

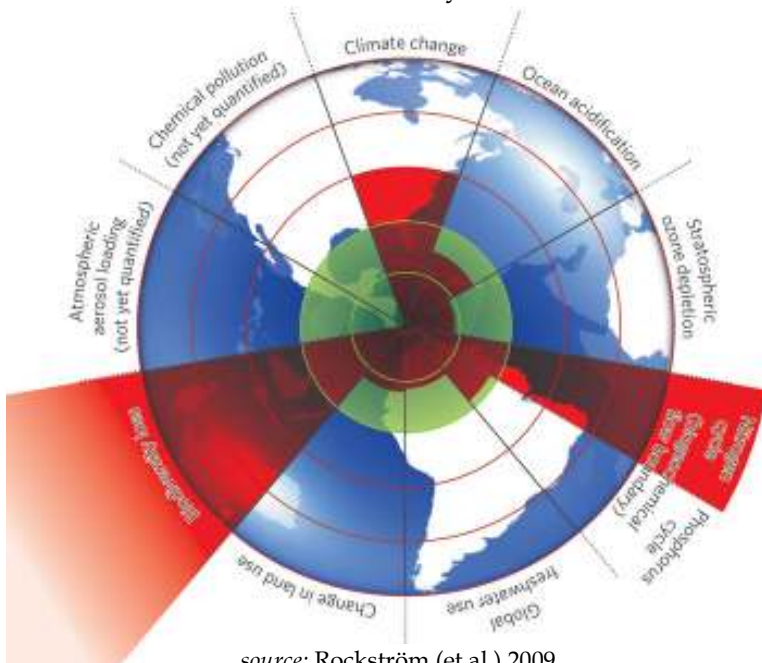
TOWARDS A NEW ECONOMIC PARADIGM

The parallel history of economic thought and the way forward

Few dispute that the current system is in troubles. Sustainable development is running high – at least at the level of lipservice. But we are far from consensus in specifying why and how our current development path is unsustainable. In this article I argue that the world is on the edge of a radical change of values (as it happened already 4-5 times in our known history). And that the deep core of the problem is our irracionale (or rationalizing) adherence to the self-oversurviving value system. I try to find this value system in the current paradigm, economism, which has passed its competence to a drammatical extent. This I consider rather a quasi-religion, than a science. As an alternative I depict the recently less visible, but more than two thousand year old tradition of moral economics. Two new economic philosophies are also proposed, which are at the end only one.

Our planet and ourselves on its surface are in danger, this notion has become a banality in the last decade. First we were forced to face sings of an ecological crisis back in the 1960s, most recently shocked by an economic crisis since 2008. I do not think we would need to support this statement in 2012, but let us still look at two graphs from the most researched and visible environmental part of unsustainability¹.

Illustration 1: Planetary boundaries



source: Rockström (et.al.) 2009

Rockström and his 30 co-authors propose a new approach to (ecological) unsustainability, in their article published in 2009, in the Nature magazine. They define the carrying capacity of Earth on nine key areas. Overpassing these “planetary boundaries” has significant, in three cases irreversible, uncontrollable and catastrophic consequences.

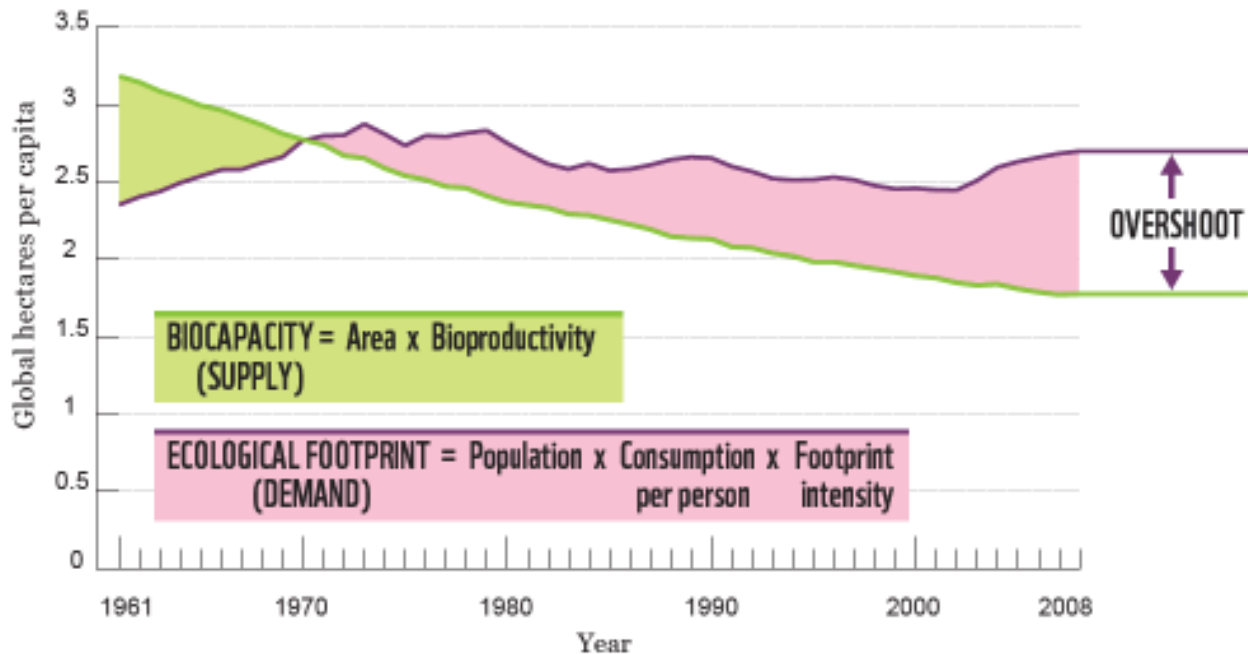
Researchers could quantify seven of the nine subject areas, on almost every second we committed a serious “trespass”. The utmost rapid decline of living species is far the most dramatic phenomenon².

¹ I cannot fully agree with the Triple Bottom Line (TBL) approach of sustainability, coined by John Elkington. Due to its wide spread, I still use it when it is not about deeper analysis. According to TBL the three pillars of sustainability are environmental, social and economic sustainability. There is a consensus on the properness of TBL, among business practitioners.

² Due to correctness and what is more important, optimism, we have to see that at least on one field we seem to have managed the problems: The Montreal Protocol banning cooling and propelling agents containing CFCs is among the very few success stories of global environmental protection.

The one-dimensional ecological footprint indicator has a longer tradition, the latest results have just been disclosed some days before writing this article, by the *Global Footprint Network*. It is obvious from the graph that according to the latest (2008) data available we face a 52% ecological deficit, in other words we use 1.5 times more from the Earth's resources, than generated in a single year.

Illustration 2: The most recent data of the ecological footprint and biocapacity show a 52% deficit



Source: WWF, GFN, ZSL [2012]: *Living Planet Report*, p.40.

Most people consider avarice, as the core of the problems. Some think that there is a worldwide conspiracy (of certain groups, e.g. multinationals, banks etc.), others go further and start to think that humankind is fundamentally of destructive nature³ and there is no hope. We see immense nostalgia to “natural tribes” or the supposed harmony of animist religions with nature and society. The common denominator of these opinions is that something has severely gone wrong. But there is absolutely no common thinking whether we should close the banks, abolish money or do not rather regret the envisioned extinct of man (e.g. by James Lovelock). The debate has become ideological, a good example is that everyday people consider overpopulation⁴ as one of the three most urgent causes of unsustainable development, while numbers tend show exactly the opposite:

³ As a funny nature conservationist t-shirt formulates: „I am with the bats!”

⁴ The Moscow Demographic Summit had almost 1000 participants. Other interesting contributions to the topic are the two twin-articles of Tamás Krúdy. In the first article he describes anti-population opinions of supposedly good-intended and unsuspecting scientists (Malthus, Rousseau, Condercet, then Ehrlich and Holdren in the 20th century), but also the very intended and morally rather questionable movement, which reached its peak in the 1980s, and had been born from the fear of overpopulation (Margaret Sanger, International Planned Parenthood Federation). The article also describes the forced depopulation pursuits of China, Peru and India. Amartya Sen gave an effective answer to these: „The strategy emphasizing the priority of birth control sends the following message to the poor of the world: ‘We wish you were not here!’” The second article analyses the NSSM 200 document, in its popular name the Kissinger-report, which became public 25 years after it was made. This is the conscious position taking and strategic document of the USA, whereby it is clearly stated: “The political consequences of current population factors ... are damaging to the internal stability and international relations of countries in whose advancement the U.S. is interested, thus creating political or even national

With reference to the objective and widely accepted scientific data and forecasts of the leading demographers, we express our deep concern about the dangers of the approaching worldwide depopulation. Despite wrong and biased information about “overpopulation” threat promoted by some mass media and international institutions, in reality already for several decades in a row we have been witnessing a global process of demographic degradation. In recent years this dynamic has assumed a threatening scale and magnitude. As a consequence of the global decrease in fertility below the replacement level (2.1 - 2.2), 42% of all humankind live in the countries where even simple replacement of old generations is not taking place. ... Even according to conservative estimates by the UN, within next three decades, the total fertility rate will go down below the population replacement level all over the world. (Declaration of the Moscow Demographic Summit, June 29-30, 2011.)

But what is the cause of the problems? Sometimes utmost complicated problems can be traced back to a single root-cause, which trigger the other troubles, as a chain-reaction. Such mechanisms can lead the human community to a vicious circle, or a descending spiral. In my opinion this root cause is not the basic principle of capitalism or compound interest, but the wrongly applied economic logic, which demand primacy in all social matters and controls the thoughts of West and East, North and South.

Nobody forces or motivates economic actors for more income⁵ generating higher level of consumption and production, they strive these growth goals from their internal conviction. They do not only produce and buy useful goods, but also needless products, with a low lifespan, which are transported from huge distances. Companies manufacture and trade whatever is demanded on the market, if demand is lacking, they stimulate it as long as it is profitable for them. Individuals buy anything, if it is at reasonable price, while have been



Illustration 3: The production-consumption ideology keeps together the economic actors as a vicious circle of

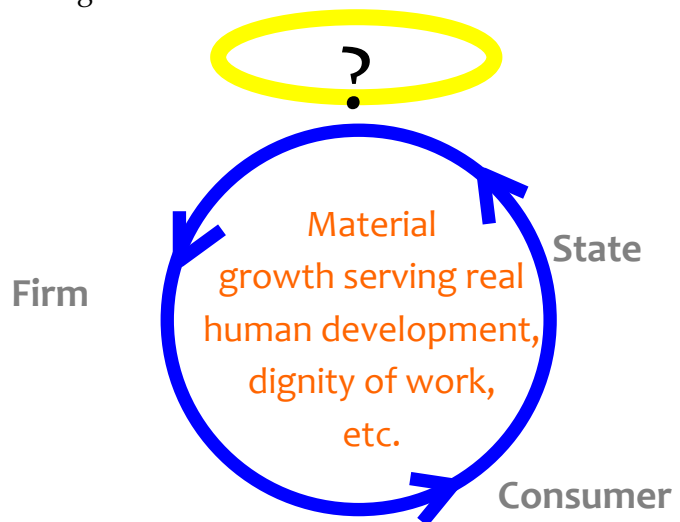


Illustration 4: Breaking the circle sees hopeless, but a benevolent concept can do the job. But what concept?

security problems for the U.S.” The USA wishes to interfere into the population policy of developing countries through aid policies, especially through international organizations of neutral nature like the UN or the World Bank.

⁵ Be it the level of macroeconomics (more GDP), microeconomics (more profit) or consumers (more discretionary real income).

educated the more they consume the better⁶. Ultimately the three main economic actors are bound together in the vicious circle not by GDP, money, profit, not scientific rationale, international intent or other external force, but their very own, shared vision, that is the consumption ideology: ‘everybody is better off, the more and the cheaper products available on the market.’ Substituting GDP to alternative indicators, eco-efficiency or developing eco-friendly products bring about very slight actual change, as we could experience in the last decades. The mental chip, the ideology should be modernized, the software (in this sense the human person) functions in order. And modernization does not mean quicker here, at any rate.

1. Economism, as a quasi-religion

The original meaning of *economics* (in Latine and ancient Greek: *oekonomia*) was the careful management of the household. In the last 230 years it has become a social science, later an ideology and a general paradigm, and by today a quasi religion, with its ‘holy trinity’: *efficiency-competition-growth*.

When we hear these expressions, we do not think twice whether their improvement is good for us or not, or what is the price we pay for a more competitive economy (eg. escalated hurry), for a more efficient operation (eg. more machines, bigger scales, less jobs), or for a higher profit (SMEs and local industry go bankrupt). Although not consciously, we tend to consider the three elements as moral goods of the highest priority, in religious terms: idols.

Illustration 5: The ‘holy trinity’ of economism



Illustration 6: Comparing the essence of science and religion

	Science <i>eg. economics</i>	Religion <i>eg. christianity</i>
<i>Founder</i>	One (and of course the Greek)	One (and of course the Three)
<i>Arguing</i>	Axioms + derivation	Creed + tradition
<i>„Literature“</i>	Classicals + Peer-reviewed	Doctors of the church + Magisterium
<i>Authorities</i>	Nobel-laurates	Saints
<i>Norms</i>	???	10+1 commandments

In the attached table (6) the essential points of a religion and a science are summarized. Naturally this is to a large extent generalization, since the basic differences between a natural and a social science, or the main motives in Islam or the Protestan Church.⁷ The comparison is still useful from the point of view of our

⁶ And let us add that more consumption is really good for our soul to a certain extent, if it does not make other values neglected. Material consumption is also a must to keep up our body.

⁷ Islam is for example a strictly monotheic religion in the narrow sense, while Christianity understands the one God mystically as the unity of three persons, the Holy Trinity. Christianity adheres to Jesus Christ being the true son of God, as the central and most important doctrine.

subject area, because we are on a safer side in comparing specifically Economics and Christianity. The two systems show deep analogies, except for the last row. Positive science is declared to be descriptive and explanatory, it doesn't render commands or norms to follow. This is its main difference to a religion, where faith is exercised through action.⁸ Where a scientist makes himself a philosopher, politician or campaigner, and most of all makes his theory – which is valid within certain limits of the model – a universal principle, problems start to occur. In this case scientific theory becomes an ideology – this is the danger of –isms.

In the case of economics the situation is not favourable, as it is not based on a declared axiom, which would be accepted by the majority of people. In the economic education, normally Adam Smith's *Wealth of the Nations* is cited, as the formulation of the axiom. The axiom would be that humans intrinsically follow their self-interest, utmost motivated by their own material utilities. Literature refers to this as *homo oeconomicus*.

First let's have a look what Smith states in the *Wealth of the Nations*, where the publication year (1776) is also the start of the modern (utilitarian) economics. Smith deals a lot with work distribution, but the essence of the book – at least as long as we remember it after 235 years – is the two basic characteristics of men. According to Smith everybody strives to improve his/her material circumstances, from cradle to grave. On the other hand we exchange and trade, from our very nature. The most cited paragraph of the book is:

It is not from the benevolence of the butcher, the brewer or the baker, that we expect our dinner, but from their regard to their own interest... We address ourselves, not to their humanity but to their self-love (p. 16.)

Immediately the question occurs, how shall we derive the public good from everybody pursuing his individual self-interest? Smith cuts the Gordian not with the invisible hand:

As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it (p.456).

Alas very few economics and business students read the original work of Adam Smith. In our hasty life, where the quantity of information we have to process almost makes us sick, most of the people are content with the two citations above. Reading the original texts in their original context is simply not a requirement.

If somebody still undertake toil and moil and reads the original text of the *Wealth of Nations*, he could be astonished to see that the two citations (and their spirit) only one page

⁸ Jesus says: „Not every one that saith unto me, Lord, Lord, shall enter into the kingdom of heaven; but he that doeth the will of my Father which is in heaven.“ (Mt 7,21) And the Father's will is love, we have to love each-other as God loved the world. This is the topmost commandment, which tops up the Decalogue of the Old Testament.

of the book! What is more, they are very remote from each-other. The *Wealth of the Nations*⁹ is actually five books on 950 pages. The central topic of the first book is the division of labor, this is where Smith analyses how demand and supply would determine the natural price. The author wrote an introductory chapter, which is only four pages long, with the first citation about the baker and the brewer. Smith uses it as an argumentation for the division of labor, but the selfish nature of man is not verified or supported, the reader is straightforwardly dehorted from thinking about its causes. In Smith's opinion the division of labor developed from our nature declining to trade and exchange, but the term *homo oeconomicus* never appears in the book. In the fourth book the author disputes the ideas of both the mercantilists and the phisocrats, and forms his opinion that open economies are the most superior. In this part he deals a lot with colonies. The second chapter has a 21 page long chapter of analysing imports and autarky, this is where the invisible hand is mentioned once on page 456. So the two citations, which fit so well in economic textbooks, have a gap between them of over 400 pages, without any cross-reference. We cannot find any economists or political philosopher, who described or explored the axiom of *homo oeconomicus* in a convincing manner, or empirically tested the validity of this image of man.



Illustration 7: The two famous citation in Adam Smith's *Wealth of the Nations* - not related

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Among the philosophers it was the French *Claude-Adrien Helvétius* (1715-1771), who laid down the utilitarian basics in his opus published in 1758, titled *De l'esprit*. Its central message is that although man is motivated by self-interest and self-love from his birth, this natural egoism makes a proper fit with community ethics, the central principle of public good: the individual and public interest is the same, self-interest can serve the community. According to Helvétius the main question is only the right education, which makes the link between the two. At the same level we can mention *Jeremy Bentham* (1748-1832), English jurist and philosopher, who is regarded as the founder of utilitarianism, which makes happiness (utility) and self-interest the central topic of life and the value system. Bentham judges legal and political institutions based on the fact, how much they elevate the greatest happiness of the greatest number of people. He emphasized that the utilitarian principle can work in practical life, there is a calculus measuring which of two deeds is more useful.

We can see that economics, as a theoretical science is based on a very labile foundation, because the ever increasing maximization of profit and individual utility cannot be supported, and with this the idealtyp of the profit-maximizing corporation and the rational consumer as well. Most of all the legitimation basis of the system is staggered, whether we always serve the common good through serving ourselves, becomes strongly

⁹ These references are made to corresponding pages of the best modern edition, the so-called Glasgow Edition: Adam Smith: *An Inquiry into the Nature and Causes of the Wealth of Nations*. The Glasgow Edition of the Works and Correspondence of Adam Smith, vol. II, edited by R.H. Campbell and A. S. Skinner, Oxford University Press, 1976.

questionable. Still, the system has been functioning for a long period, supporting huge numbers of people at an unprecedented high level of material welfare, which also guaranteed health, peace, schooling etc.

However, in the last decades critical voices have become louder, more and more people believe that the system built on the expansion of economics also produces losers. Since 2008 we can speak about the widely acknowledged fiasco of economism. Its symbolic signs are the wavering European economies, which have always been considered as the flagships of capitalism. Economism, as developed from the utilitarian economic theory has evolved to a quasi religion, which is almost monolithically followed by the political and business elite of the world. In the next chapter we speak about religious economic schools, but it would be a naivety to suppose that Buddhist countries are governed on the moral basis of Buddhist economics, Arab countries with Islamic economics, Europe and America with Christian economics. Albeit secularization is very much different in these regions, moral principles fall everywhere far from the steering-wheel: the leading elite is a common believer of the world-religion of economism, the 'holy trinity' of efficiency, competitiveness and growth. Very few conceive this as a religious belief¹⁰, even fewer admit that their views are rather fanatic, based on opinions and myths, not on engineering calculus and rational assessment. For this reason we can understand economism as a quasi-religion. To illustrate this, we can formulate the ten commandments, and the creed of the economism-religion¹¹.

Illustration 8: The Decalogue of utilitarian economics

<i>Commandment I.</i> Man is selfish	Man is <i>homo oeconomicus</i> , maximizing his individual utility, following his self-interest. Be like that yourself, build your strategy on such motives of others!
<i>Commandment II.</i> Cost/benefit	Always evaluate both sides! You are a rational being, aren't you? Minimize your cost, maximize your profit!
<i>Commandment III.</i> Division of Labor	Division of labor helps to satisfy not only basic needs, but also luxury demands. Consuming is good, isn't it?
<i>Commandment IV.</i> Competition	Strive hard to defeat your competitors. Be always and increasingly competitive, this will continuously develop your skills. Like in nature, fittest wins!
<i>Commandment V.</i> Power, size	In nature the one that adapts the quickest wins. So be swift in adaptation, speed up, hurry, grow, be strong and victorious. Be successful, not a loser!
<i>Commandment VI.</i> Unlimited world	Markets have no limits, think globally! One actor is always small to hurt the system. Market mechanisms and technological innovation solves all problems.
<i>Commandment VII.</i> Self assurance	Be self-assured! The system has been working for long. Many predicted its end, but no one had right. However, socialism failed, so capitalism is The Winner.
<i>Commandment VIII.</i> Safety	Strive for complete safety, do not hazard or improvise. Plan, control, act! Minimize the human factor, persons are not reliable.
<i>Commandment IX.</i> Limits	Don't break the law - unless it is really necessary (see Commandment II.) Do not pollute the environment, be ethical, CSR!
<i>Commandment X.</i> „Trust“	The rest you can trust on technology, market, economic development!

¹⁰ Eg. Robert H. Nelson [2001]: *Economics as Religion: from Samuelson to Chicago and Beyond*, or Duncan K. Foley [2006]: *Adam's Fallacy*.

¹¹ The latter is only half-ready with intent, first not to fall into the sin of blasphemy, second because the story is not over. It is likely that the resurrection from the idol-worship of economism (in scientific terms bifurcation) is approximate.

Illustration 9: The 'creed' of development

I believe in Growth, sustainable, almighty maker of products and services, and the Invisible Hand, which corrects all market failures and leads us to the Pareto optimum.

And in the Competition, the only safeguard of development and natural selection, which led from the big boom, through evolution, to the appearance of Man.

Science of science, rationality of rationality, idol-worship from paradigm, from science pretending omniscience.

Everybody believes but not one has proven, of one essence with the meme, commanding and controlling all our thoughts.

It was created for us men and for our welfare, but has become our enemy, descended into hell and made the earth an impersonal hell.

It became a spiritual reality, and was incarnate of the enlightenment and Darwin, Freud, Marx, Helvetius, Einstein. It became a Spirit.

... (we are here)

2. Alternative economic history: moral- vs. utilitarian economics

If we are up to find the foundation-stone of capitalism, we soon go back to the industrial revolution and the centuries of the enlightenment. We speak of multinational corporations since the establishment of the East India Companies (1664), the contemporary banking system root back on the traces of a Scotch venturer escaped to France (John Law and the French National Bank since 1716). Economics became an independent science in 1776, when Adam Smith published his *Wealth of Nations*. Although the history of economic thinking is normally clustered to a number of evolving schools, if we emerge a level higher, we can say that its direction and development path is monotonous since the 18th century. In other words the basic logic of the system has not changed since the roots mentioned,

and especially since the influential ideas of John Maynard Keynes (Bretton Woods 1944, IMF and World Bank 1945, GATT 1947), if we do not consider the impressive collapse of the derivatives market in 2008.

But the utilitarian economics, which has stiffened to the quasy-religion of economism is only one alternative, we have to name the other, *moral*

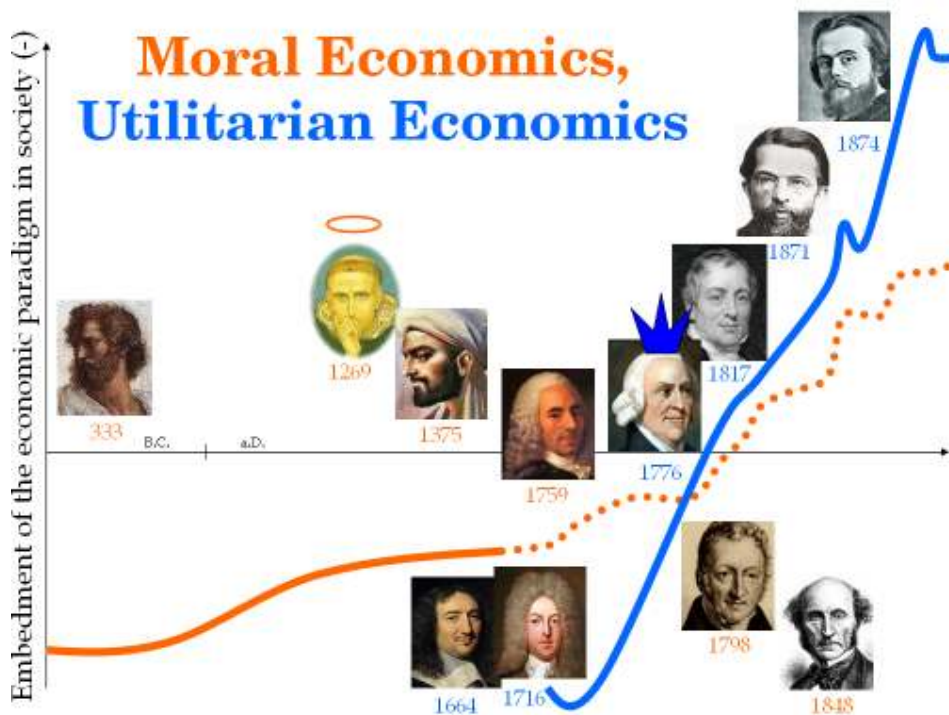


Illustration 10: Major representatives of moral and utilitarian economics

economics, the forgotten branch of economics. This has a 2300 year old tradition with *Aristotle*¹², clearly dominated the public behaviour of the middle ages due to *Thomas Aquinas* (1269). Under the name of Islam economics it has founders, who were in advance of the father of [in our terminology utilitarian] economics not less than 400 years. This title is almost unanimously granted to Adam Smith (1776), he is the uncrowned king of [utilitarian] economics.

Recently some other opinions have encountered. There lived and worked a muslim historian, sociologist and economist, *Ibn Khaldun* (1375), who wrote a book resembling the *Wealth of Nations* almost exactly four centuries earlier. Some say the original was even better¹³. I cannot judge if this is due to the Arab Spring, the rising self-consciousness of the muslim culture and science, which has been considered as inferior in Europe, in the last centuries, or is it a verifiable fact¹⁴: anyway, some scientists claim that Ibn Khaldun is not only the father of islam economics, but the whole economic science¹⁵ (Boulakia 1971, Al-Hamdi 2006).

The first forerunner of modern capitalism and with this utilitarian economics was the mercantilist school, which is symbolized in Illustration 10 by *Jean-Baptiste Colbert* 1664¹⁶, the finance minister¹⁷ of Louis XIV. (le Roi Soleil). According to the chief mercantilist and his followers wealth is not generated in production but in exchange, and it only incorporates in money (gold). For this reason the sole source of a wealth of a nation is foreign exchange. They did all to create a positive balance of foreign trade. Next to him is *John Law* 1716¹⁸, a speculator of Scottish origin, who seemed to rescue France from bankruptcy – then failed. When he was studying the Bank of Amsterdam he became convinced that an economy can be driven to an ongoing prosperity, in case of an abundant flow of credit and banknotes. Without telling the full story, we can state that Law can be

¹² On Illustration 10 and hereafter we only depicted the portraits of the scientists, but their name is easy to recognize with the year specifications. For simplicity, we did not locate them in history based on the birth and death dates, but with the year of publication of their magnum opus. The only uncertain data here is Aristotle.

¹³ In his full name *Abū Zayd ‘Abdu r-Rahman bin Muhammad bin Khaldūn Al-Hadrami* who was in advance of his age with 400-500 years, when he formulated the concept of the division of labor (in the West Adam Smith in 1776), the law of supply and demand (in the West Alfred Marshall in 1867), what’s more, as a moral economic consideration he also showed that the power of nations lays in social cohesion, in other words too large parities between the rich and the poor are catastrophic for a country’s future.

¹⁴ Since the 1960-70s also Western scientist started to note the results of Islam economics. Hand in hand a movement has started, to make this economic theory an operative policy. An influential player in the field was Baqir al-Sadr (1935-1980) with his work *Iqtisaduna* (Our Economy). Alas the great scientist was sentenced to death by Saddam Hussein. Another proponent of the Islamic economic heritage is Waleed Ahmad J. Addas. At the same time, the young scholar questions in his article *Methodology of Economics: Secular Versus Islamic* if Islam economics would be an independent, consistent science. In his opinion it is rather the articulation of the Wholy Quran and the Shaira, while even at the economic faculties of Islamic countries western mainstream economics is taught.

¹⁵ Joseph Schumpeter (1994, p. 73.) points out the centuries-deep gap of economic thinking, which detaches the modern from the ancient Greek. He only explored in his last days the work of Ibn Khaldun, but that time he was most deeply amazed. He considered the Arab philosopher more authentic than Adam Smith. Boulakia (1971) had similar opinion: „Ibn Khaldun is the forerunner of many economists, he is an accident of history and has had no consequence on the evolution of economic thought...His name should figure among the fathers of economic science.”

¹⁶ Foundation year of the French West India Company and the French East India Company.

¹⁷ Contrôleur général des Finances.

¹⁸ In this year the (French) General Bank was established. Original name: Banque Générale (1716), later Banque Royale (1718), Banque de France (1800), one of the first central banks in the world.

considered as one of the first pioneers of inflation, stock exchange crash and derivative crisis. We do only mention the other major representatives of utilitarian and moral economics of the 18th-19th century, as detailed and decent literature is available on them in many libraries and textbooks. These would be *Adam Smith* 1776, *David Ricardo* 1817, *François Quesnay* 1759 and the school of phisocrats, *Thomas Robert Malthus* 1798, *Carl Menger* 1871 and *Léon Walras* 1874.

Despite of detailed documentation we cannot neglect to describe the ideas of the Englishman *John Maynard Keynes* 1936, and the first empirical researcher and scientific supporter of modern growth theory, the Belorussian-American *Simon Kuznets* 1971. In the most developed Western countries, the three decades between 1945 and 1975 has been called *the age of Keynes*. John Maynard Keynes was the one to differentiate between macro and micro economics, he is the most well-known theoretical economist after Karl Marx, according to many. R. F. Harrod wrote about him in 1951:

No one in our age was cleverer than Keynes nor made less attempt to conceal it.

Keynes sees the economy in a mechanistic way, he grasps it as a complicated machine, with the primary objective of producing even more wealth. He is deeply convinced that the machine is perfect, and all problems occur from the incompetence of the machinemen. He does not think of the limitations of natural environment and human nature. His most important piece of work was published in 1936, *The General Theory of Employment, Interest and Money*. According to all opinions John Maynard Keynes was the most influential economist of the 20th century. Most experts also agree that Keynes is the founding father of modern liberalist school. He personally declared:

I believe in free trade because, in the long run and in general, it is the only policy which is technically sound and intellectually tight. (Address to the Liberal Summer School at Cambridge, August 1925)

The two utmost institution of liberal economics are the World Bank and IMF, both have been proposed by Keynes.

Simon Kuznets' major achievement was the elaboration of modern econometrics, having played an important role in the Keynesian revolution. He contributed to what we now know as GDP, in his work *National Income and Its Composition, 1919–1938*, published 1941. He won the 1971 Nobel-prize "for his empirically founded interpretation of economic growth which has led to new and deepened insight into the economic and social structure and process of development". Kuznets defined economic growth this way:

A country's economic growth may be defined as a long-term rise in capacity to supply increasingly diverse economic goods to its population, this growing capacity based on advancing technology and the institutional and ideological adjustments that it demands. (Kuznets, 1971)

He thought that economic growth causes multiple problems, but also generate the tools to solve these problems. Noone has ever¹⁹ disputed, that total benefits are much higher than

¹⁹ At least according to Simon Kuznets, we must add that almost at the same time the *Limits to Growth* report was published by the Club of Rome, in 1972 (Meadows et al). Researchers have analysed the development of the world economy via the new science of system dynamics (Jay W. Forrester). The LTG (Limits to Growth) mathematical model could gauge the interaction of five variables in time. These were: world population, industrialization, pollution, food production and resource depletion. Authors have elaborated some agendas, and they came with the conclusion that

total disadvantages. Kuznets made frequent efforts to encourage developing countries to play the great game of economic growth, and follow the evidently winning development path of Western democracies. This must be done on a very solid and supportive ideological basis, which helps to progress technology, science and most of all economy. Kuznets perceived no limits to growth:

Unless some obstacles intervene, it [economic growth] provides a mechanism for self-sustaining technological advance, to which, given the wide expanse of the universe (relative to mankind on this planet), there are no obvious proximate limits. (Kuznets, 1971)

Illustration 11: Historic ages – most influential economists

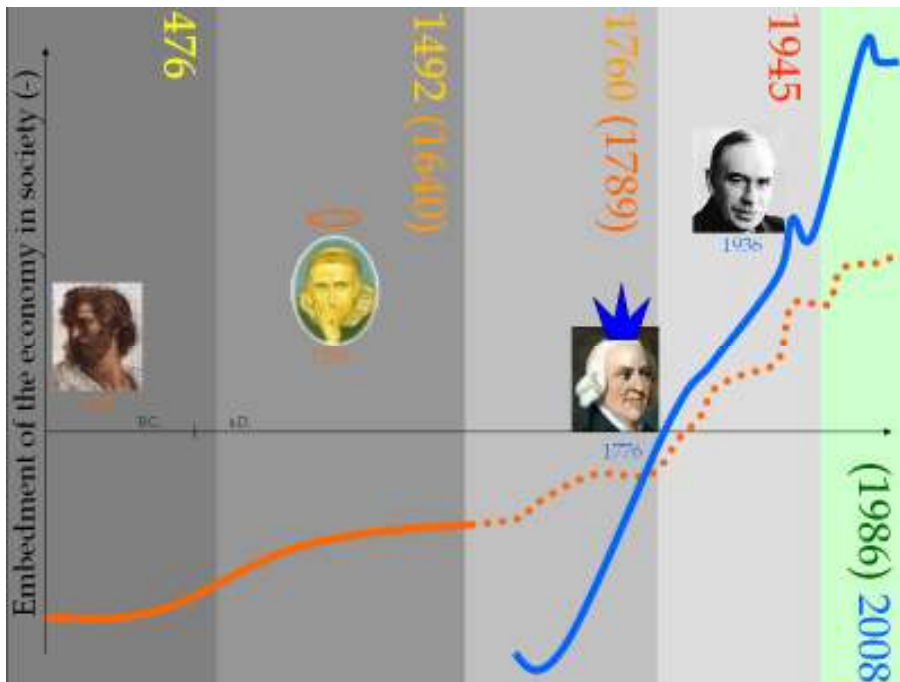


Illustration 11 is more simple, it shows the major economists of the last four historic ages. The formula is simple: utilitarian economists took over the spiritual power from moral economists²⁰, after a long-long dominance. They kept their promises made in the 'election period' – of course hand-in-hand with the technical and scientific innovators. Our world has experienced an unseen material progress in the last two centuries, and with this many

blessings, of which peace could be the most important. Utilitarian economics was worth of the trust and legitimacy put in it, deep moral and economic depression similar to the one John Law triggered has not occurred till 1929-1932.

Still, *Karl Marx* and his followers presented the ever greatest challenge to capitalism, which is indicated on Illustration 12 with the year 1848, when the Communist Manifesto was originally published. We do not deal with Marxism since the libraries of supportive and condemning literature, with the exception of one question: is Marxist political economics of utilitarian or moral nature? In my opinion the movement – despite of its theoretical idealism – does not possess the greatest virtue of capitalism: individual freedom. However, it also significantly differs from the more human-faced moral economics, because it overemphasizes the public good (as specified by a few individuals of totalitarian power). So it falls from the extremity of individualism to the other extreme, we can say to the sin of collectivism.

unless we radically change the direction of our development, what we now call industrial civilization will cease existence in the mid 21st century. They saw resource scarcity as a final cause for that. The book published by Donella H. Meadows, Dennis L. Meadows, Jørgen Randers, and William W. Behrens was soon translated into 30 languages, reached a volume of 30 million copies, and still is the most cited literature of sustainable development.

²⁰ Of course "economist" is in quotation marks, when we speak about scholars before the birth of the explicit discipline.

Illustration 12: Is Marxism moral or utilitarian economics? Third road, which we know to where leads or the other side of the horse



So Marxism is a third path, which had a chance to prove its viability (better say diebility), as communism had not less the 100 millions victims, according to modern research (Courtois 1997). On illustration 12 Marxism, socialism and communism is indicated of a graph of a third color, we do not name or deal with its dictators here.

There exists, however, another moral challenge of capitalism, which is a half-century later and non-violent. It is the

Social Teaching of the (Roman Catholic) Church²¹. It starts from the very same legitimacy calamity, the unjust and unsustainable exploitation of the workers, and its first document is the document *Rerum novarum* by pope Leo XIII in 1891. It might sound odd, but I consider CST as the most consistent and deepest economic school of thoughts. There²² one genius scholar makes his contribution, lays down a landmark and finds followers, but then the next school disputes the logic and the findings of the previous, this dialectics makes the progress of the dynamic economic science. Here every pope and synod knows that – in the formulation of Isaac Newton²³ – they stand on the “shoulders of giants”: they regard and appreciate the previous documents, repeat and think them further, trying to answer the most pressing contemporary questions.

The Catholic Social Teaching brought unusual subjects to the public debate already at the end of the 19th century, which in the meanwhile have become not only morally self-explanatory, but legally binding. Such instances are the minimum wage, the right to organize, and recreation time. The CST documents give the most complex and deepest analysis of private ownership, work and material growth serving human betterment (dignity) and ecology (in their terminology protection of the creation). There is a detailed literature on the 15 documents extending to 700 pages, which is available in many languages. Instead of further examination, let us site two paragraphs from the 1931 document, *Quadragesimo anno*:

Free competition has destroyed itself; economic dictatorship has supplanted the free market; unbridled ambition for power has likewise succeeded greed for gain; all economic life has become tragically hard, inexorable, and cruel. To these are to be added the grave evils that have resulted from an intermingling and shameful confusion of the

²¹ Hereafter we will use the official expression CST, standing for *Catholic Social Thought* or *Catholic Social Teaching*.

²² “There” means mainstream economics, especially the utilitarian branch. But the statement is also true for laic moral economic schools like ecological economics, even for the younger, less concise and coherent economic teaching of Islam.

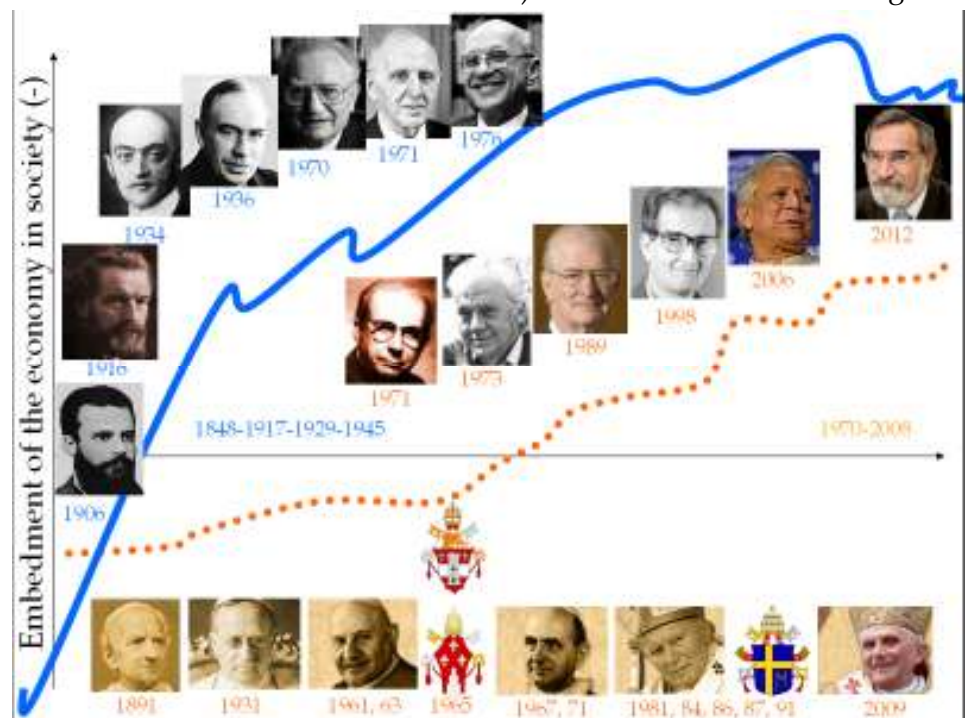
²³ „If I have seen further it is by standing on ye sholders of Giants.” Letter to Robert Hooke (February 5, 1675)

functions and duties of public authority with those of the economic sphere - such as, one of the worst, the virtual degradation of the majesty of the State, which although it ought to sit on high like a queen and supreme arbitress, free from all partiality and intent upon the one common good and justice, is become a slave, surrendered and delivered to the passions and greed of men. (QA 109) ... for dead matter comes forth from the factory ennobled, while men there are corrupted and degraded. (QA 135)

On the other side of the coin we have to tell that at least 40 per cent of CST is social, political, and of course religious-moral teaching, in other words it does not relate to economics directly. So CST cannot be understood as an economic school or consistent theory, in its contemporary form. But it can be developed to an economic school, of course not in itself, but in relation with the other mentioned schools of moral economics.

On Illustration 14 we see Catholic²⁴ Social Thought in the bottom, other harmonizing religious and lay moral economic schools in the middle. Examples are Buddhist economics (Ernst Friedrich Schumacher 1973), environmental and ecological economics (Nicholas Georgescu-Roegen 1971, Herman Daly 1989), or Nobel-laurate scientists from the Indian subcontinent (Amartya Sen 1998, Muhammad Yunus 2006) dealing with the economics of the poor and desolate, to name

Illustration 14: i) Utilitarian economists and their challengers ii) alternative schools of economics and iii) the Catholic Social Teaching



only a few. At the end of this part we can summarize the major differences between utilitarian and moral thinking with a table from the doctoral thesis of Laura Baritz.

Illustration 15: The difference between the relationships of utilitarian and moral economics

	<i>Utility centered paradigm</i>	<i>Virtue ethical paradigm</i>
Good	Subjective, utility, hedonistic	Objective, goal oriented, hierarchical, rational
Self	Possessing, individuum, I - IT	Being, fulfillment, person, I - YOU
Happiness	Hêdoné, static	Eudaimonia, dynamic
Virtue	Power, possession, exorbitance	Skill for doing good
Self-interest	Subjectivist: following apparent self-interest	Objectivist: following real self-interest

Source: Baritz Laura [2012]

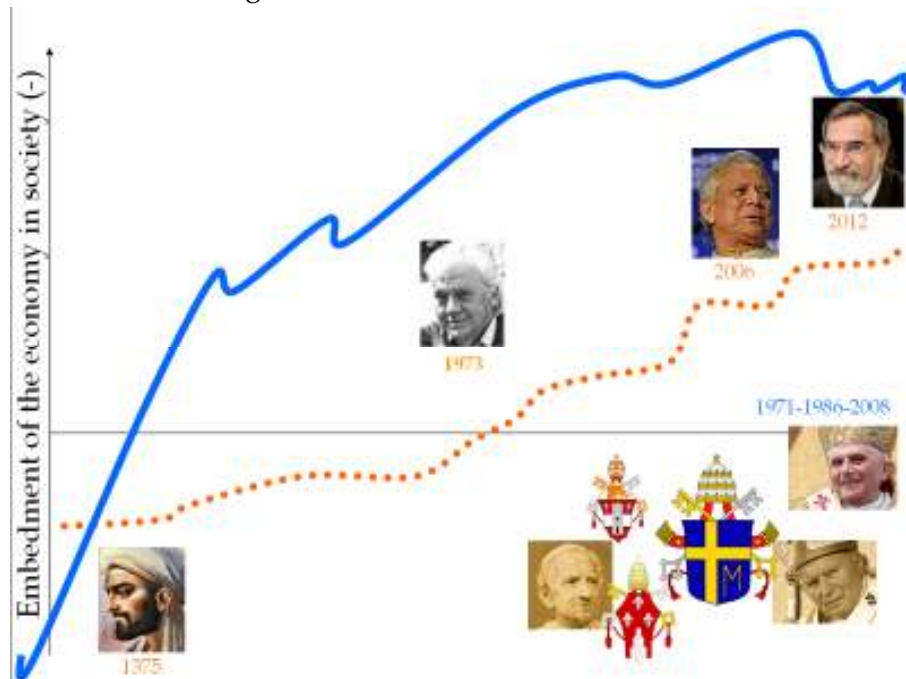
²⁴ Which we consider the most elaborated from the economic teachings of the Christian churches, and which is basically similar to the practice of other established Christian religions. See also Christian socialism.

3. The new paradigm: ecumenic, inter-religious or even more?

In the third part of the article we try to define the solid fundamentals of the paradigm shift, which is desired by many. The answer seems to be obvious; if the basic assumption is weak or false, let us support or change that! Indeed, we have seen many trials to change the image of *homo oeconomicus* (*homo oecologicus*, *homo sociologicus*, *homo reciprocans*, *homo humanus*). These normally try to substitute the egoist motive of man with some altruistic drive, e.g. social relationship and embeddedness, love or force of nature, etc. Although the idea is not bad, in my opinion it is a bit weak, at least for two reasons. First: speaking in a parallel, it is not possible to lay new foundations for a house via lifting the building, change the base and put the house back to its original position. Second: it is not the case that the self-interest motive is an absolute bad and altruism is absolute good. The point is that we reduced our operative image of man to one-dimensional, and built our whole modern development on this one-dimensional assumption.

The approach of moral economics is more complex, on this basis we are closer to a value system, which leads us further to real and sustainable development. To understand this, we have to admit what *János Selye* calls *altruistic self-interest* and what was the basis of moral ethics of Thomas Aquinas: *objective utility*. In the long term it is good to me what is good to the community, and the marginal happiness brought about by the accumulation of money and material goods is shrinking. But this element cannot be considered independently from its context having evolved for millennia, as there were the world religions, which drew this central conclusion, partly due to long and hard philosophical work, partly through the annunciation.

Illustration 16: Religious schools of moral economics



On Illustration 16 we see again the religious schools of economic thought, but a new element is also added. With this we refer to the lecture of *Jonathan Sachs*, chief rabbi of the British Commonwealth²⁵. The Jewish religious leader emphasized that market economy could only take root and prosper in medieval Europe defined by Christianity. Religion was its moral basis, and also set limits to the logic of the market. In his opinion despite of

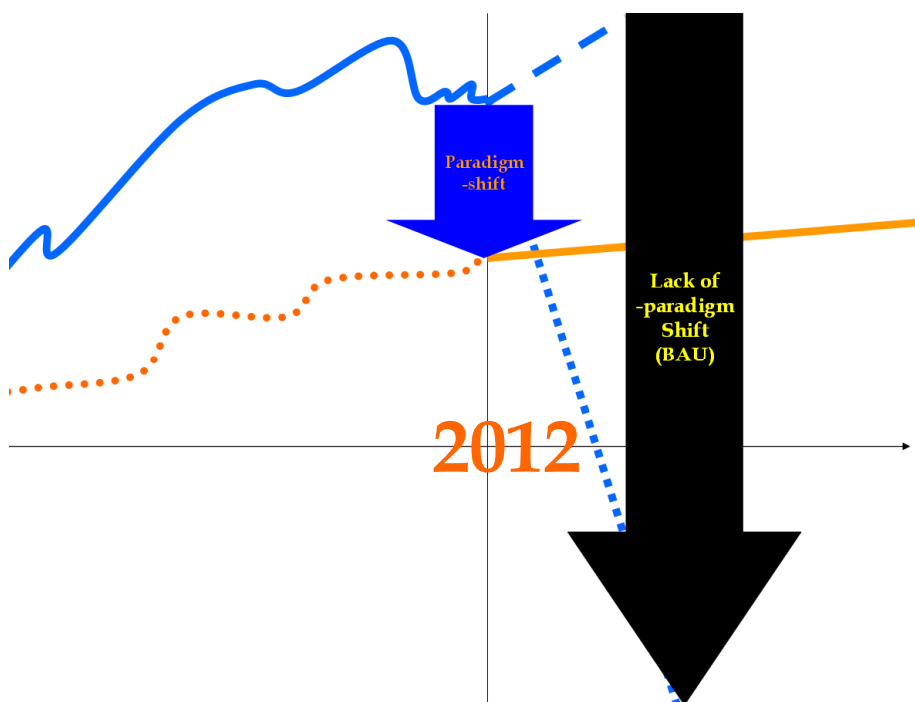
²⁵ Jonathan Sachs, Chief Rabbi of the United Hebrew Congregations of the Commonwealth. Article available at CatholicEducation.org: Chief Rabbi Lord Sacks. "Has Europe lost its soul?" address given at the Pontifical Gregorian University (Rome, December 12, 2012).

historical clashes, today the two camps are believer Jews and Christians on one side, and powers more and more aggressively secularizing societies on the other. He asserts:

Christianity has survived for two thousand years, and Judaism for twice as long as that. The Judeo-Christian heritage is the only system known to me capable of defeating the law of entropy that says all systems lose energy over time. Stabilising the Euro is one thing, healing the culture that surrounds it is another. A world in which material values are everything and spiritual values nothing is neither a stable state nor a good society. The time has come for us to recover the Judeo-Christian ethic of human dignity in the image of God. When Europe recovers its soul, it will recover its wealth-creating energies. But first it must remember: humanity was not created to serve markets. Markets were created to serve humankind.

I would go one step further and answer three yes to the question in the title of this part. In other words the new economic paradigm does not only need to create unity within Christianity (ecumenism), but could also set a moral-economic basis all monotheist religions could rest (interfaith dialogue). What is even more, all good-intended and responsible thinkers should work on this common ground (economics of sustainability). The powers of alternative science and religion might together be strong enough for the long-sought paradigm shift. But is it not only wishful thinking? Would it be really possible to set a common moral economic ground, despite of different background, without losing the essential diversity? I do think it is possible, at the level of economic teaching. The name of God, the imagination of heaven on Earth and beyond might differ,

Illustration 16: Changing paradigm is a big task – failing it even bigger!



but responsibility for the future, for nature, for the poor, self-restraint and other values build a very solid and elaborate common dominator. What is even more important to build a robust consensus is that without active and unified action, our most sacred human and religious values will erode soon, as well as the future of our children.

According to Illustration 16, which concentrates on the

current year, utilitarian economics tend to win, as it has constantly increased its edge since the late 18th century.

But if we look at the future, trends could easily turn to their reverse. More precisely three scenarios are probable:

1. Catastrophe scenario

All forecasts include this sinister scenario, which is characterized by Zsolt Hetesi, as “the future – which actually will not exist”. On Illustration 16 it is symbolized by a dotted blue curve – diving rapidly. Symptoms are global climate and resource crisis (Worldwatch Institute, Al Gore, IPPC), large scale migration or even invasion to secure land, wars for water and other very basic resources. The fundamental reason for the catastrophe scenario is overconsumption (in some opinions overpopulation), which causes dramatic decline of the “common pastures”²⁶, which in turn kicks back directly to humanity. In this possible future forcing economic growth further pushes over the balance of nature, developed world economy collapses in its current form, leading to serious humanitarian tragedies.

The large multinational corporations playing on global markets lose their basis of existence in a minute. Remote raw material and energy supplies become unreliable or stop completely, luxury consumption dramatically falls back, stock exchanges and banks close down. Spillover effects paralyse the well functioning system. If we are optimistic, we can envision this scenario not only as a sudden and overall cataclysm – where economy as such ceases to exist – but as wave of clashes, where conditions are normalized and a new, lower balance is reached. In this case those smaller companies will be winners, which are producing basic goods for the region they operate.

2. Continued globalization

The data discussed at the beginning of this article might mislead us into a wrong diagnosis, and although the common pasture is full, human invention might solve problems. In this flawless scenario technological development (efficiency and substitutability), and market mechanisms are able to keep up rising yields, we are able to continuously increase the supply of the common pasture. This option is depicted with a dashed blue line, foreseeing ongoing and rapid growth.

Despite the historic consensus, in the last decades fewer and fewer believe in this scenario – still, economies are functioning in this spirit. The European Union strives to be a knowledge based economy, the most competitive region in the world. China is willing to mass produce at incredibly low cost level, if they can come up to the club of the top economic players. USA’s resistance to climate change policies is well-known. Economic growth is still an untouchable sacred cow, restricting consumption or making efforts for even and just distribution are not even in question. We want to tackle climate change with pure technological and market mechanisms, fashionable topics are CO₂ sequestration, trading emission rights, hybrid cars, biomass utilization. Energy efficiency has become a buzzword. Few have a look at graph of total energy consumption, which alas seems not to know the *decoupling* theory and tends to grow steadily.

²⁶ Reference to the famous article by Garret Hardin in 1972, referring to the article of William Foster Lloyd from 1833, describing the dilemma of limited common pastures and unlimited increase in consumption of cows.

According to this scenario the electric circuit works this way as well, that is developed countries can reach the state of decoupling, where they can be richer and not to burden the environment any more, and this continuously increases the happiness of the members of the society, despite of the Easterlin-paradox.

3. Renaissance of localization

According to the third scenario the airplane will not collapse, but it is also unable to continue flying high. It lands in order on an island, so that passengers have time to think during they relax. Big companies clearly reach less profit than in the current status quo, as their markets shrink and become local. They might lose some benefits of the economies of scale, and even in case they can keep up their current size, local units have to give local solutions to local markets, and dramatically increase their autonomy. This means that in the production sphere less machines and more people work, corporations will think again more in terms of work and cooperation, and less in terms of profit and shareholders. A higher proportion of the big actors' profit will stay at the discretion of the local daughter companies. The energies extricated will be utilized by small companies and individual entrepreneurs. Those who were gradually more and more out of the global supply chain, will gain markets again. This scenario, which is depicted as an orange continuous line on Illustration 16, promises moderate and slow growth, but safe development.

Every normal person wants to avoid the catastrophe scenario, it is simply not worthwhile to believe in it, it is identical to resigning from our future. Excluding hope is detrimental, it does not match our belief of human freedom to act. At the practical level it paralyzes positive action and results in apathy. Less and less people believe in continued globalization, the warning signs are so obvious. Our current development avenue is bushed with ecological disasters and adverse global distress. Social crisis symptoms are less visible, but also even statistically obvious (less marriages, declining number of children, aging population). Finally, the system does not seem to have the capacities to solve the economic crisis. We can conclude that the localization scenario is the only realistic alternative, which might promise a less quickly modernizing and glossy future than continued globalization, but an alternative we can believe in and struggle for.

The most pressing question here is whether this ecumenic-economic paradigm shift is a realistic scenario, or merely wishful thinking. Can we realistically expect utilitarian economics losing domination and the renaissance of moral economics? It is sure that we have to count with the most extraordinary change of our material world and value system within decades. However, we do not know if the material collapse induces a new value system, or the values shift will be able to generate a modest non-material development. On Illustration 16 we show that a conscious paradigm shift is a big challenge, but it will result in smaller decline of our welfare and a possible rise in our well-being. A much larger decline is foreseen if we force the globalization scenario further and reach the point of the catastrophe. It is of vital importance, that we first decide which scenario we find feasible, and not to react to the situations afterwards. Listing the proliferation of initiatives of local economies and the escalation of localization would overburden this article, but there are more and more. On the other hand we could list instances showing that the way of thinking have not changed, even not since 2008. In this interdependent world of today we have to act not only smart and cunning, but also wise. In other words our individual

actions have to serve the common good, if we only follow our individual interest in a smart way, that might even lead us further to unsustainability. Once again: the common good is identical with the localization scenario, which is only possible through a value-shift, getting rid of economism.

In the closing part of the paper we try to find an answer to the question in the title, namely how to call the new theory²⁷. We can summarize what we know of the new scientific theory. It:

1. Should be in an economic theory.
2. Must not result in significant downturn, but should not make unrealistic promises.
3. Cannot be told in a religious language,
4. But must harmonize with major religions.
5. Must harmonize with natural law (in narrower terms with ecology, biology and ethology).
6. Must „pack a punch“, should be well-established, integrative, understandable.
7. Must be simple, just, effective, shortly: beautiful!

The economics promising sustainable development can be defined as this: **economics** is the proper management of resources, which can be extended by technology and market, but are ultimately limited, to serve persons and their communities. To accomplish that, we must take into consideration the material-spiritual needs of at least the seven coming generations, and to let living space and chance for other species, worthy of their nature.

It might be disappointing that we do not get further than coining a name and defining the new economic theory. But the name also outlines the direction: while the old (utilitarian) economics aims at saving and rationality, the new theory is based on the necessary minimum and the belief of wisdom beyond rationality.

The one dimensional economic theory (concentrating on material growth) can be exceeded in two steps. First we can learn principles and programs from nature, which are free from unsustainability. This we call bionomy. **Bionomy** is a new kind of *economic theory*, which is based on the thorough study of the laws of life, with the primary objective of serving life, especially human communities. Second we must overpass tangibility and positivism, to aim at the supernatural, setting a uniform goal to the economy. This we call economic theology. **Economic theology** is an *economic philosophy* from the school of moral economics, which considers material goods as a means to advance towards God, to human improvement, which embraces the economic teaching of world religions, alternative schools of economics and sustainable development science.

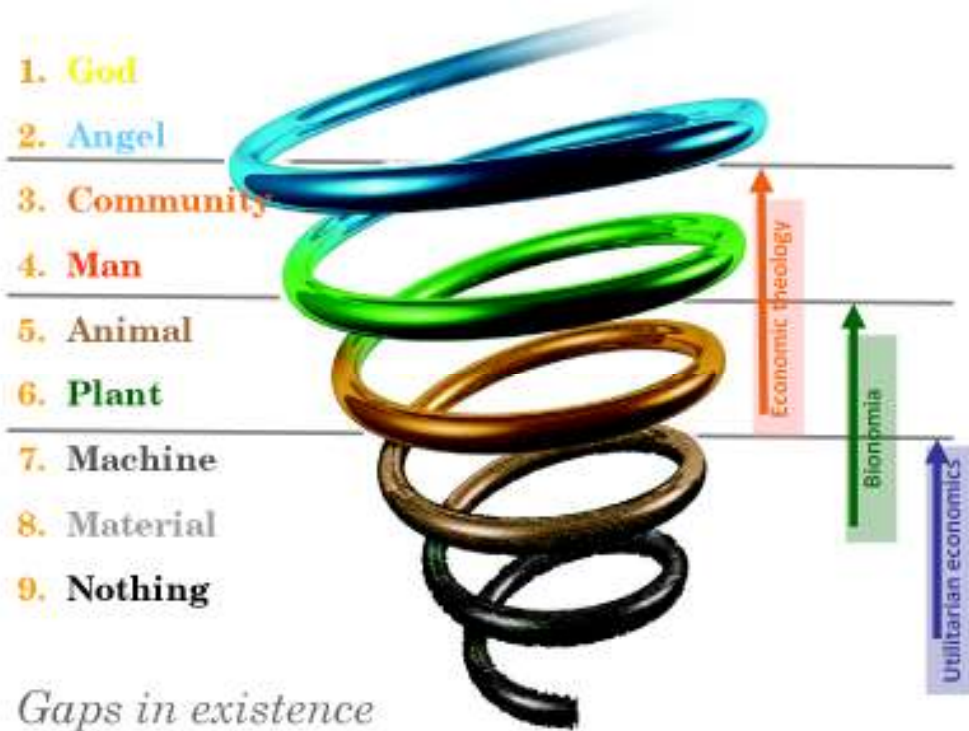
Many questions arise: why do we need two new theories instead of one, why do we need a theory building on God, in an age when religion is regarded a most private matter, while economic development is the most accepted public matter? I would like to answer these with the last illustration. Utilitarian economics built an economy at the image of a machine, which had been a proper approach, when the sole task of the economy was to increase its production. With bionomy we attempt to learn from the wisdom we find in nature, and we may expect excellent outcomes: to grow while necessary, and to stop when needless.

²⁷ I do not use the term paradigm here, although paradigm shift is the goal. I think, however, that we cannot make a paradigm shift with articles or movements. Nevertheless, it is possible to work out a scientific theory, which people hold true and can believe, and in the spirit of the new theory they change the paradigm themselves.

But to build solely on the “wisdom of nature” is problematic twofold. First it is hard to learn from someone or something, acting in an unconscious way. We cannot ask trees why

they grow less and less, and why they concentrate on bringing fruits after a while. Why don't they do it continuously, why do they obey the cycles good and bad times, seasonality. The wisdom of nature is blind, it cannot be researched beyond its mechanisms. It also assumes a creator, who

Illustration 17: Theoretical clarification of name and focus of the new paradigm



planted wisdom into the unconscious. The second reason is that with bionomy we would still imitate a pattern in our economic communities, which is inferior to us. Because in the hierarchy of the existent, plants and even more animals are superior to machines, which can be repaired and substituted, but are inferior to humans.

In a good community, in some mysterious manner man transcends himself towards God, and this is very true for institutions established by God, such as marriage or family. But it must also be true for working communities, which must finally target at the elevation of the human person, and producing goods or making profit is only instrumental to that. I would like to contribute to the conscious dissemination of sustainable economics with this less elaborate but hopefully thought-provoking article.

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