

A General Solution to Economic Problems

I refer to the unsolved ones, not to those that are pretty satisfactorily solved already. I focus on our two acronyms SF1 and SF2, where SF can be read as Staggering Fact or as Structural Fact. In the terminology of John Maynard Keynes SF1 generates a chronic shortfall of the inducement to invest. Once a society comes to depend on investment-for-the-sake-of-production-for-the-sake-of-sale-for- the- sake-of-profit to meet its needs, investment becomes its drug. It can never get enough of it. SF2 generates a chronic insufficiency of effective demand.

A low-level equilibrium of supply and demand has become our normal fate. Trading stops even though people who need to work for a living remain unemployed. The structurally humiliated go hungry. They feel unwanted. Unused capacity coexists with unmet needs. All this happens because production is for profit, and because what is needed does not always coincide with what can be sold for cost-covering prices with a margin left over to reward the entrepreneur and the investor.

The rich are ungovernable because everyone physically depends on their decisions to invest, and on their refraining from shutting production down by disinvesting. The threat of capital flight cowers even the bravest government. Anything whatever—including saving the biosphere—is sacrificed when it conflicts with the overriding-imperative to preserve the always-precarious inducement to invest. The poor are ungovernable too. These same dynamics normally generate widening inequality, thinning the ranks of the middle classes while swelling the ranks of the ungovernables.

The general solution is to meet needs because they are needs. It is to meet them in harmony with nature because in the really-not-so-long run, humanity must either learn to live on nature's terms or go extinct. Bypass profit when you need too, like a good pragmatist who sticks with an ideology only as long as it works, while not being too moralistic or too dogmatic to accept the benefits that the profit-motive does generate. Feed the hungry because the hungry are hungry.

At an organization level, the general solution means being mission-driven, where the mission articulates one or more ways the organization serves the common good. It means creating value to share it. It means leaders who practice inspiring leadership, delivering to the team members something that in their biologically hard-wired hearts they really want and need: a sense of purpose, a sense of serving a cause greater than themselves, producing goods because they are good and services because they serve.¹

At a personal level the general solution means vocation, calling, meaningful living, reviving old religious understandings and cultivating new psychological understandings. It means relational selves, being-with-others, community. But having said this we must also say – true to pragmatic principles of unbounded organization—that what motivation will get a given job done is not to be postulated in advance for all persons, cultures, times, places, and tasks. Motivation is discovered. It is created.

At a money level, the general solution means transfer payments. Anthropologists say redistribution; economists say transfer. Dignified livelihoods for the sisters and brothers who are redundant in the labour market can be funded, generically speaking, in two overlapping ways: from rents and from factor income. Rents by definition can be transferred without damaging production –although in practice, this often cashes out to mean trading off some diminution of production for the greater good accomplished by the transfer. Voluntary transfers from factor income do not damage production at all because they happen when production is over. For example, if I choose to donate part of my pay to charity instead of spending it on travel, the organization that paid me will not even know what choice I made.

Involuntary transfers taxing the middle classes to fund public goods have a bad reputation in the modern world. Why? Because nobody accepts responsibility for the social safety net but the government. And because the government has no source of income but taxes. The result: Taxes are onerous, while at the same time the public goods financed by taxes are underfunded. The general solution makes meeting human needs everybody's calling, not just the government's legal duty.

¹ Jim Collins and Jerry Porras, *Built to Last*. New York: Harper Business, 1994

It repeals the no-no forbidding the government having other sources of income. The transfer of rents means, among other things, the public capture of rents.²It means public banking, or if not public banking then in any event banks devoted in one way or another to green need-meeting (Several such banks were described in Chapter Five). The huge rents that accrue from the power to create money now exercised by private banks should flow where they are needed, and not flow where they are not needed.³

From an ethical point of view, the general solution revives traditional ideals like *ubuntu*, *dharma*, service, and *zakat*. These are kinship ideals, often expressed in terms like sister and brother. In the Christian vocabulary of Martin Luther King Jr., the planet earth is the World House where the human family dwells.⁴

The general solution changes the social structure. Structure establishes material positions. Mission-driven and vocation-driven action to meet needs, changes the meanings of the rules that constitute the structures. Along with their meanings it changes their powers. It gets material real fast. The homeless drunk gets a place to sleep. The denuded mountain is replanted with seedlings. Speaking generally, property can no longer mean *suum cuique* in the sense of *dominus* as it tends to mean in the civil law traditions derived from Roman Law. It has to mean trusteeship for the sake of social function, in tune with traditions that construe ownership as stewardship. Far from being a superficial change that leaves the social structure in place, meeting needs because they are needs is a sea-change in the cultural norms that constituted the social structure in the first place.

None of the points offered above as a general solution to economic problems depends for its validity (or for its desirability as a myth or construct) on the vocabulary I have used here. The same thoughts –and similar thoughts leading to similar actions—could be and have been articulated with different words.

² Leon Walras advocated the public ownership of land, believing that land rents would fund the government so well that taxes would be unnecessary. Renato Cirillo, The ‘Socialism’ of Leon Walras and his Economic Thinking, *The American Journal of Economics and Sociology*. Volume 39 (1980) pp.295-303.

³ Ellen Brown, *Web of Debt*. Baton Rouge: Third Millennium Press, 2007; and other works on public banking by the same author.

⁴ See the World House chapter in Martin Luther King Jr. *Where do we go from Here: Chaos or Community?* Boston: Beacon Press, 1967.