

*from individualistic to social
economics*

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Economics for the Common Good

Mark A. Lutz
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What do Gandhi, Herman Daly and the author of *Small is Beautiful*, E.F. Schumacher, have in common? All three tried (or in Daly's case, is trying) to move economic thought away from the dehumanised, mathematical, and amoral stance that has formed the basis of conventional economics since the Industrial Revolution. They are consequently qualified to be called social or humanistic economists, the terms now used to describe thinkers who place human - and more recently environmental - welfare at the centre of their discipline.

The main problem with conventional economics is that it has an abstracted version of humanity, *Homo Oeconomicus*, or Rational Economic Man, at its heart. J.S. Mill contrived this creature in the belief that it was human nature always to prefer more wealth to less. While Mill himself was aware of the limitations of his abstraction, he promoted it in the effort to provide a theoretical basis for a science of political economy. Today this greedy, self-seeking creature has become the unquestioned 'truth' that has led to many of today's social and environmental problems.

Real-life situations never conform exactly to Mill's simplifying assumptions. As the desire for more wealth clearly does not define our every action, the humanist critique of modern economics includes the assertion that 'what is economically rational is often socially or morally unreasonable'. In all aspects of life we face choices that could lead to many different outcomes. It is exactly this human choice that is ignored in economic rationality, which is only about satisfying self-interest.

In *Economics for the Common Good*, Mark Lutz traces the history of social economic thought over the past two hundred years. He sees his work as an 'introduction to economics in terms of human rather than material welfare in the light of community decay and inequality'. Throughout

the book Lutz makes the case for a 'broader more sensitive economic science' that goes beyond the paradigm that produced conventional economics.

The ideas that support conventional economics were developed at a time when the industrial revolution had increased the availability of mass-produced goods. A presumption developed that the machine revolution would release humanity from its dependence on nature and allow rational economic man to fulfil his endless desire for increased wealth. However a Swiss economist, Jean Sismondi, was unconvinced and questioned the assumptions underlying present-day economics at the time they were being laid down.

Sismondi travelled to industrialising England and was not impressed: 'I have seen production increasing whilst enjoyments were diminishing...I sought for happiness in every class, and could nowhere find it'. He was particularly aware of the impact that machinery had on job availability and workplace conditions. He noticed that when more money was available to business, jobs ended up being lost as the companies replaced their workers with machines. This ran contrary to the traditional stance that said increased income would increase wages and job numbers.

It was clear to Sismondi that the preoccupation of economics with wealth had blinded it to its implications for society and the natural world. He saw that the economics that was emerging would perpetuate the unequal division of wealth and lead to a poor standard of living for many people. He therefore favoured an economics that measured its success against what was happening to real people, rather than in terms of monetary accumulation. 'We lose ourselves whenever we attempt to consider wealth abstractly' he wrote. 'Wealth is a modification of the state of Man: it is only by referring it to man that we can form a clear idea of it.'

Lutz says that the real indicators of prosperity should not be 'exclusively related to the fulfilment of preferences' as the 'common good' is often in conflict with individual desires. The ultimate aim of social economics is, he says, 'to lay down principles of economic policy to guide the policy maker in ascertaining what is conducive to social welfare and what is not.'

Sismondi's legacy is evident in the work of John Ruskin who in turn inspired Gandhi. Although not an economist, Ruskin saw that the economic system had degraded society's aesthetic sensibilities. He held that the working class were forced, through a system that contained no value judgements and was practically amoral, to ignore any hope of reaching above their designation as 'covetous machines'.

Gandhi read Ruskin's book *Unto this Last* while he was in South Africa. It cast a 'magic spell' over him and changed the course of his life. He became committed to putting Ruskin's principles into practice. Lutz points out that, following Ruskin, 'Gandhi saw economics as meaningful only if it pursued the right end: an economic system providing the basic necessities while incorporating the social values of human dignity, non-violence and creative labour.' His goal was therefore to create viable local economies free from dependence on the machine and factory system of the industrialised world.

More recently, the problem of environmental sustainability has begun to preoccupy social economists such as Herman Daly and E.F. Schumacher and has led to the formation of groups

such as Feasta. Daly has sought to get his discipline to see that the economy is a subset of the natural ecosystem and that its expansion is threatening to overwhelm the ecosystem's ability to regenerate the resources we use and to absorb the wastes we produce, Daly proposes that 'the path of economic progress must shift from growth (quantitative expansion) to development (qualitative improvement)'. Schumacher also warned of environmental depletion and, like Gandhi, emphasised the need for appropriate technology, village economies and an ethical economics as a way to restore people to their position as the point of the economic system and 'not merely a factor in production'.

Today the good work done by the social economists needs to be expanded and deepened into a deeply ecological economics and Lutz cites the familiar portents of environmental collapse in order to renew our commitment to the task. A respectful, caring attitude is needed toward the Earth if it is to flourish. We must avoid the trap of preserving only those things known to be beneficial to man. Here lies real danger, as our limited knowledge of ecological systems seen through selfish human-centred lenses is the biggest threat to biodiversity and therefore sustainability.

Lutz realises that there are both moral and natural limits to growth. He says that 'clearly social justice and ecological sustainability are two sides of the same coin' and that we have a duty to social fairness to maintain the planet's liveability. Standard economics tries to avoid the ecological dimension by believing that if something gets scarce, a substitute can be found for it. This is the 'myth of substitutability' and is without foundation as Herman Daly has shown. We can't ignore the diminishment of nature just because we have a lot of machines and factories. Manmade capital cannot be substituted for natural capital. They are complementary - both are needed for the production of goods.

Besides tracing the intellectual line of development of humanistic economics from Sismondi to E.F. Schumacher, Lutz presents it as a real alternative to mainstream economics. Moreover, throughout the book he exposes the various pseudo-religions within economics, such as those of efficiency and unregulated international competition. He clearly reveals the flaws inherent in individualistic economics and offers solutions to current global problems through the eyes of the social economists.

Even though the book is quite dense it is not heavy going. *Economics for the Common Good* works as both an introduction to economics in general and as a specialist study in social economics providing both general and academic readership with much to think about. It paves the way for social economic thought to become an important force in the ever-shortening race to save the planet.

Ben Whelan is a member of the Feasta Committee He studied Theology in Trinity College Dublin and took an MA at the Naropa Institute in California studying Sustainability, Economics, Cosmology, Mystical Wisdom and Indigenous Religion with Stuart Cowan and Matthew Fox. After returning to Ireland he worked as assistant editor for the Sustainable Ireland Source Book 2000 and helped found the Sustainable Ireland Cooperative which organises the annual Convergence Festival in Dublin. He writes on permaculture, bioregionalism, altered states of consciousness, Maya cosmology and ancient mathematics.



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