

## What has Philosophy to say about the current economic crisis?

Five main points of today's talk:

- (1) Philosophy and economics
- (2) Ideas and their power
- (3) Justice
- (4) The "current" economic crisis
- (5) Economics itself

### (1) Philosophy and economics

- (i) **The purpose of economics: to *lift* people's lives – to allow them to live a fuller and more complete existence as human beings; to enhance and enrich human life** (*Nature of Society*, p. 276).

Economics exists because "every man for himself" is not a civilised way of living. It does not work. In the interests of human dignity there needs to be some restraint (give example of man being angry, but hitting other people is not tolerated). Only if land were of equal value everywhere, and people lived spread out evenly across the face of the earth, would there be no need for the subject, economics.

- Philosophy's message to economics is to **proclaim/insist upon *the dignity of man***, and a well-known prayer of the wise is: "May all be happy ... and may none be in misery of any kind"
- A **vital aspect of man's dignity is his *intelligence***. This intelligence is meant to be *used* – to be used to show how all may live in ***prosperity***.

What is NOT intelligent is:

- (i) Food surpluses: paying farmers not to produce
  - (ii) Having to work all your life to pay for a *house*
  - (iii) Unemployment – everyone has two hands and multifarious needs
- Intelligence is also meant to show **what "prosperity" means**:

true and lasting happiness is *not* to be found through the getting of more and more of the material universe. For full happiness **the whole person needs fulfilment**: body, mind and spirit. The material universe certainly cannot fully satisfy the spirit, and a person poor in spirit can never be truly happy

- What a difference this would make compared with speaking of **human beings as labour!** And what a difference intelligence would make to all the mindless talk about the need for **endless economic growth!**
- Human beings have a voice of **conscience** and we **should listen to it!**

## (ii) **Where economics began** (TMS, 1759; *Wealth of Nations*, 1776)

- **Adam Smith**: founder of modern-day western economics and **Professor of Moral Philosophy, University of Glasgow, 1759**. The following is what Adam Smith said:

*And hence it is, that to feel much for others and little for ourselves, that to restrain our selfish and indulge our benevolent affections, constitutes the perfection of human nature; and can alone produce among mankind that harmony of sentiments and passions in which consists their whole grace and propriety.*

*...there is another set of passions, which a redoubled sympathy renders almost always peculiarly agreeable and becoming. Generosity, humanity, kindness, compassion, mutual friendship and esteem...please the indifferent spectator upon almost every occasion.*

*This disposition to admire, and almost to worship, the rich and the powerful, and to despise, or, at least, to neglect persons of poor and mean condition, is the great and most universal cause of the corruption of our moral sentiments. ...Respect and admiration are due only to wisdom and virtue.*

*Beneficence is less essential to the existence of society than justice. Society may subsist, though not in the most comfortable state, with out beneficence; but the prevalence of injustice must utterly destroy it. ...Justice is the main pillar that upholds the whole edifice. If it is removed, the great fabric of human society must crumble into atoms.*

This is where economics began, and how great has been the fall! One commentator has described **modern** economics as being “**untouched by the breath of God, unrestrained by human conscience**”

The sentiments expressed by Adam Smith express the “mind-set” with which proper economics is to be approached, **a mind-set permeated by *benevolence, grace, propriety, generosity, humanity, kindness, justice.***

- The **whole purpose of economics** is to show how mankind may live together in communities in *prosperity* – be set *free*, be *unfettered by the strictures of necessity*
  - **assist in the perfection of human nature** (but at the very least, its *betterment*) – can only live by the best in our nature if we are *unfettered by the strictures of necessity*
  - **living in communities** as distinct from living in isolation (i.e., sense of **connectedness**)
  - **importance and value of *co-operation, not competition***

## **(2) Ideas and their power**

- Intelligence (already referred to) has a crucial function: to make plain **the difference between what is true and what is not**. Communities and nations are **ruled by very many *ideas***, and ideas are not necessarily true. **An idea is an idea**; its truth is another matter altogether (this is the ultimate realm of philosophy)
- Life is ***not*** meant to be a cruel struggle and it is not meant to be a game of fierce competition – rather, an exercise of *co-operation*. **Nature is *generous***, there is plenty for all; ***scarcity*** (a foundation “principle” of economics textbooks) **is an idea – *scarcity exists only in relation to greed***
- Other ideas that are common today and which rule but which are not true:
  - (i) people will only contribute of their abilities in the workplace if you pay them ever-higher salaries
  - (ii) there is not enough room on this earth for all the people that are on it
  - (iii) **people should be grateful for having a job – we should be thankful to companies for providing employment, for “giving” us a job**

- (iv) the only thing that will guarantee an efficient supply of quality goods and services is *competition*
- (v) the well-being of a population is dependent upon economic *growth*
- (vi) the solution to our problems is more and more education**
- (vii) land *used to be* important – but is not important in an *industrialised* economy**

### **(3) Justice**

Justice is *not* just an “idea” – **there *is* such a thing as justice!**

Justice: **the constant will to render to every man his due.**

The marks of justice:

- (i) Whatever we have *earned* is what is due to us – the whole of it, not just part of it.** None of it should be taken away (hence the dislike of taxation).
- (ii) If justice prevails, the one paying will pay *willingly*, and the one receiving will be in receipt of only that amount that is due – no more.**

The very essence of the lack of justice is that the way in which our economy is organised:

- (i) supports, encourages and rewards greed
- (ii) discourages human contribution (effort)

**For justice to apply, the fundamental requirement is that there be a practical and easily-applied way of **distinguishing earned and unearned income** (Henry George, *Progress and Poverty*, 1879).**

The base of the problem of unearned income is that:

- (i) we have parcelled out the land and sold it, so that some own it and some do not. This has led to a “class” of people who are *dependent* – a serious breach of justice;
- (ii) knowledge of the function of real credit has been lost (or ignored)

#### **(4) The *current* economic crisis**

*Crisis* is a relative term. I really do feel for people who have lost a significant proportion of their retirement benefits as a result of the share market crash. I also really do feel for people who are starving to death through lack of food. I simply want to make this point (that “crisis” is a relative term), and in no way to detract from the sense of discomfort and pain that some are now feeling as a result of loss of retirement benefits and loss of employment. This notwithstanding, I want to make three points about what is currently being referred to as the “economic crisis”:

- **Is not “current”** at all, the crisis did not begin in September 2008 – there has been a crisis building for the past 50 years! (20 years in particular) – just ask the low income earners who have been struggling for decades trying to pay off their homes (and what a simple, undeniable need a home is!); or ask those who have been in dire poverty for this period (and longer)!
- **What is happening is not really a *credit* crisis but a DEBT crisis. There has been *too much credit*** (“money” (in the form of loans, particularly consumer loans) has been too easy to come by). F. D. Roosevelt, in his 1933 inauguration address, put it this way:

*The practices of the unscrupulous money-changers stand indicted in the court of public opinion, rejected by the hearts and minds of people. Faced by the failure of **credit**, they have proposed only the lending (and spending!) of more and more money. They have no vision and, when there is no vision, the people perish. The measure of the restoration lies in the extent to which we apply social values more noble than mere monetary profit.*

(Progress, July – Aug. 2009, p. 3)

- The crisis has been in the rising cost of housing, indeed the rising cost of living, and the associated **struggle for many just to survive – that is the crisis: the economic struggle, deprivation, and *lost potential* of the human being. To have to speak of the *unaffordability* of housing is lunacy.**
- There is a reverse side of this aspect of crisis: the accumulation of very large amounts of wealth and, in particular, the ability to do so easily, has ***altered fundamentally-important values***. It has led to the idea (and, indeed, the practice) of ***getting something for nothing***. The real problem with “getting something for nothing” is the *absence of a contribution*. This emphasis upon “getting something for nothing” runs parallel with **the nation having turned away from production – turned away from valuing the contribution.**

Put in here the JT letter to Mr Mason about the consequences of a total shift in values – toward getting something for nothing.

## (5) Economics itself

The word *economics* is almost immediately associated with *money*: profit and riches, or poverty. Economics is *not* primarily about money. Also, text-book economics treats human beings as statistics; economics has been allowed to become a science without values.

When answering any question of an economic nature, the proper starting point is to relate the question back to the purpose of life, and the purpose of life for *everybody*: may all be happy, may all creatures have well-being. Any wise solution to a problem of economics will mean an improvement in the well-being of *all* people. This is the test of justice / the test of the proper functioning of economics.

As a result of the “rule of ideas”, three things in particular reveal the poor state of health of western developed economies (to say nothing of the poverty-stricken “third world”):

- (a) **the cost of obtaining a house has become prohibitive for some and personally and socially “disruptive” for many**

- two incomes are required for a lifetime of working

**(b) half of this nation's total budgetary expenditure is toward *welfare* of one kind or another (and of particular concern here is single parents and *unemployment*)**

**(c) unemployment**

Poverty is not natural. People do not voluntarily enrol for it. It is “forced” upon people. *Abundance* is what is natural, not poverty; and it is the job of economics to show how all may live in abundance. The idea that poverty is an inevitable problem that “needs solving” is just an idea – an idea that happens to be not true. What is needed is for the *cause* of poverty to be eliminated!

With respect to *welfare*, and in particular, *charity*, Swami Vivekananda:

What is meant by charity? Charity is not fundamental. It is really helping *on* the misery of the world, not eradicating it. One looks for name and fame and covers his efforts to obtain them with the enamel of charity and good works. He is working for himself under the pretext of working for others. Every so-called charity is an encouragement of the very evil it claims to operate against.

Men and women go to balls and dance all night in honour of some hospital or other charitable institution, then go home, behave like beasts, and bring devils into the world to fill gaols, insane asylums, and hospitals. So it goes on, and it is called good works – building hospitals etc. **The ideal of good works is to lessen, or eradicate, the misery of the world.**

*The Complete Works*, vol 6 p. 101

A little-known fact is that **the census** (collection of statistical data) began in England in 1851 – the first systematic attempt to assess the dimensions of poverty and the housing problem. According to one commentator (Roger Smith – see *Ideas* (Peter Watson), pp. 656 – 657) this act ***transformed the political and moral consciousness of the country.***

### **A final note: the *curse* of unemployment**

- the ruination of the life of many a young person, in particular

- feelings of having no control over life and being made to operate far below their capabilities (alienation – people’s lives and self-image determined and often damaged by their material working conditions)
- twisted, distorted values created by being in receipt of *benefits* instead of *wages*
- numerous side-effects, including high crime rates
- a large part of the whole purpose of being born onto this earth is lost: the lost opportunity for human development that is available through *work*. Work is not a “convenient option”, nor is it only the legitimate means of earning a living. It is a vital aspect of the refinement of being that is an essential aspect of human development and hence sense of fulfilment

#### IN CONCLUSION:

The **real** crisis is, and has been, the crippling effects of the rule of injustice – some in receipt of far more than they have earned (far more than what they have contributed), whilst others in receipt of far less than they need.

But this need not continue. The community – people – has only to *change its mind* – to stand up and say that **this denial of justice is not acceptable**, and to acknowledge:

- that this *is* an earth of plenty. We sing this now when we sing our national anthem:  
     We’ve golden soil and wealth for toil,  
     Our home is girt by sea;  
     Our land abounds in Nature’s gifts
- that it is here for the benefit of *everyone*

- that the way ahead in terms of prosperity, well-being and fulfilment of potential is through ***co-operation, not competition***
- that the practise of justice will prevail: the payer will pay willingly and the receiver will receive only what is due – that *there is “wealth for toil”*
- that self-reliance, responsibility, valuing the contribution, and a sense of community – of belonging, of connection – are non-negotiable attributes of a civilised community

Good economic law ensures a prosperous community, and that its individual members live as “connected” beings, under the rule of justice.