



Bangkok, 1-3 Nov 2004, *Third International Conference* : What feasible common future?



Dhurakijpundit University

From Ecocracy to Fraternity : a Change of Paradigm

Marc Humbert
Executive Secretary of PEKEA



From Ecocray to Fraternity : a change of paradigm

Marc Humbert

October 2004

First draft, please don't quote without author's authorisation.

Contents:

- 1) Where are we living ? In a Society.
- 2) The basic problem of organisation for a Society.
- 3) The fundamental dilemma: the place and role of individuals
- 4) The important changes in Europe from the 16th century on
- 5) The conversion of European societies to Economies
- 6) The European Economies as Democracies
- 7) The dominant paradigm to think the Society: "homo œconomicus"
- 8) The real life in Western Societies
- 8) A: Complex feelings and behaviour of individuals
 - More consumption and freedom
 - Concerns for environment and poverty
 - Rationality at bay
- 8) B: An Economies' working far from the rules of free market and competition
 - Innovation and Enterprises
 - Power and not welfare, power of government, power of the affluent, power of war
- 9) The need for a new paradigm based on Responsibility and Care: a way towards Fraternity

1) Where are we living ? In a Society.

We are not living alone in a desert island as Robinson. No. We are living altogether with a lot of people. We were born somewhere, from a mother and, for most of us, we have become grown-up within a family and a community of people, speaking the same "language" and behaving in many respects in the same way of our fellow creatures.

We had no choice: I was born in the North of France, she was born in Central Africa, he was born in Manchuria etc. and no one of us had been asked whether she or he was willing to. We will all die also one day. Meanwhile we all hope to live happy together, altogether with our fellow creatures around the planet in the universe.

Living means first, to survive a certain period of time, and second, to enjoy life during this period, namely to have the possibility to act in order to really blossom.

This must be done, not in isolation, but within an organised group of people that can be differentiated from other groups of people; we are used to call such a group, a society.

We may find a huge number of groups of people and say for each of them the following. This group of people has been living altogether for a very long time, for many generations; they have built their own way of living so that they still have distinctive traits from other groups. They had



settled a long time ago on a piece of land which has been transformed from its primitive state; and it is now their “territory”.

Thus, let say that a typical society is a group of people living altogether on a territory, speaking the same language and whose organisation has been shaped by history.

In any society, in order to survive and to enjoy life, individuals must do something. What they are doing, we call that “**activities**” and the result is that they are creating “**resources**” to survive and to enjoy life.

2) The basic problem of organisation for a Society.

Based upon the necessity of its existence, a Society must achieve two main tasks:

- a) the organisation of the necessary activities
- b) the sharing of the resources

Let give very simple remarks about both.

- a) the organisation of the necessary activities

The definition of activities that are necessary is the explicit expression of the **project** of the society according to the idea of **what is good** for it, what are the resources to create. This is part of Ethics.

Individuals will contribute¹ to these activities as far as they accept to do that, either by their personal commitment or forced by different means. This concerns the intensity and the distribution of power and it is part of Politics. Activities must be performed by a lot of individuals and **coordination** is needed.

To be performed by someone, an activity requires some **capacity**. A capacity for the **creation** of resources: an individual acting, creating is spreading her or his capacities and she or he blossoms. Using this capacity reinforces it: it is **learning** by doing².

The creation of resources is usually a relatively long and complex process, taking time and intermediate steps: creation of resources of one type to use them to create resources that finally fit the project. This process is very often carried out by a few people, “a team” undertaking this project. For the whole society, many “teams” are performing simultaneously a lot of activities.

A good wording for all that is: “**creation**”.

- b) the sharing of the resources

¹ Hirschman

² Learning is often one of the non explicit by-products of the ongoing activities



Resources have been created so that individuals **enjoy** them, get happiness from them. The creation itself may have been a source of happiness and the **sharing** of resources may offer the same, as well.

The access to these resources is also an opportunity **to revive** and to improve existing capacities.

3) The fundamental dilemma: the place and role of individuals

A widespread vision of the fundamental dilemma about the place and role of individuals for organising societies has been displayed by the distinction introduced by Tönnies³ between “community” and “society”. This is a way to characterize two opposite types of society; it is not clear whether the author takes it as a conceptualisation of an evolution: in the past there were communities and now there are “societies”.

Although there are strong differences to many respects between the ideas and conclusions between Tönnies and Durkheim⁴, the concepts of mechanical solidarity and organic solidarity introduced by Durkheim are bringing a relatively similar characterization of two types of organisations. Durkheim is clearly searching to make explicit on what can be founded the cohesion of a group of individuals living altogether and he is conceptualising on a one hand traditional or ancient societies and on the other hand modern societies.

In both schemes, **traditional communities** are considered as if they have their cohesion ensured by a common feeling to belong to a same group, sharing the same beliefs among all individuals who are strongly integrated in the group with a collective history and project. Everyone has a place and must conform to the role that she or he has been assigned to. Each individual is acting as he must do, as he is expected to do. And this is the same for everyone whatever her or his place in the society: king, priest, warrior, slave....To blossom anyone must fulfil his or her condition within the community: all are equals in front of the collective will.

Modern societies are bringing liberty of thinking and of acting freely to the individuals. Traditional communities have a stifling atmosphere for individuals who are always under the eye of the community and condemned and punished if they do not behave as they ought to. Durkheim has an optimistic point of view. As the organs of the body are performing their own task, the whole body is kept alive by the cooperation of all; according to him, this is the same in modern societies. Thanks to the law, in case of difficulties, cooperation is enforced but liberty allows individuals to differentiate themselves and to think and act with great freedom.

Tönnies brings into the picture something very different. He stresses on the loss of unity when a community is turned into a society. Relationships between people instead of being guided by the collective norms are let to the free acting of individuals who are conscious to be different from the others and searching their interest, competing and behaving as if they were fighting one against each other⁵.

³ Tönnies Ferdinand, 1887, *Gemeinschaft und Gesellschaft*.

⁴ Durkheim Emile, 1893, *De la division du travail social*.

⁵ As Hobbes put it in Latin “*Homo homini lupus*”



4) The important changes in Europe from the 16th century on

The shift from ancient and traditional communities to modern societies is first a European story. It has various dimensions; the fact that individuals are allowed to act and to think freely is only one dimension among several ones. Thus it is important to list a few dimensions even if we cannot analyse them deeply. Altogether they have organised a conversion of European societies.

An effective upheaval, a complete disruption has taken place in one century and a half: from the discovery of the New World by Colombus (1492), via the theory of Copernicus (1543) to the discourse of method by Descartes (1637). Western European countries have the planet Earth to conquer and the natural laws to discover. The relation between humanity and Nature is disrupted : a new elite is born and is no longer accepting to be in the hands of God or at the mercy of Nature : they want **to put anything under the logic of Reason and they have the project to have Nature under control.**

The 18th century will bring in Europe a more complex philosophy giving a special attention to the state of Nature, to Natural Laws, Natural religion as opposed in fact to the practice of ancient societies. The Enlightenment⁶ is the religion of progress in arts, techniques and sciences that will ensure the happiness for humanity, more exactly the **individual happiness** of everyone. This **ideology of progress and civilisation**⁷ will lead to the French revolution and the declaration of **human rights** in 1789⁸, basis for the Universal Declaration of Human Rights by the United Nations in 1948.

These two successive evolutions in reasoning are supported by a strong **technical change in communications and in production** of agricultural products and then in “hardware”, leading to or constituting the so-called industrial revolution in the 19th century, with a strong growth of population since the 17th century.

The meaning of community life and that of related activities are deeply changed. In the past, the structure of the group of people and their places and role were given and stable. Activities for the survival of the group and the production of material goods were directed almost exclusively for sharing with other individuals living in **close proximity**; exception was that of a few elites who had the possibility to draw or to receive from the direct producers their living and more, according to their more important role whatever it was: religious, administrative, intellectual, warlike etc. Even if it was crucial for survival, direct producers of the necessities of life were not given the best places within societies; they could be slaves or serves in feudal societies. Activities, other than production of material goods, were better appreciated.

There is a complete break with the past: growing production of material goods (especially other goods than food, they are first called hardware and then manufactured products –literally

⁶ European Philosophical movement

⁷ A word created by Mirabeau 1757 *L'ami des hommes – traité de la population.*

⁸ The first idea of this sort - to give entire freedom to individuals – was officially claimed by the Magna Carta written in France by English migrants in 1215.



handmade) is opening doors for more and more exchanges outside the territory of the community where they have been produced. The circumnavigation has, in the same time, opened possibilities for long distance trade, overseas, with products that were unknown from each partner. It is overtaking the boundaries of the **traditional markets** that has been organised for thousand of years⁹.

5) The conversion of European societies to Economies

These moves have led to a **change in the meaning of “happiness”** within any “modernised” community. Anyone could now feel happy or not happy with her or his place within the society, anyone could find she/he gets or she/he does not get her or his right share of the results of the activities organised in the society. As everyone have the right to behave freely, the notion of self interest, and the right to behave in a way to get the greatest satisfaction possible, have emerged. The shift is clearly towards the research **to get more money as a possibility to enjoy more goods and a better place within society**¹⁰. Based on these new dimensions, the decline of feudality and the rise of bourgeoisie in Europe, with merchants and industrialists, have open a new type of society best described with his own concepts by Marx¹¹.

Whatever we could think and discuss, it is clear that modern Western societies have been giving a growing place to **the market system** of “free” interacting between supply and demand. Moreover they have been expecting that the bulk of the work of the basic problem for the society: the organisation of the necessary activities, and the sharing of resources, would be solved by the market. This is a market which is very different from traditional markets that we mentioned and that were embedded in the functioning of the society¹². The distance has broadened; direct sales of close proximity and even self-consumption and self-employment have been progressively replaced by an extension of the market: **the wider and wider circulation of merchandises and the system of wages**¹³. Market system is supposed to be the right tool to organise necessary and first, production activities, coordination, work, distribution and consumption.

In these societies the **main activities are production and sales**; production is organised on the basis of purchase of materials, sometimes from very far: for example the industrial revolution of England in the cotton industry needs the import of cotton from India and a control on the Indian “economy” to ban exportation of their manufactures of cotton. Production is also more and more organised on a basis of purchase of labour with a price, a wage. Nevertheless, slavery, forced labour will be used by European people, in America, and trade of slaves will last even after

⁹ According to the German « Hand-in-Hand, Auge-in-Auge Handel », it was a market , hand to hand, eye to eye; they were direct sales markets.

¹⁰ Mandeville Bernard de, 1723, *The Fable of the Bees*.

¹¹ Marx Karl Heinrich 1867, *Das Kapital*.

¹² Polanyi Karl 1944, *The Great Transformation*.

¹³ Braudel Fernand about the extension of the markets , 1979, *Les jeux de l'échange,- Civilisation matérielle et économie et capitalisme, XVè-XVIIè siècle*, Tome 2, Paris, Armand Colin. The crucial importance of establishing a free labour market is stressed by Marx and also by Polanyi.



the French declaration of human rights; it will be a continuous practice in the South of the independent United States for a century or so, after the Philadelphia Independence Act (1776); and there, racial discrimination against Afro-American will last in a terrible manner until the years 1960s and comes to an end not before the assassination of Martin Luther King (1968).

More and more activities are organised and their results shared through market relationships and prices with the use of money. If economic activities could mean, in ancient societies¹⁴, activities that were organised to produce food and other goods for the material life and for their distribution and consumption, the meaning has changed. **Economic activities concern principally activities organised through the market** with a price for their outcome. From the 16th to now, more and more activities have become activities which outcome is priced on the market and have become a merchandise. The boundaries of what is economic within the society has reached the boundaries of the society itself, so that when someone say “France” or “England” the meaning is very often the economy of “France” or “England”. Thus we can say that European Societies have been converted into Economies.

6) The European Economies as Democracies

European Societies have principally acknowledged and claimed that they have built –not Economies- but Democracies and have offered prosperity to their people.

Democracy means that power and government are organised by law and constitutions for which, everyone, since the second half of the 20th century, not before, in any Western countries, is a voter¹⁵. Representatives are elected periodically and they control the government that is also coming from elections and which is running the society according to the law that every individual must respect. These laws are from time to time changed with the acceptance of everyone. Under these laws, individuals are protected and their **freedom** of thinking and action is warranted. A judicial system ensures the enforcement of law and imposes sanctions against offenders. Individuals are considered as **citizens**.

However, the importance of the discussions and debates, by representatives and by the general opinion about Societies, is overwhelmingly given to economic activities in the sense of production of goods and services, sales and trade; the main concerns are growth, unemployment, consumption level, relative economic position compared to other Societies (Economies). Within such “Economies” importance are mainly given to individuals according to their place either as a wage earner, worker or/and as a consumer.

¹⁴ In fact reference to economy or economic activities is not relevant from the point of view of ancient societies and discourse on these topic is coming from questions asked by analysts leaving in “modern” societies.

¹⁵ Universal suffrage is relatively recent even in Western Democracies, its extension to all male citizens has demanded a long time and even more time for its extension to female voters; moreover people living in territories under the colonisation of Western Countries were under foreign administration and in case they had some representatives the freedom of their people was very questionable even if slavery and forced labour had almost disappeared.



Thus the main discourse on the society is no more coming from philosophers as in the 16th to the 18th century, but from economists. Although there are some controversies there is a quasi monopoly of a discourse based on the paradigm of “**homo œconomicus**”.

After Marx, one of his disciples, Lenin, has succeeded in taking over power in Russia by the 1917 October Revolution; later, a few countries, mainly in Eastern Europe, have organised their Societies, as the ex-Russia, with a paradigm slightly different from “homo œconomicus”. Instead of a priority to freedom of individuals, they had stressed the importance of **equality**. This difference induced various changes and principally demanded to give to the market a secondary place in relation to a system of central planning.

The main critics to Western market economies were the existence in these economies of **strong inequalities between classes** of individuals. These growing inequalities were shown between, on the one hand, the owners of enterprises (for production or trade) or owners of land, who have been able to accumulate and buy the labour of the rest of the people, and, on the other hand, the workers, a proletariat who could do nothing but to sell its labour force to the capitalist class. Therefore these countries of Eastern Europe called themselves “Socialist” and sometimes they named their State “Popular Democracy”. This heterodoxy has ended with the fall of the Berlin Wall in 1989. Thus, for the time being, there is only one paradigm in operation.

7) The dominant paradigm to think the Society: “homo œconomicus”

Economy is conceived by Economists¹⁶ as a collection of individuals, each one is supposed to behave according to a model “Homo œconomicus”. He is freed of all what are the contents of the life in society: influences, imitations, social determinants; he is taken as judging of everything by himself alone, in any occasion, in all honesty, and he is granted independence of judgment and **sovereignty of choice**¹⁷. He decides with **rationality**, allocating scarce means to maximise his ends. There is nothing above individuals, nothing to dictate to them how to behave and to dictate their feelings. The only link between individuals is free trade, the standard form is the contract. And for any economists of the mainstream, when they are studying institutions, any institution may be reduced to a system of contracts. For all of these mainstream economists, since Adam Smith, the individual, rational and selfish, is pursuing his own interest. A fair and **perfect competition** among individuals behaving in the same way is under the control of **the invisible hand of the market**; this will ensure coordination and for the whole society a **welfare** as a

¹⁶ Actually Economists of the mainstream do not care about what is « Economies » : Backer Gary « What most distinguishes economics as a discipline from other disciplines in the social sciences is not its subject matter but its approach” in *The Economic Approach to Human Behaviour*, Chicago, University Press of Chicago, 1976, p. 5.

¹⁷ Economists of the mainstream have focussed on the logic of choice, that might be applicable to any human choices, in love, in crime, in politics; and beyond, the same approach could be applied to any animals that choose, e.g., rat and so on, see: Kagel John, Battalio Raymond, Rachlin Howard and Green Leonard, “Demand Curves for Animal Consumers”, *Quarterly Journal of Economics*, 1981, n°96-1, pp. 1-14.



Pareto optimum¹⁸. The basis for success is that free market competition ensures an **efficient allocation of resources** and of their use to reach the ends. No question about these ends targeted by the ones and the others, this is their own business.

This model is liberal and has been claimed as such by A. Smith and his disciples: “**laissez faire laissez passer**” was and still is the motto. This model promotes liberalisation from all the barriers to the free circulation of products that were so numerous in the middle ages and under the absolute monarchy in so many countries. Its will is also to free individuals so that they may get in the society a place according to their merit, i.e. to their contribution to the society measured by its market price. Reward will come from their acting and according to the charges they are carrying out and not according to their birth or the arbitrary decision of someone. With such a liberty, everyone may have the possibility to do as she or he wishes and, by her or his doing, to build her/his own happiness. The search for happiness is equated with the search for more money or self-interest, and wealth will be clearly the sign of efficient contribution to the society.

Although the preoccupation was “The wealth of Nations” the reasoning is concerned principally with the individuals and the “recipe” to the Prince is clearly: do nothing except suppress any barriers to free market. Analysis of the individual level is called in textbooks “microeconomics”. However most of these mainstream economists acknowledge that, even if we must let work freely the laws of the market, we must organise some centrally decided activities: **government, justice, police and defence** and also general economic regulation to ensure the market is free, this includes to set up a **Central Bank** to decide the interest rates and the amount of money supply. This implies **levying taxes** of a certain amount upon the result of activities.

Beyond that, some less liberal economists accept the idea that government could organize after the market, some interventions “to help poor people”, and to practice some secondary sharing of the results of the free functioning of economic activities. Far beyond that, “**Keynesian**” economists¹⁹ for example, advocate the necessity to implement, a **fiscal policy** to fight against frequent economic disorders (unemployment), a strong policy to keep wages above a minimum level, and to ensure the existence of **public utilities** (e.g. water supply) and **infrastructure** (e.g. railway). This work of Keynes had open until recent years a field called “macroeconomics” with discussion about Government policies, but now even macroeconomics has turn to be a temple for the logic of choice²⁰: microeconomics or Homo oeconomicus is the only option.

¹⁸ Pareto Vilfredo, 1896, *Cours d'Economie Politique*. His « welfare optimum » is know as Pareto optimum : it is an allocation of resources such that no one can be made better off without someone else being made worse off.

¹⁹ Named after Keynes John Maynard, 1936, *The General Theory of Employment, Interest and Money*.

²⁰ In 2004 the co-laureate of the Economic Nobel Prize from the Swedish Bank have been Kydland Finn and Prescott Edward, two scholars who have worked intensively on the rationality of the behaviour and of anticipations to explain the economic fluctuations. They have demonstrated that any Government intervention is hopeless. Autume d' François and Hairault Jean Olivier have made the following comment of their work : « Les fluctuations observées dans les pays développés résulteraient de comportements parfaitement rationnels d'agents économiques, soumis à des chocs technologiques aléatoires. La théorie des cycles réels apparaît ainsi aux antipodes d'une macroéconomie keynésienne faite d'imperfection de marchés et d'anticipations volatiles et contagieuses faisant fluctuer la demande globale. Les fluctuations économiques de la production et des heures



Finally some economists, in recent years, have been concerned with some **environmental problems** and have agreed to impose for a few resources or some activities producing environmental nuisance, a non-market mechanism to raise prices and stimulate an economy not so disastrous to the environment.

Despite these different levels of interventionism, almost all of these economists do think that **efficient growth is the main necessity and the main project for any Society**, i.e. any Society is first and foremost an Economy. They also do think that economic activities, under the principle of liberty for free individuals and with a free market system warranting fair competition, must be analysed as a specific and independent part of the rest of the workings of the Society. Thus they agreed to think that in the organisation of the study of Society, so-called **social sciences must be separated in independent disciplines**: economics, history, law, political science, sociology, geography, philosophy etc. Most of them are strongly committed to the idea that Economics is a natural science and that axioms for theory and natural laws can be drawn from deduction and from induction. The reference is always the market system and the “Homo oeconomicus”²¹. Usually they also claim that this is the only system to ensure liberty for individuals and for Democracy.

This paradigm for thought is widely accepted and functions as a “**conventional wisdom**” in the sense of the concept brought in by Galbraith²².

8) The real life in Western Societies

By and large Western Societies may be taken as Economies.

A great proportion of individuals in these economies share “**the conventional wisdom**” and are convinced that they are living in a Democracy and a market economy where they are free to make their choice as consumers and citizens.

Elite and people able to be listened to seem to think that we do need always more growth and that this could reduce the rate of unemployment and this is the priority for the Society.

However feelings and behaviour of individuals are far more complex than that of the “model” and the Societies are Economies with a workings which is also very far from the usual discourse of economics. The main reason of this distance lies in the fact that **mainstream economics is a**

travaillées traduisent les réponses optimales d’agents économiques soumis à un environnement changeant sur lequel le gouvernement n’a pas de prise. (Le Monde, Mardi 19 Octobre 2004, VI).

²¹ And some of them, explicitly, and beyond all the scholars tacitly in following “the conventional wisdom” (see below), have reduced economics to the “science” of choice and they have no more subject matter; thus economics can not be defined as the other social sciences or as any science by a delimited subject. As Coase put it “this divorce of the theory from its subject matter has been that the entities whose decision economists are engaged in analysing have not been made the subject of the study and in consequence lack any substance. The consumer is not a human being but a consistent set of preferences.[...] Exchange takes place without any specification of its institutional setting. We have consumers without humanity, firms without organization, and even exchange without markets”p.3 in Coase Ronald 1988, *The Firm the Market and the Law*, Chicago, The University of Chicago Press.

²² Galbraith John Kenneth, 1958, *The Affluent Society*, New York, Houghton Mifflin Company, Chap. 2, pp. 6 - 17.



non-political subject. Let read John Kenneth Galbraith : “In eliding power – in making economics a non-political subject – neoclassical theory destroys the relation of economics to the real world. In that world power is decisive in what happens²³”.

8) A : Complex feelings and behaviour of individuals

- More consumption and freedom

A significant proportion of people living in Western Economies are **not happy** with their level of consumption and would like to have a higher income to get a better access to new products and services. In the meantime they would be happy to get free education for a good job where it could be possible to work less for a higher salary and to retire as soon as possible with a good pension. In almost all countries only a few number of people are happy and this is confirmed by surveys showing that they are not fully happy **but anxious** for the future²⁴. Between one third and almost half of the citizens do not go to vote to main elections and are disappointed with politics. But **they feel relatively free** and much more than in many other countries in the planet. Western countries attract people from everywhere who are searching more freedom.

- Concerns for environment and poverty

However a growing number of people (one third?) are concerned by pollution, environmental problems and by the risks of exhaustion of resources such as oil and that of the global warming. But very few are acting to improve the situation. A very high proportion say they are concerned with poor people at home and in “Least Advanced Countries” in the “South” and agree with the idea of solidarity; they are giving a little money from their income for that in some occasions; but they are only a few (less than 10%) to take some action and to try to think differently from the conventional wisdom, for example in joining an organisation of the civil society (CSOs). A part of this concern is linked with a feeling of insecurity in towns and a fear of terrorism.

- Rationality at bay

In the day to day life individuals in Western Countries are far from perfectly rational for the following reasons. First, any individual, at the best, could act with a bounded rationality²⁵ to decide a satisficing behaviour. Second, competition with others is not the main behaviour for everyone. A huge proportion of people attach a great importance to love and live in a family where relationships between the members is not based on competition but on **cooperation and**

²³ *Annals of an Abiding Liberal*, Boston, Houghton Mifflin Company, pp. 353-371, (section II), quoted here from *The Essential Galbraith*, Boston, Houghton Mifflin Company, p. 136. Galbraith goes on “The exclusion of power and the resulting political content from economics causes it to identify only two intrinsic and important faults in the modern economy [...]market imperfection [...]and] a tendency to unemployment or inflation [...]the remedies which the accepted economics then proceeds are either ridiculous, wrong or partly irrelevant. Neither its microeconomic nor its macroeconomic policy really works”.

²⁴ A significant proportion of population are using drugs with psychotropic effects either under a physician control or not (drug addiction in this case). A survey jointly organised and published in October 2004 by the Davos Forum and Gallup international, interviewing 41 000 people in 51 countries representative of 1,1 billion “citizens” confirms reasons for anxiety: around or more than 50% found their country, compared to 10 years ago, not so safe, not so prosperous, and think that the situation will not be safer in the future (“only” one third think that their own personal economic situation is not so prosperous).

²⁵ Simon Herbert



solidarity and this is extended to a circle of parents and friends. Second a fair proportion of people are working within a team of colleagues where cooperation is more important than competition. Finally a good proportion of individuals are still behaving according to **routines coming from their education and culture** as in any “traditional community”. A small proportion of people believe in God or in religion and a smaller part are members of sects. Thus non-market relationships and search of happiness to share with other on a cooperation basis with free gifts are still a frequent kind of behaviour.

Finally if the disposition of mind and the consumer side of individuals are close to the “Homo oeconomicus” model, it is difficult to say that this model is a good simplification of the behaviour of an average individual. It is rather a caricature of certain traits that are visible: **everyone seems greedy** but it is not in line with what are her or his deep motivations and her or his aspirations and actual behaviour.

8) B : An Economies’ workings far from the rules of free market and competition

- Innovation and Enterprises

Usually defenders of the present order in Western Societies, the defenders of so called free-market Economies and the defenders of the tenets of the mainstream economics stressed on the impressive results of Western Economies in term of Growth and Prosperity. Actually the West grew rich²⁶ not as the outcome of individuals behaving as “Homo oeconomicus” calculating rational choice, but thanks to technical changes and dynamic enterprises. To be sure leadership from some individual who have been called “self made men” is very important but there is always in the background a non-market driven story. People have invested time and money against any indications from the market, to create non existing products and gathering to work altogether a few individuals and, stages after stages, more and more people in a real **venture**. If they are in a **fierce battle with “outside” people**, they have built an “inside” (uchi in Japanese) where **cooperation** – this does not mean decision by everyone and a running like in a representative democracy – with **hierarchy** and **rules** duly accepted or enforced. They have also cooperated with people outside and are still doing the same nowadays sometimes with strong involvement of Government in **Science and Technology Policies**. This has been the backbone of the industrialisation process, of continuous technological change and increasing returns let unexplained by mainstream theory²⁷.

²⁶ Rosenberg Nathan and Birdzell 1986, *How the West grew rich*, New York, Basic Books.

²⁷ Despite the pioneer work by Schumpeter Joseph [1911, *Theorie der Wirtschaftlichen Entwicklung*, Leipzig, Duncker and Humblot, 1912] economic literature will have to wait until 1962 (for his first paper) Dennison Edward [1967 *Why Growth Rates Differ?* Washington, The Brooking Institution.] to underline that economic theory is not able to explain from where growth is coming; he shows that it does not come from production factors counted at their market prices, but from some unknown, invisible “technical progress”. We must call it innovation that escapes mainly to any mechanism of market and any kind of optimal allocation of resources. In mainstream economics, the state of technology was always taken as given or is an alea. The so-called theory of endogenous growth (introduced later by Lucas and Rhomer) is no longer a theory of growth and does not grasp this non-market process which is innovation, technical change at the source of increasing returns.



Coase²⁸ has clearly explained the nature of the firm: the establishment of a firm is a response to the excessive cost to use the market mechanism. In other words a firm is organising inside itself many other things than its main activity: accounts, transportation, cleaning, secretary etc. And instead of going every morning to the central place of the village to recruit workers it is employing them for some time with a contract by which they have accepted to obey and do as told against a wage. **Enterprises are organised to avoid the use of market mechanism in production activities.** But when established, enterprises have free exit, as other enterprises, according to liberal stance, have free entry, on the market; but actually no one is willing to leave and moreover they do all they can to escape exit from the market. Workers also, it seems, would prefer to stay all their life long in the same enterprise. See around you, a lot of the main actors of industry have been there for a long time, years, decades and even more. Enterprises do not want to leave the market and prefer to become larger and larger and to take a larger share of their market and many are turning into business firms guided by the research of more power.

- Power and not welfare, power of government, power of the affluent, power of war

Societies are still very often taken as Powers and the USA is called the world's leading economic power, a superpower. The Wealth of Western Economies seems sure, their population, in average, has emerged the first in the world out the subsistence level and has raised its life expectancy very high. However, this fight against scarcity, not only is not coming from the market, but its pursuit is problematic and even its significance has been questioned, for example in 1958 by Galbraith²⁹: "it can no longer be assumed that welfare is greater at an all-round higher level of production than at a lower one. It may be the same". Thus Power and Wealth as measured at market prices are sure and have risen. But as Welfare - and Happiness- is concerned **"progress" is not so certain.** We will come back to this at the end.

Growth is unequal within and between Western Economies and even in the world leading economic superpower, after so many years of growth, there are huge inequalities, poverty and unemployment. In 2003 according to their statistics the USA have 36 millions³⁰ of poor people (13% of the population), among them one third have not enough to eat and are not able to pay their electricity and gas invoices. 45 millions of US citizens have no health insurance³¹. In 2000 the top 20% held around half (47,4%) of all income when the bottom 20% held only less than 5% and these **inequalities have widened** during the last 25 years³². The poor are mainly those who are among the official 5.4 % of unemployed (August 2004) but according to many estimates 10% of the working force is in precarious state.

²⁸ Coase Ronald 1937, « The Nature of the Firm » *Economica*, n°4, November, pp 386-405. He got the nobel prize in 1991, as his work has been reinterpreted within a more orthodox manner and thanks to the respect he had gained from fellows at Chicago University.

²⁹ Galbraith John Kenneth, 1958, *The Affluent Society*, op.cit., Chap. 11, p. 129.

³⁰ 13 millions are less than 18 years old, and they represent 20% of all the young population.

³¹ Statistics from the US Department of Health and Human Services.

³² At the same time the top 1% held a share that was 88.5 times the one of the lowest 20%; this ratio is the highest since the run-up of the Great Depression; it was 33.1 times in 1979. Source Mishel Lawrence, Bernstein Jared and Allegreto Sylvie 2005, *The State of Working America 2004-05*, Cornell University Press; advanced extracts on <http://www.epinet.org>.



Facing this destroying effect on the social fabric of the official or supposed “free market dynamics of growth”, government and public authorities have entered the scene with their strong power. This is not new. Polanyi has built his main book on the Speenhamland case³³. Economic advantage of a free labour market system could not compensate the social destruction it has induced. Thus Justices of Berkshire met in 1795 to decide subsidies in aid of wages and, in England, during this most active period of the industrial revolution, there was no free labour market until the 1834 Poor Law Amendment Bill. This market will stay in place until 1911 when is organised the unemployment insurance “the dole”.³⁴ In every Western Economies the **government expenditures have grown far** more than what is necessary to take into account administration, defence, justice, police etc. In 2003, public expenditures represent around 36% of GDP in the USA, 42% in the UK. The income distribution by the government is everywhere a significant part of the total; it is relatively low in the USA: about 15% of the GDP when it is around 25% in average in Western Europe (15 countries). **Budget deficit** in the world’s leading economic power is usual and, in average, between 1974 to 2004, it reached 3% of US GDP; Clinton has almost cut the deficit but Bush has exploded it and for 2004 the deficit would reach 4.2% of the GDP. In all rich countries the situation is relatively similar, France and Germany, Japan are running huge deficits. There are no governments that can be taken as liberal, according to their practice. They exercise power instead of believing in the free market.

“For the poor, the government can be central to their well-being, and for some even to survival. For the rich and the comfortable, it is a burden”³⁵. Thus there is **strong pressure by the powerful against these actions from the governments**. “It is no doubt that power still resides with the ownership of capital”³⁶ wrote Galbraith, but it is managed through what he calls (*Ibid.*, p. 8) the **Democracy of the Fortunate**. “Money, voice and political activism are now extensively controlled by the affluent, the very affluent and the business interests, and to them much political talent is inevitably drawn. The expression of their goals is then accepted as public opinion and, a significant point is so designated by the media every day. In the United States the Republican Party is avowedly on the side of the fortunate, and to the influence and wealth of the latter the Democrat Party, or many of its members, are also attracted”³⁷.

The power of business is first evidence in the so-called free market place and kills the supposed consumer sovereignty: the “Homo oeconomicus” is not even allowed to have a try to make a rational choice. “A determining factor in production – perhaps the determining factor – is in fact, not consumer choice but, in substantial measure, **producer manipulation of consumer response**”³⁸. It is clear that rationality and its role are a complete illusion even if it is a part of the conventional wisdom. The cause of this faulty thinking and lack of intelligence is coming from the economists. I do agree with John Kenneth Galbraith who states the following. “The most damaging feature of neoclassical and neo-Keynesian economics is the arrangement by

³³ Polanyi, op.cit. chap. 7. I am using a French translation 1983, Paris, Gallimard.

³⁴ For Menger, Hayek and Rueff etc. this was the reason of unemployment in England between the wars.

³⁵ Galbraith John Kenneth 1996 *The Good Society – The Humane Agenda*, Boston, Houghton Mifflin Company, p.8.

³⁶ *Ibid.*, p.16.

³⁷ *Ibid.*, pp. 140-141.

³⁸ Galbraith John Kenneth, 2001, Introduction to a reprint of the Chap. 11 of *The Affluent Society*, op.cit., in *The Essential Galbraith*, Boston, Houghton Mifflin Company, p.31.



which power – the ability of persons or institutions to bend others to their purposes – is removed from the subject. The business firm is said to be wholly subordinate to the instruction of the market and thereby to the individual or household. The state is similarly subordinate to the instruction of the citizen. [...] If the business firm is subordinate to the market – if it is its master – then it does not have power to deploy in the economy.”³⁹

No needs to give detailed statistics, see around us to watch this overwhelming deployment of power, in the factory, in the office, at home : Microsoft is the most important monopoly in the history of economics by its size and by the importance of its activity to shape our lives. It is not a unique case, there are other quasi **monopolies or oligopolies**: Intel, Nokia are leading and deciding our future in production; the same in other fields, MacDonald; Nike and Addidas; Wall Mart, Carrefour and a few; Toyota, General Motors and a few others; in medicines a few giants are making money to take care of a few illnesses; Coca Cola, Nestlé and other processed food Cies; Monsanto tries to impose GMO seeds to the world etc. The Sherman Act (1890) in the USA (then the Clayton amendment in 1914) has established a basis for a **countervailing power of the government** or better said the possibility to control an excess of power. In fact despite some old actions (e.g. in the past Standard Oil, more recently AT&T) the impact is definitely not spectacular and very little in contrast to the growing power of giant firms which go on organising huge mergers and acquisitions, not only within any Western countries, but across countries for amounts that reach up to a few billion dollars. We cannot observe **any general and significant protestation**⁴⁰ neither from the government nor from the general opinion led by the media.

It is clear that these business powers are able to innovate as they are in good position to fight with their outside as mentioned above about innovation and enterprise. And the argument of government not to intervene against these powers is on this matter: their growing power gives more economic advantage than nuisance. But consequently in sectors where there are not powers, there is no so dynamic innovation processes. **Choices for our material future come from the affluent and the powerful.**

The only protestation along years, but not so important to-day, came from the trade unions. “The operation of countervailing power is to be seen with the greatest clarity in the labour market where it is also most fully developed⁴¹. The story of the fight from **trade unions** is well known: all the labour regulations and the social protection have not been granted voluntarily but have been **difficult victories** following general strikes, demonstrations etc.. The state of social security supported by the Government imperfect to many respects, the relative prosperity of the middle classes in Western Countries and the existence of a social and Non profit sector is the result of organisation of countervailing powers in these societies. At certain times it was near to

³⁹ *Annals of an Abiding Liberal*, Boston, Houghton Mifflin Company, pp. 353-371, (section II), quoted here from *The Essential Galbraith*, Boston, Houghton Mifflin Company, p. 136.

⁴⁰ Episodically, slight protestation rather than vehement and inductive of strong policy corrections, only comes from scandals about false information and cheats or active corruption when finally discovered and in case of some fraudulent bankruptcy as in the example concerning a few giant firms as Enron, Worldcom etc. in the recent years.

⁴¹ Galbraith John Kenneth, 1952 *American Capitalism*, Boston, Houghton Mifflin Company, pp. 108 -134, sect. III, quoted here from *The Essential Galbraith*, Boston, Houghton Mifflin Company, p.31, and referring to the 1956 edition.



be something as a civil war. With the rest of the world it is really a sort of economic war and sometime more than that.

Western Economies have built their economic power with a **strong government protecting their nationals** – mainly their business firms- against the rest of the world⁴². All industrialised countries have do the same, first of all the United States, the civil war being the occasion for the protectionist North to win against the liberal South. Not to say how much they have benefited from their colonies as for the UK and the cotton story with India for example. **Competition between governments in the economic scene** is still the real story even if it is embarrassing for economists⁴³. Protection from the South countries has been made wide explicit since the MFA agreement against import of textiles, Agriculture subsidies by Western governments for their nationals have become more evident since the WTO Cancun meeting in 2003, competition in high tech between Western Economies are the usual economic wartime with examples as the Boeing-Airbus battle and if no real war it is at least exercise of powers. Not to mention that for decades at least, international trade is showing a **situation totally incompatible with the theory**: the main and dominant economies are either with huge deficits as the USA or with huge surplus as Germany and Japan when altogether the three are making half the world production and trade. Finally the battle for more and more scarce oil resources is partly behind the unilateral decision by the USA to conduct the war in Irak against the will of the majority of the people of the planet. More generally a few governments are meeting principally to discuss economic matters and to control the world: these meetings are the G5 group of countries (since 1975, USA, UK, France, Germany, Japan). This is now a **G8 world economic directorate** (Italy and Canada joined in 1976 then Russia in 2000, China would come soon). And a **mutual recognition of powers** has been now organised every year since 1987⁴⁴ in a **World Economic Forum at Davos**: head of states and chief executive may discuss altogether how to organize our brave economic world. They would soon invite NGOs to this meeting avoiding the extra costs of counter meetings⁴⁵.

An African saying goes as follow: when elephants are fighting it is the meadow that suffers.

9) The need for a new paradigm based on Responsibility and Care: a way towards Fraternity

The meadow suffers and it is not a good target to level the playing field for the market as the WTO is committed to do. Please stop the fight and start to cooperate and take care and responsibility for the meadow, for all of us.

⁴² See for example Chung Ha-Joon 2002, *Kicking Away the Ladder – Development Strategy in Historical Perspective*, London, Anthem Press.

⁴³ Even for Krugman Paul 1994 « Competitiveness a dangerous obsession » *Foreign Affairs*, March-April.

⁴⁴ In 1987 the WEF was born from the broadening of a Davos (Switzerland) symposium annually organized since 1970 with the patronage of the Commission of the European Community as well as the encouragement of Europe's industry associations.

⁴⁵ In 1984, a "first" visible counter meeting against the G7 in London had been organised as a "TOES" The Other Economic Summit by an NGO became the New Economic Foundation; but a more successful (up to now), at least in the General Opinion has been the World Social Forum launched against Davos WEF, and launched in Porto Alegre, in 2001, a project prepared altogether by a Brazilian team and a French one with the support of the monthly *Le Monde Diplomatique* and the NGO Attac (born in France in 1998).



Ordinary people, in fact individuals everywhere in the world, are suffering of these battles and alliances between powers. The most suffering people are not mainly living in Western countries; it is in the “South” that are living the great part of the poorest, of the 800 million people who have not sufficient food and of the 2 billion of people who are surviving with difficulty on a basis of less than 2\$ a day.

To change the course of history, to change the real world, we must change our minds, of all of us, and first to denounce the faulty conceptualisation of the world by economics and to make clear how it is really working.

“The real world has constraints imposed by human nature, by history and by **deeply ingrained patterns of thought**⁴⁶ . As the current paradigm of “Homo oeconomicus” is useless and irrelevant to understand the real world and to act on it on the one hand, and as the real world the main actors are playing a role of powers in way that we reject **we have to change of paradigm for thinking and also for living.**

First of all, our Societies must not live as if they were only Economies. “Escape from the commitment to economic priority has, it will be clear, a broadly emancipating role. It enables us to consider a range of new tasks from the improvement of our cities to the cleaning up of roadside commerce, to the enlargement of cultural opportunity, to the redemption of mass communications from the hucksters, to the suppression of the influence of the weapon makers on foreign policy. The political and social power that is available for these tasks is not negligible. Scientists, humane scholars, teachers, artists and the community that is identified with these preoccupations have been asserting themselves with increasing influence and self-confidence. Given a clear view of the issue and need and given release from the assumption of economic priority, that influence will surely deepen and expand. **Nothing is more wished, welcome and urged.**⁴⁷”

One decisive point is to consider **our Societies as a place to live altogether** and within these societies to organise our activities without considering as definitive a separation of certain activities when they are currently priced by the market. Almost all our activities are creations and an opportunity for us to blossom and society must do the necessary to avoid excessive pain : efforts is necessary but when it is acceptable as it can be in many sports.

This point was stressed by Polanyi “**Separating labour from the other activities of the life** and subordinating it to the laws of the market meant destroying all the organic forms of living and replacing them by a different type of a broken up, individual organisation⁴⁸.” This will make possible that labour “ceases to be a chore and become an opportunity to deploy human capacities⁴⁹” and creation.

⁴⁶ Galbraith, *The Good Society*, op.cit., p. 3, I underline.

⁴⁷ Galbraith 1971, *Economics, Peace and Laughter*, Boston, Houghton Mifflin Company, pp.3 -25, quoted here from *The Essential Galbraith*, Boston, Houghton Mifflin Company, p.106-107 (end of the chap.) . I underline.

⁴⁸ Op.cit., p 220 (Chap 14).

⁴⁹ Castoriadis Cornelius 1996 *La montée de l'insignifiance – les carrefours du labyrinthe IV*, Paris, Le Seuil, p. 96, my translation. This does not mean that it is easy to implement and first in the present, existing and not changed world there is an urgent need for strong trade unions as Galbraith puts it (*The good society*, op.cit., p.66):“The good society seeks, where possible, to reverse this decline in trade union power, for worker organization remains a major civilizing factor in economic life”.



This recreation of the Society instead of economy clearly imposes to go back to the principles as shown in the first points of this text. And one important challenge is to combine the exigence of liberty with that of equality. To reconcile community and society thanks to the concept of **Fraternity** could be a way to explore. Mainstream, which claims to support Liberty, accompanies a society that produces inequalities and never fulfils its promise to reduce them - a society where solidarity is just sufficient to address, reluctantly, some forms of social exclusion. State socialism claimed to embody Equality but did so at the expense of Liberty - and it was pressure for Liberty that led to its failure and the fall of the Berlin Wall. There remains Fraternity. This comes second, at best, for the other two kinds of society. We should think of putting Fraternity first instead. This would require that Liberty be understood positively and not just negatively - my liberty is not just freedom from external restraint but should be exercised to extend the liberty of others, not restrict it. This would also allow Equality to be lived in another way, as equity and dignity among members of the same global humanity.

Anyway we must find altogether and decide what is good or not and this democratic choice involves sharing some ethics. If we do not let the market decides, if we do not accept that the powerful decides, how decision will be made?

It is not so simple. Let us follow some indications from John Kenneth Galbraith.

First to exemplify a typical decision to make.

“For many years, none might pass a Ph.D. [in Economics] qualifying examination who said that the wish for a poor family for adequate shelter was superior in urgency to that of rich family for a mansion rivalling that of the still richer family next door. To do so was to interpose unscientific judgments and invite immediate discredit⁵⁰”. This must be changed. **Our knowledge about economic activities must be Political and Ethical.**

One important key to success is **education**. Here I will just quote some illuminating remarks from Galbraith again to open some ideas for reasoning.

“ The good society cannot accept that education in the modern economy is primarily in the service of economics; it has a larger political and social role, a yet deeper justification in itself” [...]“A case could be made, and perhaps should be made, that the best in education should be for those in the worst social situations. They are the most in need of the means for escape. In the good society there are two further and vital services of education. One is to allow people to govern themselves intelligently, and the other is to allow them to enjoy life itself tot the fullest. Self-government and democracy, no one can doubt is a demanding thing[...]. With economic advance and accompanying responsibility, the problems facing government increase in both complexity and diversity [...] there must be either a knowledgeable electorate intellectually abreast of these issues and decisions or a more or less delegation of them to the state and its bureaucracy [...] it known that a certain percentage of the population is available to support virtually any form of political and social disaster. It is education and education almost alone that keeps this minority to a manageable number.

But there is a further and less evident relationship between education and democracy. Education not only makes democracy possible; it also makes it essential [...] Illeterate men and women, especially if scattered over the landscape in subordinate relationship to landlords, can rather

⁵⁰ Galbraith 1971, *Economics, Peace and Laughter*, Boston, Houghton Mifflin Company, pp.3 -25, quoted here from *The Essential Galbraith*, Boston, Houghton Mifflin Company, p.92.



readily kept silent and under authoritarian control [...] such is not the case with an educated and thus politically concerned and articulate citizenry” (p.69-72)

To conclude I would like to quote again *The Good Society* on three points : war, environment and our responsibility for the other, not only my close neighbour but for all our fellow creatures on the planet.

“The prevention of [wars] such mass tragedy is, along with a solution to the problem of the poor of the planet, the most urgent task of any society that embraces and seeks to protect all mankind [...] there remains the need to counter and negate the presumption by the military power that war is an inevitable aspect of human existence” (p.110-111).

“The need for contemporary and long-run protection of the planet, regulatory requirements commonly described as preventing environmental destruction [...] force[s] public intervention and regulation” (p.76).

“The responsibility for economic and social well-being is general, transnational. Human beings are human beings wherever they live. Concern for their suffering from hunger, other deprivation and disease does not end because those so afflicted are on the other side of an international frontier” (p.2). Perhaps our meeting will lead to some recommendation for action. Will we be listened to ? Or decision makers would say it is impossible ?

“To call some urgently required action politically or socially impossible is the first (and sometimes the only) line of defense against unwanted change [...] It is the nature of privileged position that it develops its own political justification and often the economic and social doctrine that serves it best”.(p.4-5)