

Reforming Economics—Ten Quick Steps towards *Reality Economics*¹

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Emphasize that Social Costs are systemically generated and, generally, bend what is done in teaching and research to be explicitly relevant in socially progressive ways. That is, like good medical practitioners, try to make things better (as opposed to *market regressive solutions that make things worse*).

Mainstream economics was an *invention*. The major *entrepreneurs* contributing to “the theory” have long ago confessed that what they created was of bad design, inadequate and wrong. More than a few have said that economists have to go back to what Adam Smith, and others, really said about the system. Economists have to be concerned about economic and political power of the many visible hands that Smith discussed and not the mad-metaphor of an invisible hand.

Economic realists were doubters and disbelievers in the mainstream project long before the *entrepreneur’s confessions*. A list of descriptions of mainstream or neo-classical economics includes: “a joke,” “hot air,” “witchcraft,” “a para-science,” “little boys sandbox games,” “lacks vision,” “autistic,” and “truth distortion.” A reformed economics sets out to avoid such descriptors. Economics administrators ought not to leave a scientific legacy of econometrics, statistics and mathematical economics none of which can go anywhere without adequate interpretations of systemic realities to fuel inquiry.

The *post-autistic economics* movement has contributed much to solidifying doubt and disbelief in the mainstream, and has assisted in making *the death of economics* a popular topic. All suggestions for reform involve getting beyond disziplinolatry and free market god worship. Nevertheless, the business mangers in charge of the discipline, and many in charge of economic policy at federal and provincial levels, with little interest in disturbing feathered nests, and probably not knowing what to do anyway, seem to hang on to past litanies of the orthodox faith that run in terms of leaving it to the market to solve all problems. This seems like avoidance of the truth that the system is dysfunctional. Moreover, truth avoidance confounds the historical big-picture project of the University. Upper level administrators seem complicit for they quickly surrender to the immediate ‘faddishness’ of globalization, internationalization of operations, trade and even entrepreneurship. And so the discipline and the university are in the saddest of states and much in need of reform. And the market doesn’t help progressive reform at all; it wasn’t designed to foster social responsibility – the market’s businesses shirk social responsibility.

What follows is a suggestion for a quick way to change what is done in socially responsible ways. Overall the suggestion is to deal explicitly with Social Costs in **all**

¹ Some of the historical support for what follows is found in: *The Essentials of Capitalism Through Definitions: From Adam Smith to the Present Day*: <http://economics.uwaterloo.ca/needhdata/CapitalismsEssentialsREV4.pdf>.

courses beginning with the introductory elements dealt with in both Micro and Macro --- through to courses in graduate programs. Some of this is under way now.

But generally, even with an emphasis on systemically generated social costs mainstream economics requires systemic reforms along the following lines:

- (1) Fulfill the obligation **we have** to discuss and make known the United Nations Universal Declaration of Human Rights. Economic matters are central in the Declaration's last few articles. One can go on to the related covenants. This is a matter of equality rights of citizenship at home and abroad. The citizen has to be front and centre; democracy is advanced with the advance of human rights.
- (2) Be sure to always deal with factual reality along side the truth/untruth of mainstream theory. Since *reality* is different from mainstream theory one will finally be led to ask: Why hang onto a theory that doesn't explain anything but itself and that fails in its own logic anyway? J. Rawls — "...A theory however elegant and economical must be rejected or revised if it is untrue; likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust." (See S. Keen, B. Krehm).
- (3) Make the capitalist system the subject of investigation. Do not take the system as a *not even defined given*. In the sense of John Dewey, make the discipline of economics scientific. "The transition from an ordinary to a scientific attitude of mind coincides with ceasing to take certain things for granted and assuming a critical or inquiring and testing attitude." The work of P. Sweezy, CB MacPherson and S. Bowles and H. Gintis will assist in system definition and exploration in scientific terms.
- (4) Introduce power and institutional power in particular (power of the minority over others implies limiting freedom for otherwise equal citizens, the majority) as a unifying concept. (See JK Galbraith and R. Parker on Galbraith; also S. Marglin's, *What do Bosses Do?*)
- (5) Deal with law and property rights. Particularly use H. Glasbeek's *Wealth by Stealth: Corporate Crime, Corporate Law and the Perversion of Democracy*. Written by a corporate lawyer and Professor of Corporate Law at Osgoode Hall, Glasbeek's book should be of particular relevance in dealing with reality in courses in Industrial Organization. But no restrictions should apply; simply make it required reading. Glasbeek's book can be used at all levels.
- (6) Introduce pricing through markups on costs. Generally, prices are administered to all markets with demand determining supply and supply costs determining prices. While this generalization is close to reality, in some cases, however, prices are set, *customized to the customer*, without any reference to costs. The aim as to extract the largest incomes as possible from unsuspecting consumers

who are kept ignorant of what is happening to them. The markup then falls out after the fact on each order that is placed.

- (7) Dispense with diminishing returns (at least put it on a hot back burner). Instead put increasing returns and declining average costs up front. Joined with power and administered prices competition quickly disappears as “capitalists eat capitalists” and force a private inter-sectoral and indeed international collectivization of industry. This is real *economic power in motion* and it is the on-going or evolving reality that everyone faces. (See the discussion of Schumpeter and McLuhan in *Profit as the Root of All Evil*) Is it any wonder that unemployment, poverty, homelessness, environmental destruction, deaths in the work place, etc. are systemic social costs calling for *education, agitation and legislation*, to reform the system. Economics and economists can and should lead in contributing to that reform -- but the mainstream seems to cower with collective heads in the sand.
- (8) Take scarcity as primarily a concept relevant to an inadequate distribution of income for many. That is, *scarcity* means scarcity of commodities for those for whom their poverty is systemically explained. This is related to all of the above through gross inequalities in the distribution of income. This is perhaps the point at which one should introduce the idea of providing income to all as a right of citizenship thus stripping the normal mainstream tie between income and work. A universal basic income (UBI) puts the citizen at the heart of public policy and the extension of democracy and freedom.
- (9) Introduce institutions such as banking, finance, and insurance as devices that assist in the systematic drain of income from the weaker to the more powerful. In this connection deal with slavery, wage slavery, debt slavery. Slavery required abolition (though still incomplete). The ‘system’ ostensibly replaces personal slavery by wage slavery and debt slavery. Upton Sinclair has said: “The private control of credit is the modern form of slavery.” See Rowbotham.
- (10) Into the above the full range of social costs (major costs already noted) may be inserted and elaborated as items that the system tries to escape by shifting responsibility onto individuals, communities, and generally onto society’s shoulders. (See KW Kapp).

A Social Costs approach to the delivery of economics will allow complementary links to other areas in Faculties of Arts, Environmental Studies, Engineering and the Sciences and implies a policy and applied economics emphases with easy links to the broader community. And as above, it also will mean a start at a relevant link between law and economics.

But there are other reasons why one ought to stress social costs.

So long as **corporatist governance in competition with democracy** is not recognized and not put up front Economics departments intellectually, in effect, and however implicitly, will be **saying that capitalism as fascism** is a given and is not a problem. It would be difficult to be more out of touch with reality and a “scientific attitude of mind.”

That capitalism is *the problem* (whether or not one can stomach the reality of fascism as capitalism) is an inconvenient truth. The fascist fact is not at all contentious for many academics. Some seem happy to be complicit in its embrace.

But the fascist label will be a problem (at least one might hope it would) for the managers of universities who have succumbed to corporate lures in some fashion or another. Some, thinking that there is nothing that can be done, will merely shrug and shirk their larger social responsibilities.

And so it goes.

The attached bibliography provides more extensive support for the line of argument presented here. It ought to be more generally useful.

Some References

W. Robert Needham, *The Essentials of Capitalism Through Definitions: From Adam Smith to the Present Day*: <http://economics.uwaterloo.ca/needhdata/CapitalismsEssentialsREV4.pdf>

W. Robert Needham, *Profit as the Root of all-Evil: The Devil is in the Details*: <http://economics.uwaterloo.ca/needhdata/Profit%20as%20the%20Root%20of%20All%20EvilREV.pdf>

W. Robert Needham, *Gatekeeper Economics and the Reality of Economy and Society (Draft) — Economics, Economy and Society: Conformance with Experience*: <http://economics.uwaterloo.ca/needhdata/EconSociety.pdf>

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Part I: http://post.economics.harvard.edu/faculty/marglin/papers/What_Do_Bosses_Do.pdf

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John Dewey. "Logical Conditions of a Scientific Treatment of Morality", *Decennial Publications of the University of Chicago*, (First Series, Vol. 3, (1903): 115-139).
http://spartan.ac.brocku.ca/~lward/Dewey/Dewey_1903.html