹

Take the following:

1. All wars are trade wars²
 2. The business of war is business
 3. The war of business is business
 4. Business is war and the war is never over³
 5. Economics is a soldier.⁴
 6. John Nash was not a soldier.
7. On the origins of predatory laissez-faire commerce McLuhan is enlightening: "Let me tell you that religion is not a nice comfortable thing that can be scouted by cultivated lecturers. It is veritably something which, if it could be presented in an image, would make your hair stand on end. Hence the fate of those poor uneducated undisciplined devils who stumble upon some of its "horrors" while remaining inaccessible to its resources. Such as Bunyon and countless others. It is no wonder that men unable thus to see God and to live, quickly rationalize their beliefs as has happened in all the older Protestant sects. Men must be at ease in Zion if they are to pay more than a flying visit. The 17th cent. Protestants abandoned the world and the flesh to the Devil and packed up for Zion. They found the climate their [sic] impossible and returned to earth only to discover that the devil had been making hay. That is the origin of predatory laissez-faire commerce: [and quoting Burdett] "Industrialism [capitalism] establishes a state of slavery more corrupting than any previously known in the world because the master is not a man but a system, and the whip an invisible machine. With this it is impossible to enter into any but inhuman relations, and in such an inversion of humanity all the instincts become perverted at their source. Osbert Burdett, *The Beardsley Period: An Essay in Perspective*, (1925), 268). See: M. Molinaro, Corinne McLuhan and William Toye.

¹ The citations from Burke and Robbins are from Barbara Wooten, *Lament for Economics*, (London: George Allen and Unwin LTD, 1938).

² From Smith, J.W. *Economic Democracy: The Political Struggle of the Twenty-first Century*, (Armonk, New York: M.E. Sharpe, 2000).

³ I think this can be found in the film *Rising Sun*.

⁴ This statement was asserted in the 1960's by and in a graduate class at Queen's University that I attended given by former Royal Military College instructor and famed econometrician T. M. Brown, who later went to the University of Western Ontario.

Eds. *Letters of Marshall McLuhan*, (Oxford: Oxford University Press, 1987), 75.

8. The term *global village* has been popularized, as has *global pillage*. The terms have become part of the rhetoric associated with control by capitalist corporate enterprise.⁵ The terms *global pillage* and *global factory* emphasize the exploitation of people that is involved at all levels. The term *global village* seems to have been coined by Marshall McLuhan but note his stress. The subplot [of *War and Peace in the Global Village*] is the effect of the computer; the main plot is that every new technology creates a new environment that alters the perceptual life of the entire population. Since violence is the inevitable means of quest for identity when the old image, private or corporate, is smudged by the new technology, war is automatic as a means of recovering identity. [M. Molinaro, Corinne McLuhan and William Toye. eds., *Letters of Marshall McLuhan*, (Oxford: Oxford University Press, 1987), 348. Emphasis added.] In appended footnote #2 (page 348), the editors suggest that peace in the global village will come about through this adjustment, adjustment to pain caused by new media and new technologies and the pain inflicted by illuminating them, which is also implicit in the action of technology. In writing to Hubert Humphrey, (dated 671228) McLuhan remarked: Today in our global village, created by instant communications, all backward countries are threats to all developed countries. Like the Negro and the teen-ager in our own country, they get turned on by the new electric age. They never had an industrial age or a 19th century. They start with the latest, electric information. The electric environment is totally involving. It is not an environment of consumers. That is why World War III is also a depression, whereas World War II had been a struggle to get out of a depression. All backward countries are "communist." They have never known social or political individualism. The Orient is entirely tribal and family oriented. Russian communism was similarly oriented for the benefit of a tribal people. They are still tribal. To regard the global encirclement of the USA by backward communities presenting a communist threat to the USA is a very confusing affair. It represents a state of mind at least as confused as the Kaiser in 1914. It also ignores the fact that electric technology is totally tribalizing the USA. (*Letters of Marshall McLuhan*, 349-350).
9. The United States seems to have for long been intent on world domination. This, of course, makes the US the biggest problem other countries have to face. The war in Iraq in 2003 is just one incident of many. See: Michael Hudson, *Super Imperialism: The Economics Strategy of The American Empire*. (New York: Holt Rinehart and Winston, 1972; and the revised edition: Hudson, Michael. *Super Imperialism: The Origin and Fundamentals of U.S. World Dominance*, (London: Pluto Press, 2003). Taken with McLuhan's use of the term, WWII, the super imperialism of US domination seems to be a shoot-first-ask-questions-later-war by the US against at least some of the rest of us. Are the rest of us sycophants? And thus this business is war and the war is never over. See also the important article by John McMurtry, "Understanding the U.S. War State," *Monthly Review*, (March 2003):

⁵ See: Harry Glasbeek, *Wealth by Stealth: Corporate Crime, Corporate Law, and the Perversion of Democracy*, (Toronto: Between the Lines, 2002)

<http://www.monthlyreview.org/0303mcmurtry.htm>. And: Susan George; *Globalisation and war* International congress of IPPNW, (New Delhi, 10 March 2008) http://www.tni.org/detail_page.phtml?act_id=18042

10. *demand determines supply and supply costs determine prices according to markup formulas --- at least in some sense*

This truth seems independent of market structure, whether competitive, oligopolistic, or monopolistic. In support: markup and normal cost pricing procedures have been used since the time of Adam Smith ... the historical prevalence of these pricing procedures undermines the need to provide an analytical basis and an ahistorical (theoretical) justification for them ... the empirical evidence does not suggest that their usage is a function of the degree of market competition an idealized competitive market is a piece of theoretical fiction which post-Keynesians can do without.⁶

The major point is what we all know and experience in our daily lives when we walk up main street -- that real world prices are administered to the market [say through at least in an *ex post* sense $p = AVC (1 + MU\%)$]. As such those prices are not market clearing prices of neo-classical price theory. But the issue is: What determines the markup? Many retailers customize price. In effect there are no final price lists except those that emerge after customers have been cajoled or urged to pay more than the original contract price. On customized prices see also the Report of the Annenburg Public Policy Center, titled: *Open for Exploitation*.

The life of business is war and war leads to death of some businesses; only in death are they in equilibrium (some even doubt an equilibrium even in that state). War is for the increased bottom line profit that is claimed by those that survive.

The war is against consumers -- who become trapped, and against local retailers -- whose markets are invaded, by the outside marauding or preying firm.

Mainstream economics always seeks the equilibrium between conventional demand and supply conditions with excess profit eliminated. But this turns out to be a *dumbing-down pipe dream*.⁷ (Some would say *day-dream* others *ugly nightmare*.)

⁶ F.S. Lee, From Post-Keynesian to Historical Price Theory, *Review of Political Economy*, VI:3(1994), 311.

⁷ Barbara Wooten, *Lament for Economics*, (London: George Allen and Unwin LTD, 1938), 31,32. Wooten provides the short verse

If all the world were apple pie
And all the sea were ink,
And all the trees were bread and cheese
What should we for for drink?

And then she says." ... there is no reason to suppose that this strange poetic fancy is linked with the prosaic world of common experience in any way which would make the study of one likely to throw light upon the workings of the other. But the economists, ... have settled down quite complacently to exhaustive analysis of a world hardly less fantastic than that pictured by our poet; and here, it is suggested, lies a simple convincing explanation of their deplorable imperfections in the role of either prophet or doctor in actual situations." The first rule of doctors in treating patients is: *First Do no Harm*.

It is designed by the disciplinolatrics held by the gatekeepers (mainstream economists) protective of the systems ideology of exploitation. The effect is to keep students from facing the truth --- and from the realization that *the alternative to mainstream economics is, in fact, the truth*. It seems to follow that universities may be opening themselves to joint action court cases when students realize what is being done to them.⁸ The harm goes beyond the classroom.⁹

11. I came to appreciate something of John Nash only late and then mainly through an emotionally charged movie titled and based on the book *A Beautiful Mind*.¹⁰ As I understand it Nash was concerned with *governing dynamics*, or as I put it, *general dynamics*; that he was averse to working under the *constraining assumptions* that some of his math colleagues required to get the answers they wanted; and he upset what Adam Smith (and, based on Smith, what the Economics profession) said in advocating the individual's single minded, unconstrained, pursuit of self interest. Specifically, I take it that Nash means that members of society could benefit most by *working together for the collective interest*.

Note that in the terms of my analytical framework, *governing* or *general dynamics* is analogous to and is replaced by the words of *multi-dimensional trans-disciplinary* analysis (see my political economy table, Table 1 below, and the associated definitions of terms found in my *The Capitalist Development of Canada*.

Avoidance of constraining assumptions is met in my analytical framework because it is open-ended. At no point does it constrain thinking to the *a priori* assumptions needed by mainstream economics. No mind is put in a box and told what to think.

Working for the *collective interest*, in my framework is replaced by the terms *community-minded behaviour*. Each individual fully realizes himself or herself within community, *with out doing injustice to others*.

Social Democrats would argue that they had the importance of collective action for the public good figured out long before John Nash and would therefore assert, sight unseen, that the mathematics of this non-soldier must be correct, and they would, in this regard, take him as one of their own.

Too, in Chapter 13 of *The Capitalist Development of Canada* numerical illustration of basic Keynesian macro models suggests that furthering the interests of the least well- off (increasing the wages of lowest paid, say) advances the interests that society has in higher levels of output and employment.

⁸ On the change that takes place in students after exposure to mainstream economics see: Joan Robinson "Teaching Economics," in *Collected Papers* Vol 3. 1-6. (Oxford: Basil Blackwell, 1965). Originally in *Economic Weekly (Bombay) January 1960*.

⁹ Ellen Gould, *First do no Harm: The Doha Round and Climate Change*. BRIEFING PAPER trade and investment series: Canadian Centre for Policy Analysis, (March 2010).

¹⁰ Sylvia Nasar, *A Beautiful Mind*. See also Sylvia Nasar, *Grand Pursuit: The Study of Economic Genius*. (New York: Simon and Schuster, 2011)

The Moral content is found in: "... for I was hungry and you gave Me food; I was thirsty and you gave Me drink; I was a stranger and you took Me in; I was naked and you clothed Me; I was in prison and you came to Me. Assuredly, I say to you, inasmuch as you did it to one of the least of these My brethren, you did it to Me. *Matthew 25:35-40*

So I assert that I have assembled an analytical framework that is multidimensional trans-disciplinary, open ended and it is right. It avoids the criticism that Wootton made of mainstream economics (see above). It seems to me a worded version of governing general dynamics, it invites more including 'chaoses' of the sort that are found in the "Arab Spring" and the various demonstrations that are taking place around the world as people seek to realize a start at democracy (or extend what they do have) in their countries with basic free elections. Full democracy (economic + political) is a long way off there as here at home.

Table 1

The Political Economy Approach, the Major Components and Concepts of Social Systems Analysis and Three Social Systems: Capitalism, Etatism and Social Democracy

(© W. Robert Needham, 2006)

The ultimate problem of production is the production of human beings. To this end the production of goods is intermediate and auxiliary. It is by this standard that the present system stands condemned. ...Machinery and technological improvement are means, but again are not the end...the means have to be implemented by a social-economic system that establishes and uses the means for the production of free human beings associated with one another on terms of equality. John Dewey

The Political Economy Approach Has 3-Tasks	The Moral Society's Opening Assertion	Capitalism/Private Collectivization (hierarchical values)(a)	Etatism/State Collectivization (hierarchical values)	Social Democracy (participatory values) (b)
Critique Alternative Praxis	Each person is able to become all that she/he is capable of being. This has the effective content that the individual self-realizes within community	Unconstrained Liberty Inequality Competition	Constrained Liberty Inequality Forced Fraternity	Morally Constrained Liberty (see col.2) Equality Cooperation (community mindfulness)
3-D Analysis	The Moral Imperative or Constraint	Evaluation of Capitalism	Evaluation of Etatism	Evaluation of Social Democracy
Horizontal/Competition Vertical/Hierarchy Depth/Real Time	Self Realization without doing injustice to others and this implies	Immoral Inefficient Unfair Undemocratic	Immoral Inefficient Unfair Undemocratic	Moral Efficient Fair Democratic
3-Evaluative Criterion	3-Goals	3-Results	3-Results	3-Results
Efficiency (Technical & Social) Fairness Democracy	Entitlements Obligations Empowerment	Private Monopoly Instability Alienation <i>There is no free market; there is a responsibility gap; measure Gross Domestic Cost</i>	State Monopoly Instability Alienation	Social Ownership Stability Socialized Involvement

Notes To Table 1:

(a). On Capitalism and what is wrong see: Charles A Reich, *Opposing the System*, (New York: Crown Publishers, Inc., 1995. Glasbeek, Harry. *Wealth by Stealth: Corporate Crime, Corporate Law, and the Perversion of Democracy*. (Toronto: Between the Lines, 2002).

(b). On Social Democracy see: Bernard Crick, *Socialist Values and Time*, (SVT) Fabian Tract No. 495, (London: The Fabian Society, March 1984). Crick provides an insightful look into the theory and practice of democratic socialism and, as well, liberalism and conservatism and an appreciation of capitalism and etatism (state collectivization). Crick cites Orwell's review of Hayek's *Road to Serfdom*: "*Capitalism leads to dole queues, the scramble for markets and war. Collectivization leads to concentration camps, leader worship and war. There is no way out, unless a planned economy can somehow be combined with freedom of the intellect ...*" SVT, 4.