

The Root of the Matter

Some say the economy is about making a **living**. Some say it's about making a **killing**. Hasn't this always been the way? Well, not really ...



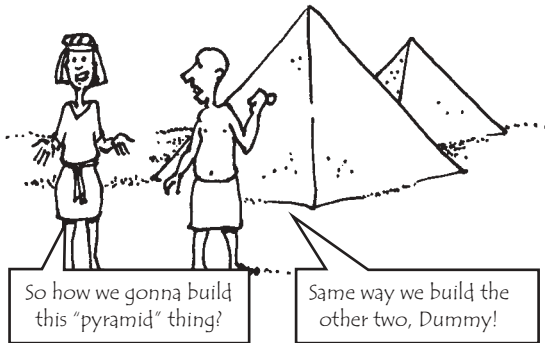
Until about 300 years ago, most of the world's people lived out their lives in small, closely-knit groups – clans, tribes, & villages. Loners were few. People survived & prospered by depending on other members of their group.

They depended on each other for all the basics: food, clothing, protection, tools, & shelter. Each person had a role to play in producing or distributing them, &, in return, got a share of them. Powerful relationships between members of the group shaped the way people met their basic needs. People's economic lives were truly **embedded** in their social lives.

Don't bogart that joint, lan – pass it along to Grandpa!

How much did people produce and distribute? In what variety? How fast? From how far away? That all depended on the powers that nature made locally available: muscle, wind, water, & fire. People made use of these powers but lived within the limits they set. Economic life & social life were **embedded** in the natural environment.

This way of doing things put a higher value on custom than on new ideas.



Of course, every age has **somebody** who wants to make a killing ...



Caesar Genghis Khan Blackbeard Louis XIV

In a nutshell – for thousands of years, people did not separate **economic** and **social life** and the **environment**. One was not more important than the others. All three were woven into one, like the strands of a rope.



Coming Apart

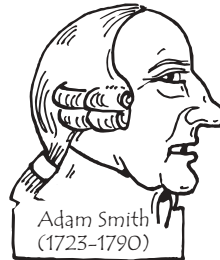
Today, it's a different story. Half the world's humans live in cities. Many of the people we know live far away. Many of the people around us are strangers. We have the means to meet every material need & countless comforts besides. Yet everyday life for hundreds of millions is desperate. The Earth itself is changing – sickening, perhaps.

Tons of inventions have brought this all about. Steam, oil, electricity, & nuclear fission have equipped us with the power to do (seemingly) anything. But just as important to this dramatic change have been some ideas ...



The Pursuit of Individual Self-Interest Creates Public Good

Each person should pursue their own self-interest and not worry about the interests of others. Producers should strive for the highest possible profit. Consumers should strive for the lowest possible price. Then the interests of everyone will be better met. Adam Smith pioneered this line of thought ...

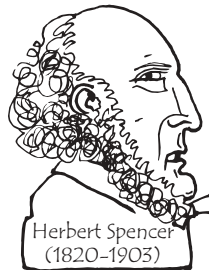


Adam Smith
(1723-1790)

By labouring for his own gain, a man promotes the public interest, as if led by an invisible hand. In fact, he promotes the public interest better than those who try to do so directly.

Competition is the Path to Survival

Just as in the world of animals & plants, people must compete with each other if things are ever to improve. The benefits brought about by the winners will outweigh the costs suffered by the losers. Herbert Spencer promoted this notion ...



Herbert Spencer
(1820-1903)

It stands to reason that the people who die off first are the least fit to survive. The people who live on are the fittest – the select of their generation.

The Corporation is a (very special) Person

People who own money, equipment, & land ("capital," in other words) can get together as a corporation. It has the legal right to pursue its self-interest like other "people," only with superhuman energy. Moreover, if the corporation fails or makes a mistake, its owners (the shareholders) aren't responsible for all its debts. John D Rockefeller showed just what a corporation could do ...



John D Rockefeller
(1839-1937)

How did I make Standard Oil so big? Why, I bought all the barrel suppliers – & refused to sell barrels to my competitors. Next I cut prices to a level they couldn't match. Then I bought 'em up!



Don't Limit Trade

Let trade flow freely across borders. The same goes for money. They will naturally go where they can be put to the best use, create the most wealth for a few and the best goods at the lowest price for everybody else. Anything that discourages the flow of trade & money, like taxes or regulations, is holding prosperity back. Milton Friedman worked this all out ...



Milton Friedman
(1912-)

Tariffs & other barriers to free trade merely protect companies that can't compete. Consumers end up with higher prices & workers get stuck in poor jobs.

These ideas have transformed the way we understand the economy, for good but also for ill. Here's how they play out in our everyday lives ...

Wal-Mania

The desire to get the lowest price for just about everything, regardless of the hidden costs. What hidden costs? Low wages & benefits for store employees. Suppliers near & far squeezed to cut prices & put their own survival at risk. Local shops driven out of business. It makes for a race to the bottom that only Big Box stores can survive.

Deregularity

The urge to get rid of rules & regulations that "interfere with supply & demand" in the global marketplace. As a result, people & the planet get little protection from careless businesses, & business has nothing to fear from angry citizens.

WormThink

An intense need to put your money wherever it will earn the highest return in the shortest time. The good or harm that an enterprise might do is of no consequence. If a plant has to close or people must work in bad conditions – that's somebody else's problem.

SuperSizeMe-itus

The temptation to take full credit for your current wealth & comfort, & want still more of both. After all, what you consume shows other people "who you are." You figure you have a right to as much of the world's resources as you can buy, & to every dollar you earn. "People who have less, deserve less."

Before, the economy was intertwined with social relationships & environment. Now the economy comes first. Before, the economy was the means people used to achieve an end. Now the economy has **become** the end. People & the natural environment serve it. Economy, social relationships, & environment are coming apart.



What next?

Must we go on like this? **Can** we go on like this? If so, what will be the consequences by the year 2050? If Smith & the gang were still around to keep Friedman company, they'd probably say ...

There'll be more prosperity!

Rich people demand & pay for more goods & services. That puts poor people to work, so they start to prosper too. "Whether the boats are big or small, a rising tide lifts them all!"

More innovation!

So long as government does not interfere, people can invent their way out of the problems we face. Where there is a demand & a reward for inventiveness, it will be supplied.

More leisure!

Just you wait. Soon machines will do all the drudgery, so people can devote themselves to exciting work. It pays better too, so people will work shorter hours.

More peace!

When people see they have a real chance to better themselves, they'll take it. They will spend their time looking for ways to make customers happy – not killing them.



Adam



Herb



Big John



Milton

... and speaking for the opposition ...

David Suzuki



David Korten



John Polanyi



Nelson Mandela

Corporations are turning soil, air, water – even genes – into private property. Ordinary people will soon depend on them for nearly everything.

It's not terrorists we have to fear – it's whole countries made desperate by dreadful wages & working conditions.

For every person in the world to consume as much as we do & make as much waste as we do, we would need four more Earths!

Who would have thought, after the last 50 years of tremendous growth in world trade, there would be such poverty, homelessness, & unemployment as the world now knows?

To learn more on this topic:
 F. Braudel. Civilization & Capitalism. Vol. 1: The Structures of Everyday Life. (1979)
 K. Polanyi. The Great Transformation. (1944, 2001)
 D.S. Landes. The Unbound Prometheus. (1969)
 N. Klein. No Logo. (2002)
 D. Korten. When Corporations Rule the World. (2001)

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What do you think? Will the ideas of the last 300 years see us through to a better world for everyone? Or must we learn to prosper a different way – by depending on & caring for one another & for the Earth itself? Can we weave our economy, social relationships, & environment back together?

Got questions? For more on *Insiders' Guides*, visit www.cedworks.com/IGs