

An Economy For The Common Good

Ross Welcome to Renegade Inc. Famously, the broadcaster and natural historian Sir David Attenborough said that someone who believes in infinite growth is either a madman or an economist. One of the big problems we face today is that in our hunt for growth, mainstream economics has been taken over by madmen. But not everyone has fallen for it.

Ross Christian Felber, welcome to Renegade Inc. Great to have you on the programme.

Christian Felber Thanks for inviting me.

Ross Christian, before we get to talk about something that you've given an awful lot of thinking time and work to, which is the economy for the common good, let's do some historical context. It doesn't take a rocket scientist to work out that we human beings have had a very negative effect on our habitat on the planet. And if you read Jonathan Aldred's work, Licence to be Bad, tagline How Economics Corrupted Us, he charts very clearly in it how neoliberalism, neoclassical economics, has ultimately incentivised us human beings - which are apparently rational - to do bad things, not just to the planet, but to one another. What's your view on that?

Christian Felber I guess probably the same because there is a broad consensus on the analysis that neoclassical economics, which is the predominant school of economic theory since the late 1870s of the 19th century until today, became really pressingly dominant only in the 1980s and 1990s, so 100 years later than when it appeared. But it is today absolutely dominant, and it is just focusing on the wrong things because it's focusing on financial indicators because they want it to become as pure scientists, as physicists, with their mathematical tools. And that's why they kicked out ethics and kicked out politics and they kicked out ecology or topics such as power concentration or gender relations. And that was in before Adam Smith, who is the godfather of macroeconomics. He was not an economist by formation. He was a moral philosopher and part of his moral philosophy teaching was political economy. So politics and economics was one. Ethics was included. Everything was included. And the neoclassical economists tried to focus on these financial indicators. And this is separating economic science from life, from democracy, from relationships, from everything. And that was just a wrong way to go. And now we are enjoying the inheritance of that great separation. And what we need is a great reunion of economic thinking with life, with democracy, with values, with relationships, with everything which makes life worthwhile. To quote, Robert Kennedy already realised the focus of GDP, which is just a tunnel which carries out everything that makes life worthwhile.

Video clip (Courtesy: Doughnut Economics, Kate Raworth) Who does economics tell us we are? To make humanity fit into their theories, last century's economists invented rational economic man. He stands alone with money in his hand, a calculator in his head, ego in his heart and nature at his feet. He hates work, loves luxury, has insatiable wants and knows the price of everything. But the trouble is this: On being told that he is like us, we actually become more like him. Researchers have discovered that the more that economic students study this Homo Economicus, the more self-interested they become. Rational economic man is damaging our societies and the living world. We can no longer afford to gaze at his image,

which is why it's time for a new portrait of humanity at the heart of economics, one which recognises that our brains are wired for empathy, cooperation and mutual aid, that instead of being fixed, will change as and when our values do. And far from being dominant over nature, we're deeply dependent upon her. With these new beginnings of a self portrait, how can economics start to nurture human nature and give us a far greater chance of thriving in the 21st century?

Ross Jonathan Aldred lectures in the Land Management Department at Cambridge University. He's seen firsthand the pernicious effect of neoclassical economics. In the early 1900s, Cambridge University divorced the moral sciences from economics. That seemingly innocuous act has had massive ramifications and those ramifications, consequences, are the thing that we are having to deal with now. Just talk about that division. Talk about the divorcing of the moral sciences from economics and what that has meant that we have to deal with now.

Christian Felber As you say, in the early 20th century, the first chair of economics was established in England and the United States, for instance. Before there was no such thing as pure economics. Before, as already said, there was political economy or economic thinking was part of a bigger branch like ethics or philosophy. Not only Adam Smith, also other classical economists were philosophers by their formation. And if today students of economics asks and what about values and if growth morally sound, then the answer is frequently you might go and study philosophy as if this was something separated. And the history of this great separation was that political economy included ethics and ethical questions by definition. And of course, ethical questions are normative questions, and you cannot give a precise answer. And there is not one truth. But scientists who want to find one undoubtable truth and want to measure a result mathematically precisely, they try to push out these ethical questions in a time where physics had become the leading science. Physics had become the leading science in the times of Newton and his contemporary fellows following theology and philosophy. And physics was the leading science because it was mathematically precise. And that's why some social sciences, such as economics they created an envy of being, or becoming, as mathematically precise as physicists. And that's why one branch - and its only one branch - of economics, they try to emulate their mathematical behaviour of physicists without being more precise, because what these mathematical models calculate is very imprecise. One example is that they could not foresee the financial crisis of 2008 because they had forgotten to include banks in their models. So a seemingly precise science is actually just the disguise of an ideology with mathematical tools and instruments which makes them seem as precise as a natural science. That's another point. The neoclassical economists considered their branch as a natural science although economics is 100 percent social science. And talking about ramification. Ramification comes from branch and a branch, a discipline of science, grows out of a bigger branch and grows out of a tree. And what is most important in science is always remembering what is the tree where a big branch and then a smaller branch is growing out? And only if the smaller branch of economics, economic science as a social science, is still connected with ethics, with democracy, with gender studies, with ecology, only then the results can be meaningful and wise. If the branch is forgetting about everything else around itself, it becomes super specialised, becomes sophisticatedly, precise, but not meaningful and useful any longer. And that was has happened, especially with economics, but not exclusively with economics. And we are talking about pure economics or neoclassical economics. This title, Pure Economics, only

appeared in the late 19th century. And before economics was part of something bigger. And this is today also the way to go. It should reintegrate into all of its contexts, going into connection with all the other branches, and only then it would be a meaningful science.

Ross Famously, the Queen over here in the UK asked Professor Luis Garicano at the London School of Economics why did nobody see this coming just after 2008? Was that a moment, a crystallised moment, which we could say, actually, that really showed us the hubristic nature of these economists who think they were above it all. They think they are above ecology? Was that a moment where faith was shaken? Greenspan also said that he was shocked. Was that a moment where faith was shaken so much in this neoclassical thinking that actually people went back to basics?

Christian Felber I would say it was a first earthquake, but it did not manage to bring the whole school into collapse because there are more earthquakes. Another earthquake is that Nicholas Stern and his co-authors said looking at the quarterly Journal of Economics - the most cited scientific journal of economics - if they had published an article on climate change and they did not find a single one, and that's what they published in 2019. And they apologised for their branch for their discipline. 'We made a huge contribution to the mess that we were in because we did not look to the left and to the right'. And this is one one of the big criticisms that it's ignoring the insights and the findings of neighbouring disciplines, not only sociology and political science and psychology, but also true natural sciences. For instance, neurobiology is just one small example, has found out that cooperation motivates humans more stronger than competition. It's a scientific finding, and it has just been ignored. And another one is that every economic value comes out of nature. So we have to include ecology into economics, and only ecological economics is a meaningful economics. How can we carve that out. If we carve it out and tunnel our focus of attention on the financial indicators, we will destroy to the foundations of life? And together with this, we will destroy ultimately, every economic value as well.

Video clip (Courtesy: Doughnut Economics, Kate Raworth) In the 20th century, economics lost its purpose and started chasing the false goal of GDP growth. In recent decades, that has pushed many societies into deepening inequality. And it's pushing us all towards ecological collapse. This century calls for a new goal, meeting the needs of all within the means of the planet. In other words, it's time to get into the doughnut - the sweet spot for humanity. But that's no easy task. Today, billions of people still fall short of their daily needs - from food, housing and energy to health care and education. And yet collectively, we've already overshoot our pressure on some of Earth's most critical life support systems, driving climate change and the breakdown of biodiversity. What we do to this Earth in the next 50 years will shape the next 10,000. So let's replace that last century goal of endless growth with the goal of thriving in-balance. And if we to have half a chance of getting there, what economic mindset would be fit for the task?

Christian Felber Very interestingly, I did not find even a definition of economy in economic textbooks. And it's more than interesting because the only definition that is offered is a definition of markets, but markets are not the whole economy. So before I investigate markets, I would like to know the definition of what is the economy. And if, for example, the economy is about satisfying human needs and maybe basic human needs, then it includes breastfeeding and it includes leisure time in nature and swimming in rivers and growing your

own fruits in your garden and collaborating with neighbours and feeding Social Security and feeding community, for instance. These are all basic needs, but they are not satisfied by our markets. So first of all, we start with a definition of economy. What is the definition of economy? The second step is, which are the goals of the economy? And then here comes already the common good economy into play and the common good product. Our proposal is that the goal of the economy should be defined democratically by the affected people, by the citizens. And if we ask them what is most relevant, most important, for a good life for everybody, for the highest possible life quality and well-being for the common good, then everywhere on the planet, people answer, well, it's of course health. It's happiness, It's flourishing relationships. It's stable nature and ecosystems. It's political participation and fundamental rights. It's peace and it's just distribution and social cohesion. And that would be the goal of the economy. Why would we measure the success of our economy with financial indicators or financial aggregates such as the GDP, which has no reliable relationship to any of these true values, which we've just as examples enumerated? But they are what life is about.

Ross Christian Felber, welcome back to Renegade Inc. In that first half, what we did was we gave a bit of historical context. You put a lot of flesh on the bone to talk about neoliberalism and why we have gone down the wrong path and gone so hard down the wrong path, ultimately giving financial indicators to try and give insights into the economy when we haven't actually asked what the economy is there to do, nor have we defined the goals. People listening to this will be in full agreement with the way you've defined the economy, the economic goals and then trying to manifest an economy which is for the common good and the numerics that depict that, the measures, the metrics. When you talk about the economy for the common good as a model, what you talk about is human dignity, solidarity, social justice, environmental sustainability, transparency, code determination. None of those things I ever ever hear. Whenever we talk in the political class in the media, corporate mainstream media, or from think tanks, these are not words that are even near their lexicon. How do you begin to start turning people's cognitive map to start including these so you can push towards the goal that you want, which is an economy that serves people and planet?

Christian Felber Alerting them to the contradiction that the values that are propagated in economics textbooks are not only completely different from the values that are enshrined in our democratic constitutions. Because in our democratic constitutions, the most frequently enshrined values are the ones you just enumerated - dignity, solidarity, justice, sustainability and democracy. These are the most frequent fundamental democratic values in nowadays constitutions. And if you compare these fundamental democratic values with the values that are propagated in economic education - this has been investigated and its utility maximisation - it's competition orientation, it's pursuit of financial goals, first and foremost, materialism and unlimited growth. So there is nothing in common between these value systems in our democratic constitution and economics textbooks interestingly enough. And now comes a series of very tricky problems. First problem is neoclassical economists, as regarding themselves as natural scientists. They would not admit that these are their values that they propagate because they think that their values are superior to the constitutional values. They would answer we don't have values. We are value free. We are objective, positivistic natural scientists. So it's simply not true that economics is a normative science the way we teach it. So it's an illusion. It's a self-illusion and it's actually a manipulation which is happening in economic education. That's one problem. The second problem is in some constitutions, like

the German one, it says very clearly, already in Article 5. So it's extremely high up in the Constitution, it says, that the freedom of science that does not free you from loyalty to the Constitution.

Ross Just explain that.

Christian Felber Science is free and I'm a scientist. I'm for the freedom of science, of course. But what I cannot do at the university, I cannot teach how to kill perfectly people because this is against the constitutional value of human dignity and against fundamental rights. Their my scientific freedom is restricted and it's good and it's reasonable that it's restricted. But what would do we do about the fact that there are constitutional values, on the hand, from human dignity to sustainability, and then the value system that is propagated by economic education is not only complementary but opposed because endless growth is opposed to sustainability. And competition orientation is opposed to solidarity. And utility maximisation is opposed to human dignity. So what are we actually going to do about that? And my historical answer to that is to not allow economists who teach these value systems call themselves economists because it was already Aristotle who differentiated White *Economia*, the original term which gives the name, from its opposite thematically. In his times that meant the art of making money and enriching oneself with material values. And he said, that's the opposite, because in an economy, the common good is the goal and money is just a means. And if this flips upside down, if making money becomes the goal, this is not economy anymore. This is thematically or today we call it capital-ism. And actually, we should force all economists that put their attention and their teaching on financial indicators, first and foremost, we should force them to name themselves capitalists, non-economists, because it's the opposite of economics what they are teaching. And this is the minimum standard of protecting our our constitutions and the values that are enshrined in these constitutions. And the second step, and maybe just a little part, and maybe the more important, is to develop an understanding and a concept of economy which is aligned with our constitutions. And this is the short answer for the economy for the common good. Economy for the common good is nothing new. There are constitutions that say literally the whole economic activity in its entirety serves the common good. This is, for instance, a literal saying of the Bavarian Constitution and what our proposal is to align the activities of the economy as a whole with the common good product of companies on the meso level and of finance on the micro level with these fundamental democratic values and asking every company, what are you doing to promote human dignity, solidarity, justice, sustainability, democracy? And every single investment that would be the common good balance sheet for a company and every single investment before checking the financial viability of that investment and making the financial risk assessment of that investment, we would do the ethical risk assessment. We would ask what is the impact of that investment on the environment, on biodiversity, on social cohesion, on human dignity, on democracy? And only if none of these fundamental values is damaged - we call it externalities in neoclassical economics - only if none of these fundamental values is damaged and only if none of our common goods is expropriated, only then we do the financial risk assessment as well on a secondary stage. And if both exams are passed, the investment can be realised and it can be financed. Because then we have assured that it's a truly economic development and not a crime, artistic or capitalistic development, and nothing of our holy values will be damaged with this type of practising the economy.

Ross Seems to me that what you're doing within your work is making the distinction - and you're commenting on it beautifully now - you're making the distinction between natural law and a legal process that we human beings have dreamt up. And what you're saying is when an investment needs to take place in the economy for the common good, we look hard at natural laws and are guided by those natural laws not dissimilar to the constitution in a lot of places. When we start looking at the man-made laws, well, back to Mr Jonathan Aldred, we are incentivised to be bad. We are licenced to be bad. Is that a fair depiction?

Christian Felber Yes, it is, because scientific evidence is just contrary. But maybe allow me to do one short remark on natural laws and man-made laws because the ancient Greeks, they distinguished one from the other. And the natural laws of science, they were expressed with logos. And the science, iquos and logos exists. It is a natural science, but it has nothing to do with economics, its ecology, and it tries to understand the natural laws, things to which nature works and functions. That's a natural science, whereas economy, iquos momos, these are the manmade laws because it's not a natural science. It has nothing to do with natural phenomena. Markets, enterprises, property, money - these are not natural phenomenon. It's not about the natural sciences, it's a social science. And that's why the laws, thanks to which we order the house - the iquos - or we manage the house - are moral rules. Keynes said: 'Economics is essentially a moral science.' And why is it the moral science? Because we want to achieve a specific goal. We want to achieve the goal of the well-being of all household members, of all members of the national economies. So it's essentially a moral science. Keynes knew it and Adam Smith said it, and Aristotle said it. It's just neoclassical economists deny it and seem to have forgotten it, but they haven't forgotten it because they have to know it. They're just repressing it. And it's a manipulation. You cannot say it's forgetting. It's a manipulation. It's an ideology disguised in a natural science.

Ross When we talk about the environment and climate breakdown, a lot of people just think it's too big and it's somewhere over there in the future and it doesn't affect them. When you start talking about drastically reducing inequality and people's personal sovereignty so they can really, truly express themselves, people come alive a lot quicker because they want that freedom. They want to have the collaborative relationships. They want to have the good society. They want to express themselves, have meaning, have purpose. As we wind up, with the economy for the common good, what are you saying to voters, to the public, to people watching this, what are you saying to them to get them involved in pushing for this economy and getting rid of this unnatural, consumption-driven, frankly lunacy that we have at the moment?

Christian Felber Well, very simply, you will have a better life. You will have a better life having relationships, which you can rely upon. You can trust everybody. You will have the feeling of security in the economy, in society. You will be able to enjoy nature. You don't have to buy long term journeys because at the river next to your house will be drinkable and you can swim in this river. You will have always some seasonable fruits from your own garden or from your neighbour's garden or from your community gardening, which probably makes you even happy. And most of all, you will have less stress, less anxiety and less fear. And all of this increases life quality. And this will be the offer of an economy which is not focused on the optimisation or maximisation of financial indicators - GDP, profit and return of investment - but where all activities focus on the increase and the improvement of the common good.

Ross Christian Felber, you seem to me a man who's on the right side of history. Thank you so much for your time.

Christian Felber Thank you once again for inviting me.