The "Nobel Prize" for Economics 2019… illustrates the nature and inadequacy of conventional economics

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Abstract

The prize has gone to three people studying ways to get the poor to derive more benefit from existing "development" practices, such as improving their school attendance. Such a focus takes for granted and sees no reason to question the exiting market and growth driven economy and its derivative, conventional development theory. Thus this kind of research is no threat to the massively unjust global systems and structures that keep billions in poverty. The awarding of this prize provides a telling illustration of the mentality that drives orthodox economics. The most important contribution to eliminating global poverty that the economic establishment could identify need not involve any concern with how to alter the processes that deprive Third World people of a fair share of the world's wealth. The most important concern is finding how to get a few more of them to do things like get credentials and jobs within the existing system.

The 720,000 pound Prize has been awarded for studies carried out in "developing" countries over several decades, applying randomised trials to determine the effects of interventions like school meals, small monetary incentives for school attendance and work motivation (Nobel Media, 2019.) Especially noteworthy are devices for reducing "…purchasing of temptation goods", (…conceivably also of use in rich countries.) These are identified as "nudges", only likely to make small differences in the right direction but claimed to be capable of adding to significant effects in large populations. Much if not all of this work would seem to be unambiguously worthwhile, such as exploring how to improve vaccination rates. But there are disturbing criticisms which go far beyond these studies to indict the tunnel vision and ideological nature of conventional economic theory and practice.

The focus in these studies is on getting *individuals* to perform better within the system. The faulty individual is the problem; as Mader et al. (2019) say, "The idea is to 'help' poor people overcome supposedly irrational 'risk aversion' in order to be more entrepreneurial, or more 'time-consistent' and save for a rainy day." Even leaving the issue of fault aside, this focus on individualism is the first problem; like "micro-finance" which helps the budding entrepreneur to invest and get ahead, it is about helping the most able and energetic to succeed, presumably on the assumption that if enough do so a good society will eventually result. This is to ignore the possibility that the problems are due to faulty social structures rather than faulty individuals, and the possibility that the best solutions would involve collective effort to establish radically alternative structures and systems.

Thus the second major problem is that the approach takes conventional development theory and practice for granted. It reveals a complete absence of interest in the possibility that these are technically and morally unacceptable and a legitimization of structures and practices which have condemned billions of people to suffer extreme poverty for decades, and which continue to do so. Mader et al. reject the "behaviourist" approach to the study of poverty and argue that the concern should be "…the political, social and cultural questions about what causes poverty and inequality." Kvangraven (2019) recognizes that poverty alleviation is not development and that while "…small interventions might generate positive results at the micro-level, they do little to challenge the systems that produce the problems."

In other words, this kind of focus has powerful ideological significance; it distracts attention from the way economic orthodoxy takes it for granted that there can be no conceivable alternative to the current approach to "development". It is necessary here to briefly outline a critique of the dominant perspective.

Few if any areas of economics are as open to criticism as are conventional "development" theory and practice. The source of the problem lies in the taken for granted conception of what constitutes "development". There could be many perspectives on what the goals of development might be, and what the means to them might be. However almost all contemporary discussion centres only on one conception. Its essential assumptions and principles are;

- The goal, or at least the one that enables the achievement of all others, is increasing the amount of producing and consuming going on, i.e., growing the GDP.
- Poor countries must therefore plunge into the global market economy. They must find something to try to sell, if only cheap labour, competing against all other poor countries. Only if something can be sold can the money be earned to import what is needed.
- It is not possible to develop without capital. People who have capital must be attracted to invest it in setting up farms, factories, fishing fleets and mines, to produce exports.
- These ventures will produce whatever the investors think will maximize their profits within the global market economy. (Foreign investment *never* goes into producing to meet urgent local needs.)
- Foreign investors will not come in unless there are ports, power stations, roads etc. So the government must go into debt to build these.
- Before long the loan repayments will probably have become impossible, but the friendly people at the IMF and World Bank will come to the rescue with more loans…and Structural Adjustment Packages which will require the country to gear its development more closely to the interests of the foreign investors; i.e., de-regulate, devalue, sell off industries cheaply to foreign corporations, enable sale of land from peasants to corporations, cut subsidies and welfare so loan repayments can be made.
- The result is that the country will develop a lot of factories and plantations, but none of them are likely to be producing anything the poor majority want or can afford. The country's resources will mostly be flowing into the production of goods to sell in rich world supermarkets.
- If the country does not have any logs left to export and can't attract foreign corporations in, then unfortunately it can't have any "development".
- It is imperative that market forces be allowed to determine the country's fate. Business turnover and GCP will be maximised if there is minimal regulation, subsidies, protection or other interference with market forces. So, free corporations to invest in what makes most money for them. Ignore the fact that markets will always

deliver scarce resources to the rich, because the rich can always pay more for them, and will always develop industries that produce what the rich want to buy.

- All this is cast as not just legitimate, it is inevitable … it's just the way the market system works. People with capital to invest are not going to come in and produce beans for hungry peasants making negligible profits when they can invest in soy exports and make good profits. You can't expect high royalties on your copper exports when other countries are willing to accept lower royalties because they are desperate to pay off their debt.
- The impoverished masses are told to accept these processes because they will benefit via "trickle down". They are not told that in fact very little ever trickles down or that it is not the case that the mechanism is lifting large numbers out of poverty (except in China, which has taken the exporting capacities other countries once had and thus raised unemployment rates there; see Hickel, 2017.) Nor are they told that global resource limits rule out any possibility of trickle down ever raising billions of impoverished people to tolerable living standards, let alone to rich world levels.

After 70 years of this approach to development about four billion people are very poor, around 800 million are hungry and more lack clean water, thousands of children die avoidably every day… and half the world's wealth has now been accumulated in the hands of less than 20 people. Leahy's work (2009, 2019) is unusual in pointing out the futility of mainstream African development efforts to get impoverished farmers to succeed in the intensely competitive global "free market" food export arena. (Let's not draw attention to the fact that US agribusiness is subsidized $20 billion *every year*.)

This conventional approach is a delight to the world's rich; development cannot take place unless the owners of capital get opportunities to invest in profitable ventures, and Third World productive capacity goes into stocking rich world supermarkets and not into producing what the people urgently need. Even worse, it prevents them from using the resources around them, the soils, forests, rainfall and their own labour and traditional skills, to produce for themselves basic goods they need. "Development" theory rules this out; there is no alternative, indeed no alternative is conceivable. This is just as well; imagine how disruptive it would be if Third World people worked out how to develop satisfactorily without having anything to do with investors, banks, debt, export industries, or the IMF. But the risk is slight as all the experts and advisers have studied conventional economics.

The economics text books do not point out that conventional economics is only one of many possible kinds of economics, a kind narrowly focused not on increasing religious observance for instance, but simply on maximizing production for sale in markets. By contrast the development goal of Bhutan is to maximize the Gross National Happiness.

Thus conventional development economics is in fact only about capitalist development; it is an approach which allows development to be driven by the investment of capital to maximize profits. It produces a great deal of development, but it is almost entirely only *development in the interests of the rich*. It can, in other worlds, be seen as a thinly disguised form of plunder. Economics courses tend not to draw attention to this interpretation of how development works.

What then might be the goals of a more acceptable conception of "development"? One suggestion might be, enabling all to enjoy a high quality of life in ecologically sustainable ways. Consider the factors most likely to enable this. Would not these include, having good health, good food, sufficient shelter and clothing, having a good family and friends in a supportive community, satisfying and appreciated work, freedom from violence, insecurity, stress, anxiety and depression, knowing others care about you, knowing you will be secure in old age, a relaxed pace, a pleasant and sustainable environment, a sense of having collective control over one's society, living in a society one can be proud of, one that all the world's people could share? Except perhaps for the first of these factors, *monetary wealth is irrelevant let alone a prerequisite*. Some of the world's poorest people, including those living in rich world Eco-villages, enjoy them all.

It is very easy to design settlements and economies which would guarantee these conditions. Here is a brief indication of The Simpler Way vision.

- Assist people to build highly self-sufficient and cooperative local / village / regional / economies which devote local resources to meeting as many of their needs as possible.
- In framing goals and policies totally ignore monetary values, volumes of investment, business turnover or GDP.
- Aim at providing simple but sufficient, food, housing, clothing, etc., via community development committees organizing available land, labour and skills to meet as many urgent needs as possible. Focus first on intensive development of alternative / sustainable agriculture. This might involve many existing small private farms and firms but would prioritise building community collective capacities, through non-profit co-operatives, commons, community supported agriculture, working bees, edible landscapes, tree crops, free food sources etc. Only export surpluses.
- Facilitate craft, garden, artisan, hand tool and traditional means of producing as these are typically quite adequate, but use modern technologies where sensible.
- Eliminate unemployment. Organize for all to have a productive role; there are many things that need doing. This is best done by setting up village co-operatives to produce necessities, e.g., fish or poultry.
- If necessary create village currencies to enable trade between people who have no national currency, simply by recording credits and debts created by mutually beneficial exchange.
- Establish village self-government, via participatory town assemblies and committees. Avoid top-down authoritarian or expert led procedures. The empowerment and morale of all as equal citizens is crucial for effective village functioning.
- Avoid or at least minimise involvement of official government agencies, except in so far as they are willing to support village-led development.
- These activities can flourish without any need to first eliminate the normal market driven economy. They involve the establishment of a new Needs-Driven-Economy alongside the old Profit-Driven-Economy. In time it is likely that the role for the latter will become less relevant.
- The most important committees organize cultural affairs, education, monitoring (especially of community morale and perceived quality of life), festivals, celebrations and the provision of local leisure and holiday activities, all at negligible dollar or resource costs.

- Recognise that the quality of life must be redefined in terms of enjoying, community, arts and crafts, a relaxed pace, leisure time, freedom from stress, depression, unemployment and insecurity, contributing to an admirable society… as distinct from accumulating individual or national monetary wealth. One's wealth-of-life-experience would derive from how well one's village was working.
- These local economies will need some but very few basic inputs from the wider regional and national economies, such as chicken wire, plastic irrigation pipe, cement and hand tools. Providing these would require governments to allocate very few national resources. Governments would need to widely distribute the few mostly light industries producing these items so that each village could make a contribution the national supply of some of these, enabling it to pay for its imports of those it required.
- The miniscule resources needed would leave national governments quite capable of funding the socially crucial systems villages need but can't provide for themselves, such as medical services, especially when this alternative approach would enable them to redirect the wealth flows presently going out to foreign investors and shoppers.

Most of these elements are characteristic of the 3,000 Eco-villages that now exist. The *Remaking Settlements* study (Trainer, 2019) explains how an outer Sydney suburb redesigned along these lines might cut per capita dollar and resource costs by 90% while providing most of its food and other needs. Lockyer (2019) found that the Dancing Rabbit Eco-village in Missouri had per capita resource use rates around 5 to 10% of US national averages. Sustainability cannot be achieved unless reductions of this order are achieved, and they can only be achieved where settlement geographies and economies are *small in scale*, *integrated* and highly *collectivist / cooperative* (although there could also be many privately owned small farms, firms and co-ops.). For example these conditions enable kitchen scraps to go straight to the poultry and their manures to go straight to gardens, at no cost in energy, transport, bureaucracy etc. The study of egg supply by Trainer, Malik and Lenzen (2019) found that such a supply path would have dollar and energy costs around 0.5% - 2% of the typical supermarket path.

The Senegalese government is working to establish 1,400 Eco-villages (St Onge, 2015). Leahy (2009; 2019) documents the remarkable success of the kind of alternative village self sufficiency advocated above, concerned to enable African villagers to use the resources around them to cooperatively meet as many of their basic needs as possible.

Evidently no relevance or value is seen in any of this by the Nobel Prize winners, or the judges, or almost anybody else within the economics profession/industry. To them this would be obvious because this alternative fails to recognise that economics in general and "development" in particular can only be about earning more money, investing capital, increasing production for sale, and raising the GDP. Hence the remarkable power that the study of economics has on the mind. These people profess to want to remedy poverty but they can see no reason to study the glaringly obvious, glaringly unjust massive structures that determine and legitimize the flow of Third World wealth into the pockets of the rich while keeping billions impoverished. Most disturbing is not that three high prestige researchers think the best strategy is not to question that system while working out how to help/prod a few more people to get more of the scarce credentials and jobs it offers, it is the mentality of the economics establishment which has led it to regard this work as the most valuable contribution to poverty relief they could find.

For a more detailed critique of conventional development, and of the alternative to it, see TSW: Third World Development.

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