

Transformative Economics Reader

**An introduction to
the economic system of Prout**

A book of readings compiled by
Michael Towsey and Jake Karlyle
for students of Prout College
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Introduction

This reader has been compiled for students studying the *Transformative Economics* unit at Prout College. However it is also a useful set of readings for anyone wanting an introduction to the economic writings of Prabhat Ranjan Sarkar.

Prout is an acronym for the *Progressive Utilisation Theory*, which encompasses the social philosophy of Sarkar. The economic writings introduced in this reader are therefore only a part of Prout. Other subjects that come under the umbrella of Prout include collective psychology, social dynamics, a theory of leadership, governance and a program for globalisation that proceeds from bottom up rather than top-down. Other units taught at Prout College cover these and other areas of Prout.

Prout has received commendation from many of today's most progressive thinkers, including Noam Chomsky, the internationally acclaimed American linguist and social commentator, Marcus Arruda, the Brazilian economist and educator, and Johan Galtung, the Norwegian founder of the Transcend Peace University.

The *Transformative Economics* unit covers ten topics:

- 1: Philosophical foundations
- 2: The nature of a community
- 3: The local economy
- 4: The global economy
- 5: Production, resource utilisation and accounting
- 6: The cooperative economy
- 7: Income distribution
- 8: Money and banking
- 9: Economic progress
- 10: Psycho-economics

All topics are compulsory and have equal value. It is expected that reading and assignments will require at least 50 hours, or 5 hours per subject. One topic is studied each week.

This reader is divided into two parts: 1) an introduction, that includes a reading list, and 2) an overview of each subject. The subject overviews are divided into four parts:

Key Concepts: your reading should focus on these ideas

Commentary: the commentaries set each key concept in a context or narrative

Required Reading: each commentary is accompanied by a list of relevant readings

Further Reading: further readings are included to supplement the required reading

Reading List

Required Reading:

(NOTE: The required reading texts by P. R. Sarkar are compilations. In most cases Sarkar presented the concepts of Prout and its philosophical foundations not as written texts but as discourses. He first introduced Prout in 1959 and continued developing the ideas until his death in 1990. Typically he spoke in Bengali, Hindi or English. The recorded talks were transcribed and translated into other languages. Some of his talks have been translated several times and the student is urged to obtain the most recent translations. To research Sarkar's writings, it is recommended that students use the Electronic Edition of the Works of P. R. Sarkar. Sarkar's writings and books by Prout writers can be purchased at Prout Publications, www.proutpublications.com.)

Sarkar, Prabhat Ranjan. *Proutist Economics – Discourses on Economic Liberation*. AM Publications. 1992

Sarkar, Prabhat Ranjan. *The Liberation of Intellect – Neohumanism*. AM Publications. 1982

Sarkar, Prabhat Ranjan. *Prout in a Nutshell, Parts 1 – 21*. AM Publications. 1982

Towsey, Michael. *Taxation in a Proutist Economy*. PIA. 2005b

Towsey, Michael. (2005c) *A new economics, for people, for communities, for life*.
<http://pia.org.au/towsey/hobart2005.htm>

Towsey, Michael. *Two Views of the Future of Agriculture*. PIA. 2007

Towsey, Michael. *The Three Tier Economy of Prout*. PIA. 2008

Towsey, Michael. *The Biopsychology of Cooperation*. PIA. 2008

Further Reading:

(NOTE: The further readings are not exhaustive; they are intended to be a guide.)

Batra, Ravi. *The Great Depression of 1990*. Venus Books 1985

Batra, Ravi. *Common Sense Macroeconomics*. Liberty Press 2003

Beckman, Robert. *The Downwave*. Pan Books 1983

Capra, Fritjof. *The Hidden Connections*. Flamingo 2003

Davies, Geoff. *Economia*. ABC Books, Australia. 2003

Friends of the Earth, Website
http://www.foe.co.uk/campaigns/sustainable_development/progress/

Grayson, Brittany. *The Man Who Predicted the Bridge Collapse*. Discover Magazine, 08.02.2007 <http://discovermagazine.com/2007/aug/man-who-predicted-the-bridge-collapse>

Hartzog, Alanna. *Green Tax Shift*. Earth Rights Institute (2007)

Holling, C.S. and Gunderson, L.H. *Resilience and Adaptive Cycles*. Ch 2 in *Panarchy – Understanding transformations in human and natural systems*. (eds) Lance H. Gunderson and C.S. Holling. Island Press 2002a

Holling, C.S., Gunderson, L.H. and Peterson, G.D. *Sustainability and Panarchies*. Ch 3 in *Panarchy – Understanding transformations in human and natural systems*. (eds) Lance H. Gunderson and C.S. Holling. Island Press 2002b

Hazeldine, Tim. *Taking New Zealand Seriously - the economics of decency*. Auckland: Harper Collins Publishers, 1998

Hawken, Paul, Lovins, A. and Lovins, L.H. *Natural Capitalism* Earthscan Publications Ltd. 1999

Henderson et al. (2000) *Calvert-Henderson Quality of Life Indicators: A new tool for assessing national trends*. Editors: Hazel Henderson, Jon Lickerman, and Patrice Flynn. See also <<http://www.flynnresearch.com/calvert.htm>>

Holmgren, David. *Permaculture: Principles and Pathways Beyond Sustainability*, pub. Holmgren Design Services, 2002.

Klein, Naomi. *No Logo*, Picador. (first edition 2000), ISBN 0-312-20343-8 (hardcover), ISBN 0-312-27192-1 (paperback)

Krtashivananda, Acarya. *Developmental Planning: A Proutist Perspective*. Proutist Universal 1995.

Krtashivananda, Acarya. *The Concept of Economic Democracy*. Proutist Universal, 2000.

Lietaer, Bernard. *The Future of Money*. Century – Random House 2001

Maheshvarananda, Dada. *After Capitalism*. Proutist Universal Publications, 2003

- Miles, David and Scott, A. *Macroeconomics – understanding the wealth of nations*. John Wiley and Sons 2002
- Pearce, John. *Social Enterprise in Anytown*. Calouste Gulbenkian Foundation. 2003
- Polanyi, Karl. *The Great Transformation*, Originally published 1944; 2 edition Beacon Press, 2001.
- Prugh, Thomas. *Green Economics: Turning Mainstream Thinking on Its Head*, Worldwatch Institute, February, 2008. <http://www.worldwatch.org/node/5623>
- Putnam, Robert D., *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon & Schuster, 2000
- Renner, Michael. Worldwatch Perspective: Peacekeeping, a Study in Contradictions, Worldwatch Institute, February 20, 2008. <http://www.worldwatch.org/node/5624>
- Sarkar, Prabhat Ranjan. *Prama*. AM Publications. 1987
- Stiglitz, Joseph. *Globalisation and Its Discontents*. Penguin Books 2002
- Stodder, James, “Corporate Barter and Macroeconomic Stabilisation”, *International Journal of Community Currency Research*, Vol.2 (2), 1998. <http://www.uea.ac.uk/env/ijccr/contents.html#2>
- Stodder, James, 2000, “Reciprocal Exchange Networks: Implications for Macroeconomic Stability”, <http://www.rh.edu/~stodder/RecX.htm>
- Stretton, Hugh. *Economics – A New Introduction*. Pluto Press: London, 1999
- Towsey, Michael. *Economics for Self-reliant Communities*. PIA 2005a
- Towsey, Michael. (2006) *Climate Change: Food and Economics*. <http://pia.org.au/towsey/hobart2006.htm>
- Tudge, Colin (2005) *The Secret Life of Trees*, Penguin Books, ISBN-13: 978-0-141-01293-3.
- Wilbur, Ken. *Eye to Eye – The quest for the new paradigm*. Doubleday; 1st edition, May 1984.
- Wilbur, Ken. *A Theory of Everything – An integral vision for business, politics, science and spirituality*. Shambhala. Boston. 2001
- Wong, (2002) http://www.meaning.ca/articles/print/lessons_from_enron.htm

Competencies

The competencies which a student is expected to acquire are as follows:

1. Theoretical: Acquisition of body of knowledge on and around the subject of Proutist economics.
2. Analytical: Capacity to interpret, analyse and reason about the economic, social and political ideas published in wide range of media – from academic to popular.
3. Applied practical: Ability to participate in discussion groups, whether face-to-face or on-line. The ability to write a well structured report concerning an issue of socio-economic interest.
4. Personal: Listening skills, writing skills, life skills

Subject Overviews

1: Overview – Philosophical Foundations

a: Key Concepts

- Neohumanism – a synthesis of three great traditions.
- The integration of economy, community and ecosystem.
- Economic democracy – as distinct from political democracy.
- Human needs and their corresponding economic resources are many; for example, spiritual, social, intellectual, emotional and physical.
- The four dimensions of economics
 - people's economy
 - psycho-economy
 - general economy
 - commercial economy.

b: Commentary

** Neohumanism – a synthesis of three great traditions*

The philosophical foundations of Prout lie in three great traditions of human wisdom. The first and oldest of these traditions, more than 7,000 years old, is the spiritual tradition of the Indian sub-continent. The spiritual tradition tells us that human beings, animals and plants, indeed all the entities in our universe, are interconnected through one universal consciousness. The second great tradition is the humanist tradition of Europe, which can be traced to the ancient Greeks nearly 3,000 years ago. The central idea of humanism is that 'humans are the measure of all things' – that is, human welfare and dignity take precedence over the dictates of the state or religious authority. The third and most recent tradition is the environmental movement that arose in the 20th century. Despite its recent emergence, environmental consciousness has spread rapidly to all parts of the world. It has given us many powerful ideas, such as the idea that a sustainable economy and a sustainable community depend upon living in harmony with the web of life. The environmental movement has also sharpened our focus on the sustainable economic practices of pre-modern indigenous communities.

Sarkar has fused these three strands of wisdom – the spiritual, the humanist and the environmental – into a philosophy called Neohumanism [Sarkar 1982]. Neohumanism draws upon the accumulated wisdom of thousands of years of human history from all parts of the world. It has profound implications for the organisation of an economy.

** The integration of economy, community and ecosystem*

Before looking at the detail of Proutist economics, it is helpful to understand three of the powerful ideas that shape the Proutist economic model. The first idea is that an economy and the community and ecosystem in which it is embedded are one integral entity (see Polyani [1944] for an early exposition of this idea). The three do not exist in isolation from one another. One serious criticism of existing economic theory is that it attempts to abstract the notion of an *economic system* away from both people and the environment. The end result is an economic system that does not serve people and pollutes of the environment. A Proutist

economy, on the other hand, strives for sustainability and resilience in all three domains, social, economic and environmental.

Consider the importance of water in moulding landscape, in determining agriculture and therefore in shaping the local economy and culture. Water is critical for sustainable development, yet cities continue to sprawl as if water supply is just another economic commodity that will respond automatically to economic demand. From a Proutist perspective, water shortages and quality crises can only be solved by integrating economic principles with environmental and social principles.

** Economic democracy*

The second powerful idea which shapes Prout is the concept of *economic democracy*. We can define economic democracy by co-opting a well known definition – an economic democracy is an economy of the people, by the people, for the people. Western countries, such as USA and Australia, take great pride in their democracies – but forget that a political democracy is no guarantee of an economic democracy. Rural towns all over the world are dying because banks, airlines and telephone companies can make more profit in big cities. Cities, on the other hand, are growing out of control. Local communities have little or no control over their economic destiny – rather decisions made thousands of kilometres away, even on another continent, can determine the life or death of a small town. Sarkar’s proposals to achieve economic democracy include economic decentralisation, empowering local communities, decentralised planning and giving first importance to the cooperative sector. “Economic democracy is essential not only for the economic liberation of human beings but also for the universal well-being of all – including plants and animals.” (Sarkar, June 1986)

** Human needs and corresponding economic resources are many*

The third powerful idea which shapes Prout is that, in addition to their physical needs, human beings also have emotional, intellectual, social and spiritual needs. Traditional economics is primarily concerned with the management of material resources to meet people’s physical needs. However Proutist economics also recognises the importance of managing mental and spiritual resources. The recognition of spiritual needs gives rise to a system of values by which we can judge the outcome of market forces. Today, we are more aware that market forces do not take many hidden or external costs into account – they allow, for example, wetlands to degenerate into wastelands because the environmental service performed by a wetland is not factored into the free market mechanism. New accounting methods are required to monitor the effects of economic activity on the environment, on community health and on human mental and spiritual welfare [Henderson 2000]. Triple bottom line accounting and alternative economic indicators are first steps in this direction. [Friends of the Earth Website]

** The four dimensions of economics*

Traditionally, economics is divided into *microeconomics* and *macroeconomics*. The former is concerned with the behaviour of economic individuals, whether they are persons or businesses. The assumption is that economic individuals attempt to maximise their satisfaction, thereby ensuring optimum resource allocation and distribution of wealth. Macroeconomics is concerned with the global properties of numerous interacting economic agents. This split between macro- and micro-economics has its parallel in the physical sciences where macroscopic laws of thermodynamics summarise or average the behaviour of innumerable individual molecules. In *Economia*, Davies [2003] argues that the contemporary classification of economics is motivated by the availability of an intellectually pleasing and mathematically tractable model that has been taken from the inert world described by

physicists. But it has little to do with warm blooded people living in communities integrated within the web of life.

Sarkar divides economics into four sub-disciplines: people's economy, psycho-economy, general economy and commercial economy. This classification keeps in mind the human beings whom economics is to serve. It is humanistic and utilitarian. Contemporary economics is predominantly *commercial* because it exists primarily to serve business interests.

c: Required Reading

Sarkar, *The Liberation of Intellect – Neohumanism*

Sarkar (1992) “Quadri-Dimensional Economy” and “Economy Democracy”

d: Further Reading

Davies (2003)

Henderson (2000)

Polyani (1944)

2: Overview – The Nature of a Community

a: Key Concepts

- Interaction of bioregion, cultural region and economic region
- The hierarchy of community from local to global
- The socio-economic unit in the Proutist model
- Communities and economies as living systems:
 - The properties of living systems as they apply to an economy
 - The distinction between stable and unstable equilibria
- Communities as networks – social capital, trust, connectedness, service psychology.

b: Commentary

** Definitions of community*

The word *community* has Latin roots meaning a group of people who 'give among themselves'. Japanese culture expresses this idea through the practice of exchanging gifts [Lietaer 2001]. Sarkar uses the Sanskrit term *samaj* for a community. The original meaning of the word *samaj* is 'a group of people moving together like a family'. This extends the notion of a community to a group of people who have shared traditions from the past and a shared vision of the future. [Sarkar 1992] Notice how this definition implies much more than an economic community. Economic exchange in markets, each person vying to maximise their profit, does not make a community. In fact actions motivated purely for profit are often seen as selfish and can be destructive of community.

The reader should be aware that the word *samaj* is used in at least four different but sometimes overlapping senses in the literature of Prout: 1) in the sense of a community as just defined; 2) in the sense of a social movement such as an environmental samaj; 3) in the sense of a socio-economic unit; (This concept is introduced below.) 4) in the sense of a legally constituted society.

** Interaction of bioregion, cultural region and economic region*

Nature and landscape also play a role in shaping a samaj. For example, as we noted before, water moulds the landscape, it determines agriculture and therefore culture and economy. So the deep meaning of a samaj is the natural community that emerges out of the complex interactions between bioregion, culture and economy over a long period of time. A samaj or natural community is a living organism. It has its own identity, cohesion and dynamism.

Ecologists over the past thirty years have come to understand that there is no longer a pristine natural world, independent of human beings. Rather the biological world and the human world of culture and institutions are one integral entity. Ecological scientists have furthermore started to recognize that the dynamics of biological systems, human communities and socio-economic institutions all have much in common [Holling 2002a]. In particular they all have a life cycle which might be summed up as growth, maturity, collapse and reorganisation returning to the next cycle of growth.

** The hierarchy of community from local to global*

Just as there is a hierarchy of bioregions, so Prout also identifies a hierarchy of communities from local, to provincial, to regional, to continental, to global. Environmental factors have greatest importance in shaping communities at the local level, while historical and cultural factors become increasingly important at larger scales. The Proutist concept of a hierarchy of communities should be understood in the same sense that environmental scientists use the term *panarchy* [Holling 2002b] and integral philosophers (such as Ken Wilbur [1984]) use the term *holons*.

** The socio-economic unit in the Proutist model*

Of particular importance in Prout is the concept of a *socio-economic unit*. It may be defined as the smallest natural community which can efficiently provide itself with the essential requirements of life and in addition maintain a balance of trade. See Sarkar's essay "*Socio-economic Groupifications*" [1992] for a formal description of the concept. Given today's level of technological development, many nation states correspond to socio-economic units, for example countries like Australia, Ireland and Thailand. However some nations, such as Singapore, Luxemburg and Vanuatu are obviously too small to be socio-economic units. Singapore is not even self-sufficient in water – it depends on Malaysia, a country with which it has not always had friendly relations.

Other nations, such as India and the USA, encompass several socio-economic units. Indeed Sarkar identified 44 socio-economic units in the Indian sub-continent with an average population of around 20 million each, about the same as Australia (20 million people) and Venezuela (25 million people). The African continent offers examples of nations whose boundaries were drawn by colonial masters with no regard for the local natural communities. This has had severe economic consequences for Africa and offers an illustrative example of what can go wrong when political and economic boundaries do not correspond to natural communities. In Sarkar's vision of the future, the nation state is superseded by the development of socio-economic units.

** Communities and economies as living systems*

In the Proutist model, a socio-economic unit is best understood as a living system. Every living organism such as a cell or animal, is surrounded by a membrane or skin which separates its inside from the outside environment. All organisms attempt to maintain internal

constant conditions or homeostasis, despite a fluctuating environment. For example, the human body attempts to maintain a constant temperature and blood glucose level. Therefore it is important that the cell membrane regulates what substances pass through it, both inwards and outwards.

In the same way, a socio-economic unit has a boundary identified by its borders and custom posts. And its economy has borders identified by currency and trading regulations. Like a living cell, an effective socio-economic unit must regulate what crosses its borders. Furthermore, a Proutist community at any level would strive for economic homeostasis, that is, a stable supply of essential goods and services at constant prices despite fluctuations in the global economy. From this analogy, it should be apparent that Prout is opposed to the economic deregulation policies pursued so vigorously by rich countries over the past 20 years. Economic deregulation disempowers communities because it allows unrestricted movement of capital in search of profit with no regard for place or community.

** Communities as networks – connectedness, trust, social capital, service psychology, etc.*

From the panarchy or holonic viewpoint, a socio-economic unit is a community composed of many smaller communities all interlinked as a network [Capra 2003]. These smaller communities are themselves composed of smaller communities and so on down to the level of individuals. The health of a community and its economy is determined by the number and kind of connections between the parts. For example, the interconnectedness between individuals and communities determines levels of trust which in turn determines the fluidity of exchange in markets. Concepts such as service psychology and social capital are extremely important in understanding the Proutist economy.

c: Required Reading

Sarkar (1992) “Dynamic Equilibrium and Equipose” and “Socio-economic Groupifications”
Towsey (2005c)

d: Further Reading

Capra (2003)
Hazledine (1998)
Holling (2002a) Chapter 2, pp. 25-62
Holling (2002b) Chapter 3, pp. 63-102
Lietaer (2001)
Putnam (2000)
Wilbur (1984)

3: Overview – The Local Economy

a: Key Concepts

- The advantages of economic decentralisation
- Block-level planning – the increased role of local government
- Five principles of economic decentralisation

b: Commentary

** The advantages of economic decentralisation*

Most countries have two or three levels of government. The top level has all the economic power while the bottom level is responsible for local infrastructure such as roads, water and waste. In the Proutist model, local governments would have much greater economic responsibility. For example, they would be responsible for full employment and care of aged persons within their jurisdiction. They would ensure that everyone gets an education suited to local needs. The argument is that local communities can solve local economic problems more easily because they are closer to the source of the problem and by definition the problems are on a smaller scale. By contrast, big business and big government have macroeconomic concerns that are inappropriate to the detail of job creation.

Economic decentralisation has another advantage – it helps to decentralise population growth which in turn lessens the impact of humans on the landscape. Population concentration concentrates pollutants and overwhelms nature's local recovery mechanisms. The ecological footprint of an Australian city dweller is estimated to be fourteen times that of a country dweller. In short, decentralisation of population contributes to a sustainable society and is good for the environment.

** Block-level planning*

In order for a socio-economic unit to become self-sufficient in the essential requirements of life, decentralised economic planning is essential. In the Proutist model, a socio-economic unit would be divided into smaller blocks (based either on bio-regions or catchments [Towsey 2007]) each with a population of around 100,000 people. These so called *economic blocks* would be the lowest but most important level of economic planning. An economic block is too small to be self-sufficient in all the essentials of life but it would take practical steps to become self-sufficient where possible. Every block would endeavour to build up its local economic potential and wealth using local resources. The current trend in capitalist economies is for cities to become bigger and richer at the expense of rural communities. A decentralised economy would build wealth everywhere not just in cities, but this requires local people to have some control over what resources enter and leave their communities. Supermarket chains are a contentious issue in some towns (for example the anti-Woolworths campaign in Maleny, Queensland). Critics argue that large super-markets sell imported goods at under their true cost and thereby put local growers and stores out of business. In the alternative vision, food production and distribution is best achieved through networks of locally owned cooperative businesses. [Towsey 2005]

** Five principles of economic decentralisation*

- 1: Local people must have control over local resources
- 2: Production is best guided by local consumption need and not by profit motive
- 3: Production and distribution is best organised through cooperative enterprises
- 4: Local people must have priority for employment in local industry
- 5: Do not import what can be produced locally.

In the Proutist model, a local economy is controlled by the local people. How do we identify a local person? Sarkar defines a local person as someone who has merged their personal socio-economic interest with that of their local community. This would be determined by living in the area, speaking the local language, and investing their savings locally. However, Sarkar is sometimes ambiguous about the local scale. Sometimes he is referring to the *block level* and sometimes to the *socio-economic unit*. The reader must determine the context.

Of course, a local region cannot be self-sufficient in everything. Therefore it would delegate responsibility upwards (to higher levels of government), for large scale requirements such as air transport and satellite communications. But the delegation is upwards as opposed to downwards. Economic decentralisation does not mean a return to a restricted feudal-like existence. Rather economic decentralisation is what will make the dream of globalisation finally possible.

c: Required Reading

Sarkar (1992) “Decentralised Economy – 1”, “ – 2” and “Block-Level Planning”

d: Further Reading

Towsey (2005, 2006, 2007)
Holmgren (2002)

4: Overview – The Global Economy

a: Key Concepts

- Good and bad consequences of globalisation
- Principle of political centralisation and economic decentralisation
- International trade and the global concentration of wealth
- What to trade and how to trade?

b: Commentary

** Good and bad consequences of globalisation*

Globalisation is the most controversial social and economic issue in the world today. The debate is complex because there is much about globalisation that we like, but much that we do not like. We like the global access to information, the ease of travel and the enrichment of culture that it offers. But the accompanying economic turmoil, the increasing power of multinational companies accountable to no one and the destruction of local culture and community are causing great concern. Can we have the good aspects of globalisation without the bad?

** Principle of political centralisation and economic decentralisation*

Part of the solution to this dilemma lies in a concept that is unique to Prout – the separation of economic power from political power. In democratic systems of government, we are used to the concept of separation of powers, that is, separation of legislative, executive and judicial powers. Prout extends the concept to a *separation of political power from economic power*. The separation is achieved by promoting centralisation of political power and decentralisation of economic power. It is clear that many of today’s problems can only be solved by an effective system of global government. For example, green house gas emissions, human rights abuses, and protection of whales, forests and endangered species. These problems require political process at the global level.

On the other hand, many problems arise because local people do not have control over their own livelihoods. People lose their jobs, even their towns, because of decisions made in distant places. For these problems, economic decentralisation is essential. Of course, politics and economics can never be separated completely – any more than the judiciary can be completely separated from the legislature and executive. But from a Proutist perspective, the advance of globalisation can only become successful when economic power is constitutionally placed in the hands of local people. Then globalisation can be driven primarily by legitimate cultural and political demands.

Questions to ponder: Does the nation state have a future? What might replace it?

** International trade and the global concentration of wealth*

The colonial empires of the 19th century were explicitly designed to transfer wealth from the far flung colonies to centres of power in Europe. With the demise of colonialism following World War Two, new international trading agreements were negotiated but the long-term effect has continued to be the net transfer of wealth from poorer, less powerful countries to more powerful countries. While economists like to point to many reasons for chronic poverty, the terms of trade forced on weaker countries ensure that they continue to bleed wealth. [Towsey 2005a]

The USA is in the extraordinary position of being able to import vastly more than it exports, simply because its currency is used for international trade. As an example, in January 2004, Japan purchased \$80 billion of US government bonds. The end result of this arrangement allowed the USA to import 80 billion dollars of electronics and cars from Japan in exchange for pieces of paper. Such a situation is not sustainable if the USA loses its status as the world's leading economic and military power. Indeed its position already looks threatened.

** What to trade and how to trade?*

Free trade agreements, such as NAFTA and the one signed in 2004 between Australia and the USA, promote unregulated foreign investment which allows the bleeding of wealth from the already economically weak region to the stronger region from which the investment came. The prolonged bleeding of wealth from any region is extremely detrimental to its economic health.

Even much of the trade that is supposedly advantageous to already wealthy countries appears to be driven by reasons which have nothing to do with relative advantage of climate and natural resources. Here is what two economists have to say about international trade in the world today:

1: "More than one third of world trade is between subsidiaries of the same multinational corporation. The purpose is to take advantage of cheap labour, favourable tax treatments, etc., not because of a favourable climate or other natural advantages of nature." Hazel Henderson

2: "We import so much because we export so much. It is better to produce for ourselves. All the foreign dollars earned by tourism are required to pay for imports to replace local goods that are no longer produced here because the people who could produce them have been sucked into tourism." Tim Hazeldine, Professor of economics at Auckland University, New Zealand

International trade will obviously continue to be a factor that drives globalisation for centuries to come. Even though socio-economic units in a Proutist system would strive to become self-sufficient in their minimum requirements of life, international trade would nevertheless flourish in surplus and non-essential goods. Each socio-economic unit would have to take precautions to preserve its economic independence and to prevent the bleeding of wealth. Here are three of several measures that Sarkar regards as important:

- Training capable, ethical leaders who have the dedication and ability to build up the local economy with the support of local entrepreneurs and the local community.
- Cultivating a vibrant community spirit that promotes the buying of locally made goods and prevents outside persons having undue influence in local economic decisions.
- Building a banking system that is entirely in the hands of cooperative banks and credit unions under the umbrella of a publicly owned central bank. Cooperatively run banks ensure that financial capital remains circulating within the local community. They are the best means of building up wealth in the local economy.

c: Required Reading

Sarkar (1992) “Trade and Barter in Ancient Bengal”; and passages on the benefits of free trade for Singapore, on trade and barter and on political centralisation and economic decentralisation

d: Further Reading

Lietaer (2001)
Stiglitz (2002)
Towsey (2005a)

5: Overview – Production, Resource Utilisation and Accounting

a: Key Concepts

- The three tiers of enterprise
- Maximum utilisation, efficiency and recycling
- Accounting for all the different kinds of resources
- Alternative economic indicators for national accounts
- The formal and informal economies

b: Commentary

** The three tiers of enterprise*

Prout divides the industrial system into three sectors: 1) Privately-owned small businesses. 2) Medium- to large-scale businesses managed as cooperatives. 3) Large-scale industries concerned with key functions of the economy, publicly owned, governed by statute and having a corporate management structure. [Towsey 2008]

Cooperatives exist to serve a need for the local community. This is a fundamental difference from businesses operating in a capitalist environment, where profit is the primary business motivation. Of course cooperatives must work efficiently to provide their members with a satisfactory living. Cooperatives are owned by their members, another significant departure

from the private enterprise model. Typically wages are set using a system of minimum and maximum wage scales.

Examples of small-scale industries are businesses employing only a few people, such as a family business or cottage industry. Often they are concerned with luxury goods and services, such as jewellery shops, restaurants, small IT businesses, hair dressers, and so on. It is quite clear from everything that Sarkar has written that the cooperative method of owning and managing production is the norm. One departs from the cooperative method only when there is good reason. For example, some enterprises are too small for effective cooperative management. On the other hand, some enterprises (for example a power utility or airline) can only be efficiently managed at the scale of a socio-economic unit. Typically they employ several hundred people and are key/strategic components of an economy. In the Proutist model, such enterprises are statutory bodies with legislation that authorises their activity. Key industries in the Proutist model are run on a no-profit, no-loss basis. They exist to serve the community.

** Maximum utilisation, efficiency and recycling*

Efficiency is an extremely important criterion by which we measure the success of many human endeavours. Efficiency is a ratio – outputs divided by inputs or benefits divided by costs. Efficient businesses yield larger profits – hence the usefulness of profit as one means (but not the only means) to promote economic efficiency.

Prout is also concerned to promote economic efficiency. Sarkar has introduced the concept of *maximum utilisation* as a fundamental principle of Prout. It is a broader concept than efficiency because it also embraces the recycling of resources and waste minimisation. Recycling is yet another way in which an economy resembles a living system.

Capitalism is praised for its efficiency in allocating resources to build wealth. But many, particularly ‘green economists’, would claim it is an inefficient system. For all the wealth that capitalism creates, its unequal distribution relegates many to lives of poverty. And poverty must be considered the world’s greatest waste of economic and human potential. Free market capitalism is only concerned with financial costs and neglects the external costs of businesses that are profitable but otherwise destructive. For example, it ignores the costs of environmental pollution, the clear-felling of forests and the adverse effects of junk food. In other words, it discounts the future and thinks only for short-term profit [Prugh 2008].

Question: What are some different means by which a community can encourage maximum utilisation of its resources?

** Accounting for all the different kinds of resources*

Measures of efficiency depend upon what one considers to be costs and benefits. Thus measures of efficiency are highly political and intensely contested. Of course this would remain the case in a Proutist economy, but Prout at least has a commitment to incorporating a broad range of factors in the balance sheet, for example, intellectual, social, emotional and spiritual resources (see Prout’s five fundamental principles itemised below). Is it possible to develop an economy that can account for and manage such a diverse range of resources in an efficient way, thinking for the future as well as the present? Yes! In fact several exciting initiatives have already been adopted by businesses and local governments around the world.

Traditional accounting systems record only financial value. For example, it is estimated that US corporate profits in 2000 amounted to \$500 billion. However it is also estimated that external costs came to \$2,500 billion [End Game Website]. External costs include diseases associated with air pollution, cancers induced by work place conditions, and so on. These external costs were not recognised by corporations in their balance sheets but had to be paid by taxpayers and higher health insurance fees. *Triple bottom line accounting* attempts to make these hidden costs explicit in the balance sheet. It attempts to integrate all the benefits and costs of business activity to its workers, the local community, the nation and the environment.

It is also worth mentioning the recent surge of interest in a *fourth bottom line* concerned with the ethical and spiritual dimension of economic activity – the inner balance sheet as opposed to the outer. The ethical and spiritual bottom line has come under the spot-light following the bankruptcies of high flying companies such as Enron and Worldcom. Observers talk about the moral bankruptcy prevalent in these companies leading to their financial bankruptcy [Wong 2002].

** Alternative economic indicators for national accounts*

Another exciting accounting initiative is the comprehensive set of economic indicators developed by the Calvert-Henderson group [Henderson 2000]. They complement Gross Domestic Product and other traditional monetary indicators and include: literacy rates, school dropout rates, infant mortality, nutritional indices, cholesterol levels, average calorie intake, water quality, sanitation standards, access to telecommunications, access to affordable housing, tests for various types of intelligence, the status of women and minorities, pollution levels, and natural resource depletion. Finally, indicators of collective spiritual awareness and progress will be required if we are to manage the use of spiritual resources.

The first chapter of *Economia* [Davies 2003] offers an excellent critique of GDP as an indicator of economic health. According to traditional GDP and GNP indicators, the US economy has been growing vigorously since World War Two. But more comprehensive indicators reveal that the real economy has been in decline since the mid 1970s. A Proutist economy would embrace a greatly expanded vision of wealth and resources and would likewise adopt a much expanded system of accounting and management. There is much research to be done in this field.

** The formal and informal economies*

In a country like Brazil, less than 25% of working age persons is employed formally in the private or public sectors [Henderson 2000]. The remainder make themselves a simple living invisible to the collectors of statistics and taxes. It is therefore useful to make a distinction between the formal and informal economy. The informal economy is usually defined as that productive activity which is not planned or measured and therefore is not incorporated within the national accounts. In particular, the informal economy escapes taxation. The informal sector typically includes undeclared small businesses, black market activities, criminal activity and informal household production. (You might like to find the figures for the black market and criminal economies in your country, state or community!) The informal sector of the economy can be extremely significant in undeveloped economies. While there must always be ongoing endeavour to eliminate black market and criminal activities, informal household production is tremendously important for the health of an economy – more on this later.

c: Required Reading

Sarkar (1992) passages on the kinds of resources and on maximum utilisation
Towsey, Michael (2008) *The Three Tier Economy of Prout*

d: Further Reading

Davies (2003)

Endgame Website <<http://www.endgame.org/endgame.html>>

Friends of the Earth, Website

http://www.foe.co.uk/campaigns/sustainable_development/progress/

Gade, Steen (Director General of the Danish EPA), "Green Taxes – in the service of the Environment", pub. "MiljøDanmark" no. 6/2000. Updated 16/07/01 at

<http://www.mst.dk/news/07070000.htm>

Henderson (2000) See also the website <<http://www.flynnresearch.com/calvert.htm>>

Stretton (1999) Read sections on the household economy

Wong, (2002) http://www.meaning.ca/articles/print/lessons_from_enron.htm

ZERI – Zero emission research institute – concept and principles

6: Overview – The Cooperative Economy

a: Key Concepts

- The cooperative economy as an alternative to capitalism and communism
- The advantages of coops
- The requirements for healthy cooperatives enterprises
- Three parts of the cooperative sector
- Importance of the household economy.

b: Commentary

** The cooperative economy as an alternative to capitalism and communism*

People searching for an alternative to capitalism and communism, talk about a third way as though an alternative has never existed. A former prime minister of Britain, Margaret Thatcher, once declared that a nation could only choose between capitalism and communism. "TINA", she said. "There Is No Alternative!"

In fact, alternatives have been with us all along but neither capitalism nor communism want to see them flourish. In Europe, a widely appreciated alternative is known as the social economy [Pearce, 2003]. In Prout, the social economy is referred to as the cooperative economy. Cooperatives are central to Prout's economic system.

An economy can be divided into three sectors – the private sector, the public sector and the cooperative sector. In capitalist economies, the private sector dominates and the other two are restricted to various degrees. In communist economies, almost the entire economy is subsumed within the public sector. In a Proutist economy, all three sectors have an important role but the cooperative sector is given particular significance. Why? Because it is the cooperative sector or social sector that is most able to meet the essential needs of ordinary people.

** Some advantages of coops*

1. The cooperative sector is where people truly have a say in their economic destiny. It is the foundation of economic democracy.
2. Cooperatives bring about community prosperity and a sense of unity in a local area.
3. Cooperatives foster the spirit of community and service while capitalism fosters selfish individualism.
4. Through cooperatives, the wealth of the community goes back into the community, not outside to company directors and shareholders.

** The requirements for healthy cooperative enterprises*

Successful cooperatives depend on several factors including:

- excellent management
- ethical leadership
- genuine need in the community for the business provided
- some protection from cut-throat competition of a predatory or capitalist nature

** Three parts of the cooperative sector*

Cooperative enterprises are not the only component of the cooperative sector. In fact the cooperative sector has three major sub-sectors: 1) cooperative businesses that produce goods and provide services; 2) a broad group of cooperatively managed non-government and welfare organisations, charities, clubs and societies (in Australia this is called the *not-for-profit* sector), and 3) the informal household economy.

An important part of the cooperative sector includes non-government organisations such as church groups, the RSPCA, AMURT, Amnesty International, the World Wildlife Fund and Greenpeace. Such groups exist for the welfare of forgotten people and care of the environment. They survive from donations and small business activities. They are becoming increasingly important in the modern world and have a significant presence in the United Nations. Such organisations do not exist for production or profit but they are economically important because they represent self-help, where governments and big business have failed. At the local level, they attend directly to problems of unemployment, disaster relief, injustice and pollution where these arise. Given their essential contribution to the productive economy and to providing people with the essentials of life, these kinds of organisations will continue to have a prominent role in a Proutist economy. It is estimated that the *not-for-profit* sector in Australia contributes 4.7% of the GDP.

One measure of the health of a community is people's participation in collective activities and their membership of clubs and societies. Sociologists, such as Robert Putnam [2000], have expressed concern about the decline in club memberships since the 1970s. Note the parallel decline of participation in social organisations with the decline of Calvert-Henderson real economic indicators since the mid-seventies.

** Importance of the household economy*

The third component of the cooperative sector is the almost invisible but tremendously important household economy. Best estimates by economists such as Hugh Stretton suggest that informal household production accounts for as much as a third of productive economic activity in Australia [Stretton, 1999] and yet it is ignored by the formal national accounts. Such activities include care of aged parents, construction of household furniture and the myriad acts of kindness that people do for one another in daily life. It would be futile to attempt to absorb the informal household economy into the formal economy (although tax collectors would dearly like to do so!) but economic planners should never forget that a

healthy formal economy ultimately depends on the smooth running of the informal household economy. Hence the importance of public parks and other public amenities that add to the ease of family life.

c: Required Reading

Sarkar (1992) “Cooperatives” and “Cooperative Production”
Sarkar, passages on cooperatives and on the three tiered economy
Towsey, Michael (2005) *The Three Tier Economy of Prout*

d: Further Reading

Pearce (2003)
Putnam (2000)
Stretton (1999)

7: Overview – Income Distribution

a: Key Concepts

- Concentration of wealth leads to social and economic instability
- The primary distribution of income versus redistribution.
- Guaranteed minimum requirements of life
- People’s economy
- Rewarding merit
- Taxation as social income

b: Commentary

** Concentration of wealth leads to social and economic instability*

The capitalist system has a natural tendency to concentrate wealth in the hands of fewer people. An unregulated economic environment allows the financially savvy and unscrupulous to capture as much wealth as they can without regard for the social and environmental consequences. Even the USA, the wealthiest country in world, has 13% of its population living at or below the poverty line. Wealth concentration generates both social and economic instability. Quite apart from the objective undesirability of social and economic instability, issues of distributive justice also arise.

** The primary distribution of income versus redistribution.*

In 19th and 20th century Europe, it gradually came to be accepted that governments had a duty to redistribute wealth to ameliorate the ill effects of wealth concentration. Today the governments of western democracies typically take around 40% of GDP in taxation. About half of this is used to provide necessary social services in the form of law, security, public health, etc., while the other half represents redistributed income. While much of the redistributed income does go to the poor as pensions and welfare benefits, a growing portion can now be described as *corporate welfare*. In Australia in 2004, for example, \$11 billion of government financial assistance went to industries affected by deregulation and free trade (eg, sugar and dairy industries) and as incentives to multinational companies to retain their activities in Australia (eg, car manufacturing and airlines).

A Prout economy would strive to minimise income redistribution by ensuring that the primary distribution of income satisfied contemporary standards of distributive justice. The major structural features of a Prout economy, namely *decentralised planning*, taxation shifted from income to resources and *cooperative organisation*, are essential to achieve primary distributive justice. In addition Prout advocates setting a maximum income at some fixed ratio to a guaranteed minimum income. The actual ratio would depend on the surplus available and on a community's sense of social and economic justice. For a developed western economy, economist Ravi Batra has suggested an income ratio of 10:1 as a first proposal.

To give you some idea of the meaning of this figure, for Norway in 2002, the combined income of the top 10% of earners was 5.3 times that of the bottom 10%. This figure is a different statistic to the maximum-minimum ratio proposed by Prout but it does demonstrate that a country can be wealthy and have an equitable distribution of income.

** Guaranteed minimum requirements of life*

As described in previous sections, Prout promotes the maximum utilisation and rational distribution of resources. Maximum utilisation means using the full range of human and non-human resources and using each resource in an appropriate way. Maximum utilisation also includes recycling to achieve zero waste. Rational distribution requires at least that the minimum requirements are guaranteed. Of course these will vary from community to community and on a person's age and state of health. But they always include food, clothing, housing, education and medical care. And to obtain access to these, everyone also requires energy, transport and communications. The method of distribution will vary, but typically personal preferences for food, clothing and housing are best satisfied through a market mechanism while medical care and education are often better allocated through some public sector mechanism.

** People's economy*

Sarkar laid particular stress on what he called *people's economy*. Although of special relevance to the third world, the principles of people's economy also apply to developed economies. People's economy has four major concerns, each of which is essential to achieve a just primary distribution of income:

1: To ensure the guaranteed supply of the minimum essentials of life to all. Investment in the production of essential goods takes priority over all other economic objectives.

2: To eliminate poverty by growing small businesses, both private and cooperative. Many studies show that small businesses are the best way to create jobs. The strategy of people's economy is to develop an economy from the grass roots up. It does not give tax concessions to multi-national companies to open large factories on which the local community becomes dependent.

3: People's economy is about people taking collective responsibility for their own livelihood. This is best achieved through the cooperative style of production. Recent experience in Argentina and other countries has demonstrated that workers using cooperative management can revive failing privately owned businesses.

4: People's economy promotes block-level planning and researches effective ways to achieve economic decentralisation. In its most developed state, people's economy is about community and environmental design. The best engineers, architects, sociologists and agriculturalists plan

for the livelihood of everyone in their bioregion. They use the best science and technology to achieve a sustainable, resilient economy.

** Rewarding merit*

Once the minimum requirements of life have been made available to all, it is essential to have a system that rewards merit. One defect of the communist system was that it did not reward merit, thus the economy stagnated. A defect of *laissez-faire* capitalism is that it rewards speculators and any socially or environmentally destructive business, as long as it turns a profit. In the Proutist vision, an incentive system would reward persons for building healthy communities and healthy environments as well as healthy businesses.

** Taxation as social income*

It is reasonable to expect that in a Proutist economy the burden of taxation would be considerably reduced because the 50% of taxation that currently represents redistributed income would be reduced. However there will always remain a need for social income, the income which feeds and nurtures the collective body. Sarkar has written little on taxation, but what there is points to a taxation system with the following features:

1. The abolition of income tax, phased in by gradually raising the tax free threshold.
2. The introduction of a rational system of resource taxes. See also the similar Georgist program of land value taxation [Hartzog 2007].
3. A system of sales taxes. Essential commodities and all services would be exempt.
4. The use of discriminative taxes, tariffs, etc., to protect fledgling industries but with the eventual goal to achieve free markets and free trade in non-essentials. In Sarkar's vision, free trade does not mean unregulated trade. He is opposed to long-term tariffs that entrench inefficiencies [Towsey, 2005].
5. Taxation of farmer's cooperatives should be a fixed percentage of their produce, thereby reflecting seasonal conditions.
6. A maximum ceiling on annual income and net worth.
7. An annual cooperative budget to calculate shares of GDP to government, business and households. Tax sharing arrangements between different levels of government must be part of the annual budget negotiations.

c: Required Reading

Sarkar (1992) "Quadri-Dimensional Economy", "Minimum Requirements and Maximum Amenities" and passages on minimum requirements, rational distribution and taxation
Towsey, Michael. *Taxation in a Proutist Economy*. PIA. 2005

d: Further Reading

Batra, Salaries of executives
Hartzog (2007), a PowerPoint presentation.
Miles (2002), table on govt expenditures
New Internationalist on wealth distribution

8: Overview – Prices, Money and Banking

a: Key Concepts

- The three roles of money
- The different forms of money
- The difficulty of price control with a circulating currency system
- Managing markets
- The creation and control of money

b: Commentary

** The three roles of money*

Great confusion arises about the role of money in an economy because it is easy to mistake money for wealth. The confusion is apparent when politicians ask where the money is coming from to pay for universal health care. Money is a social tool that belongs to the community which uses it. It traditionally has three roles:

- To facilitate the exchange of goods and services
- A store of wealth
- A unit of accounting

There are tensions between these uses. In particular, Sarkar is emphatic that when used as a store of wealth, money becomes less useful as a means of exchange [Sarkar 1992].

** The different forms of money*

There are many ways to facilitate and regulate economic exchange – by legislation, by rationing, barter, mutual agreement and by money mediated mechanisms. There are various kinds of money system but a major distinction is drawn between mutual credit systems and circulating currency. Each has its advantages and disadvantages. The traditional form of money is circulating currency.

** The difficulty of price control with a circulating currency system*

Circulating currency systems have tremendous flexibility but they are difficult to manage. The utility of currency depends on price stability but there is nothing in a currency system that guarantees that stability. Currency systems need to be carefully monitored and controlled by people who are honest and have the community interest at heart. To achieve stable prices requires careful adjustment between money supply and the ready availability of resources, goods and services. It is not just a matter of making the right amount of money available. The production of goods must also be planned and the markets in which they are traded must be monitored and managed if prices are to remain stable.

** Managing markets*

Free market fundamentalism ultimately destabilises an economy because it becomes difficult to prevent the concentration of wealth. It also becomes difficult to maintain proper adjustment between the production of goods and services and the flow of money.

Questions to ponder: What is the role of trust and expectation in markets? Is it possible to create an absolutely free market? What features of a market can be managed to achieve price stability?

** The creation and control of money*

Despite the myriad of funny-money proposals to reform capitalist banking practice, from a Prout perspective the most serious issue is the control of the money system by private businesses for personal gain. Prout's most significant proposal is to establish a three tier financial sector as described in Towsey [2008]. The decentralisation of money lending

through a system of cooperative banks or credit unions will help to prevent the concentration of wealth and contribute to economic stability.

c: Required Reading

Sarkar (1992) “Keep Money Rolling” and various passages on banking and money
Towsey (2008) *The Three Tier Economy of Prout*, chapter 7 “The Service Sector”, the section The Finance Sector

d: Further Reading

Davies (2003) Contains a extensive discussion of different money systems.
Krtashivananda (1995) Read sections on managing markets.
Lietaer (2001) Read his proposal for a stable global currency.
Stodder (1998, 2000)

9: Overview – Economic Progress

a: Key Concepts

- What is economic progress?
- Can continued economic progress be sustainable?
- Concept of a balanced economy in the Proutist model.
- The five fundamental principles of Prout

b: Commentary

* *What is economic progress?*

Human beings like to feel that their circumstances are improving – that they are making some kind of progress as they move through the various stages of their lives. It is absolutely essential for a sustainable economy to accommodate this natural human desire. Therefore it is necessary to ensure that the quality of goods and services improves and that the cost of essential commodities gradually declines over time. In this way, people will enjoy a gradual increase in their standard of living and an increase in the purchasing capacity of their wage or salary.

Sarkar includes *increasing purchasing capacity* as one of the specialities of Prout.

Questions to ponder: Can *increasing purchasing capacity* be achieved without *growth* in the consumption of finite physical resources? Would it be possible for Prout to prevent the impact of finite resources (for example the peak oil dilemma) from feeding inflation?

* *Can continued economic progress be sustainable?*

How do we reconcile the human desire for improving circumstances and for increasing purchasing capacity along with the need for a long-term sustainable economy? Today the typical model of economic progress is increasing per capita consumption of physical wealth. Clearly this is not sustainable. However there are other models of development. Modern science and technology can be used to improve the quality of life through doing more with less, or in economic language, increasing resource productivity. Many people believe that the world is about to witness a second industrial revolution which will increase resource

productivity in the same way that the first industrial revolution increased labour productivity. Prout advocates the use of resource taxes and sales taxes instead of income taxes in order to discourage waste and to promote efficient use of resources. It also advocates sustainable limits on the accumulation of physical wealth and simultaneously cultivating the utilisation of psychic and spiritual resources.

** Concept of a balanced economy in the Proutist model.*

Communities and economies constantly change and evolve. So an important question is how do we maintain economic balance and health in an ever changing world? Sarkar is opposed to the decline of rural communities caused by the concentration of population and wealth in cities. Rather he argues that wealth should be developed everywhere using local resources. In like manner, Sarkar is opposed to any one sector of the economy being developed to the neglect of others. For the purposes of this discussion, Sarkar argues for balance between four sectors: primary production, manufacturing related to agriculture, manufacturing not related to agriculture and the service sector. Typically, undeveloped countries have in excess of 70% of their population engaged in agriculture while developed countries have as few as 5% engaged in agriculture. For example, in the US economy, 2002, 4% of people were employed in agriculture, 15% in manufacturing and 75% in the service sector. This is an unbalanced economy, and the US must import much of its food and manufactured goods.

In Sarkar's model, a balanced economy would have approximately 25% of the workforce engaged in agriculture, about 30% in related agricultural and processing industries, about 25% in non-agricultural manufacturing and about 20% in commercial activity and services. The figure of 25% engaged in agriculture stands out! If you live in a developed country, does it appear excessive to you? How might it be achieved?

Tudge [2005] argues that a sustainable economy will inevitably depend on agro-forestry for its food, fibre and medicines. Agrarian living, he says, must be made agreeable. Read *Integrated Farming* for Sarkar's vision of cooperative agriculture, which has many of the features of permaculture.

** The five fundamental principles of Prout*

According to Sarkar, the principles of Prout depend upon the following fundamental factors:

- No individual should be allowed to accumulate any physical wealth without the clear permission or approval of the collective body.
- There should be maximum utilization and rational distribution of all mundane, supramundane and spiritual potentialities of the universe.
- There should be maximum utilization of physical, metaphysical and spiritual potentialities of unit and collective bodies of human society.
- There should be a proper adjustment amongst these physical, metaphysical, mundane, supramundane and spiritual utilizations.
- The method of utilization should vary in accordance with changes in time, space and person, and the utilization should be of progressive nature.

c: Required Reading

Sarkar (1992) "Principles of Balanced Economy", "The Principles of Prout" and passages on economic progress.

d: Further Reading

Davies (2003)

Batra (2003) Read the section on balanced economy

Hawken (1999) Natural capitalism

10: Overview – Psycho-economics

a: Key Concepts

- The biopsychology of cooperation
- Economic cycles – 30 year economic cycles and longer-term Kondratief cycles
- Collective psychology, culture and its role in economic life
- What is economic exploitation?
- The use of psychological, non-monetary, non-material rewards in an economic system

b: Commentary

** The biopsychology of cooperation*

The realisation of a Proutistic society is dependent on people's ability to cooperate. According to Sarkar, all economic problems will be solved not by competition, not by Adam Smith's hidden hand of self-interest, but by cooperation. The question arises: Can human beings cooperate sufficiently to overcome their individualistic or selfish tendencies? Recent investigations in the field of neuro-economics offer interesting insights into this question. It appears that human beings do indeed have an 'instinct' (more accurately a cocktail of hormones) that encourages trust and cooperation. But trust and cooperation are also learned and government policy plays an important role. [Towsey 2008]

** Economic cycles – 30 year economic cycles and longer term Kondratief cycles*

Short-term economic cycles such as the business cycle have been well studied. They are typically given a mechanistic explanation – they are attributed to delays in feedback of information or delays in responding to information about inventories, labour supply, etc. Long-term economic cycles have uncertain legitimacy in mainstream economics because they are difficult to explain. Batra [1985] and Beckman [1983] are worth reading. Batra's 30 year cycle appears to be well supported by data. Beckman argues that long-term cycles are founded in collective or community psychology. Batra's 30 year cycle likely involves generational memory and has an interesting echo in the world of bridge engineering [Grayson 2007].

** Collective psychology, culture and its role in economic life.*

Sarkar's theory of class dynamics has its basis in collective psychology. The topic is peripheral to this subject and is instead included in other units taught at Prout College. In this unit, collective psychology is of interest in two respects: it provides interesting insights into the notion of economic power and class exploitation and it potentially offers explanations for long-term economic cycles. Advertising, the media and the internet provide insights into the collective psychology of an economic community. Naomi Klein has written extensively on multinational corporations controlling the globalisation agenda through culture.

** What is economic exploitation? Why does it happen?*

How to define economic exploitation: Does it mean taking more than you give? Taking more than can be sustained? Taking without care? And even if we agree on a definition of exploitation, does this help us to understand why it happens?

** The use of psychological, non-monetary, non-material rewards in an economic system*

Another approach to improving the quality of life is to encourage a move away from the consumption of physical wealth to consumption of subtler kinds of wealth. In this regard, Sarkar has introduced the concept of psycho-economy.

Psycho-economy is about the production and distribution of various kinds of intellectual and psychic resources. Psycho-economy will become more important as the problems of providing the physical necessities of life are gradually solved. Indeed, Sarkar predicts that in future, this will be the glamour field of economics – an economic system of the mind in a world that has moved beyond the economics of scarcity.

c: Required Reading

Sarkar (1992) “Quadri-Dimensional Economy”, “Dynamic Equilibrium and Equipoise”, “Economic Dynamics”, “Economic Depressions” and passages on exploitation
Sarkar, “Exploitation and Pseudo-Culture”, in *Liberation of Intellect – Neohumanism*
Towsey (2008) *The Biopsychology of Cooperation*.

d: Further Reading

Batra (1985)
Beckman (1983)
Grayson (2007)
Klein (2000)

Concluding observations

Although Sarkar places a lot of emphasis on economic decentralisation, it would be a mistake to think that he is opposed to globalisation. Quite the contrary, Sarkar supports the endeavour to establish one global society, but a society where people’s livelihoods are secured at the local level. He advocates a global government and strongly supports the enrichment of global culture through the interaction of indigenous cultures. He supports inter-racial marriages, the free movement of labour and the removal of travel restrictions. He is concerned to protect all indigenous languages but also sees the need for a universal link language, which at the present time is English. Sarkar does not like the term “*internationalism*” because it implies continued allegiance to nations rather than to a universal society which embraces all humans, plants and animals.

Sarkar predicted that over time there would be a natural tendency for socio-economic units to merge into larger units because a sense of community could be maintained over larger areas. The day will come when the entire world will truly be a global village – a single socio-economic unit. This advanced stage, in Sarkar’s vision, will be the culmination of globalisation – not, of course, a utopia (too many other factors will intervene), but nevertheless a worthy monument to centuries of economic and social progress.