Financial Foul-up and Worse: Survival Through the 21st Century?
Well, let’s call in the Doctor, Adam Smith!

*Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity.*

Adam Smith, 1776
AS_WN,IV.3 Part 1.38

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Like many across the world we may well see the lack of serious discussion about the root causes of the current economic chaos as very strange indeed. For, if this failure of our man-made trading/business systems is not fully investigated and understood, there’ll be scant chance of proper cure. However, there may be hope, since what US economist Joseph Stiglitz has told us in “The Price of Inequality” concerning the origins of this profound economic and social disorder is so highly revealing it offers great promise of the urgently-needed long-term solution. (JES; JES&LB; see also RG_LS; JaKG; AS_WN; AS_MS; PK)

You see, what Stiglitz and others have exposed is a gigantic human failure in economic and political responsibility, a torrent of corruption which has allowed particular sectors of the business world to upwardly siphon wealth from society’s ‘lower orders’ into the coffers of it’s top 1% on an absolutely gigantic scale. Indeed, aided by inflated asset-value bubbles and a wide-range of rent-seeking scams, the vast wealth extracted has caused market collapse through a precipitous drop in demand. And that despite peoples’ ongoing urgent needs, - their means to satisfy having been stolen. Accordingly, the key to overcoming such corruption via a re-configured honest trading system, is to ensure everyone’s interests by protecting the common welfare. Indeed, this feature is an absolute pre-condition not only for the sustainability of the economic trading system itself, but for the health of our natural environment, the peace of the world and the survival of the human and other species, – and hence as Stiglitz puts it, our own “….ultimate well-being”. (JES, 52-82, 288, 397)

However, to better understand the historical roots of the core problem, - corruptions long-facilitated by Western governments, - let us look back some 250 years towards Adam Smith’s “Wealth of Nations”, his penetrating criticisms of the 18th Century’s ‘mercantile system’. And, by examining these, together with earlier injustices and subsequent excesses that grew out of the economic scams and social mismanagements Smith described, we may better understand the origins of the perilous post-crisis crises we have inherited. (AS_MS; AS_WN; JH; JKG1; JKG2; AS; ER&AS; JES; JES&LB; IB4; IB5)
First, to John Kenneth Galbraith’s “The Great Crash 1929” to see how similar that Great Depression’s causes were to today’s giant market failures. For example, “In 1929 .... five percent of the population with the highest incomes in that year received approximately one third of all personal income. ...... The fact was that American enterprise in the twenties had opened its hospitable arms to an exceptional number of promotors, grafters, swindlers, impostors, and frauds. This, in the long history of such activities, was a kind of flood tide of corporate larceny.” (JKG2,195) Then, in his final chapter, ‘Cause and Consequence’, Galbraith’s goes on to explain how this 1920s market, - grossly unbalanced via its unjustly low, c.f., excessive remunerations, came undone: - “Throughout the twenties production and output per worker grew steadily: between 1919 and 1929, output per worker in manufacturing industries increased by about forty-three per cent. Wages, salaries, and prices... underwent no comparable increase. Accordingly, costs fell and with prices the same, profits increased. These profits sustained the spending of the well-to-do,.... Most of all they encouraged a very high level of capital investment. During the twenties, the production of capital goods increased at an average annual rate of 6.4 per cent a year; ... ... A large and increasing investment in capital goods was in other words a principal device by which the profits were being spent. It follows that anything that interrupted the investment outlays – anything, indeed, which kept them from showing the necessary rate of increase - could cause trouble. (JKG2, 192, 193)

Now, to another insightful economist, John A Hobson (1858-1940), one scorned by the pre-WW1 self-confessed Imperialists of his day. Hobson’s case was that throughout the 19th century, Europe’s burgeoning industrial/cum agrarian capacity could easily have supported it’s own populations with all material needs via a cooperative, self-rejuvenating domestic market system. However, because that would have required a far juster level of remuneration of the lower orders of industrial and service workers, this was rejected. So, just like their forebears, faced with ever-expanding homeland production, Europe’s leaders opted to prevent ‘over-production’ market failure (c.f., Hobson’s “under-consumption” failure) through increased external trade.

However, as carried out by Europe’s maritime states, that course continued to injure the people of other lands, for although exporting produce could make sense, the on-going forced acquisition of foreign lands and their peoples did not. In other words, aiming to circumvent the market failure problem led to land-grabbing and other kleptomaniac pursuits and injustices of the worst kind. Moreover, by 1902, observing the consequent aggressive trade competition and war between rival colonising powers contending for the same territories, Hobson could see ahead the final tragedy of a catastrophic European conflict (WWI). Thus, “In any event Imperialism makes for war and for militarism, and
has brought a great and limitless increase of expenditure of national resources upon armaments. It has impaired the independence of every nation which has yielded to its false glamour. Great Britain no longer possesses a million pounds which it can call its own; its entire financial resources are mortgaged to a policy to be dictated by Germany, France, or Russia. A move from any of these Powers can force us to expend upon more battleships and military preparations the money we had designed to use for domestic purposes. The priority and reckless magnitude of our imperial expansion has made the danger of an armed coalition of great Powers against us no idle chimera.” (JH, 138)

Also insightful about this time, Winston Churchill in his House of Commons 1901 Maiden Speech warned colleagues of the extreme unwisdom of even thinking about Britain’s involvement in a European war between its highly-industrialised states. As he stressed, “We must not regard war with a modern power as a kind of game in which we may take a hand, and with good luck may come safe home with our winnings... I have frequently been astonished since I have been in this House to hear with what composure and how glibly members, and even ministers, talk of a European war... But now, when mighty populations are impelled on each other... when the resources of science and civilisation sweep away everything that might mitigate their fury, a European war can only end in the ruin of the vanquished and the scarcely less fatal commercial dislocation of the conquerors... We do not know what war is. We have had a glimpse of it in South Africa. Even in miniature it is hideous and appalling.” (MG1, 51-52; c.f.,WC1,1989; WC2, 362-3; WC3, 17, 30-31; WC4, xiv, 123-131, 335-337)

Now, let us consult moral philosopher/pioneer economist Adam Smith (1723-1790) whose wisdom on matters of social justice, the economy and war is quite remarkable, for had he been heeded, it could easily have saved Europe along with the rest of the West from itself. Significantly, Smith gave great attention to the issue of self regard in the context of mutual concern towards others, such providing critically important insights when it came to understanding what would really work and remain sustainable. Intuitively, he understood that willing cooperation with others had been a prime condition of our species’ survival through its millions of years of evolution, a view which informed his concerns for a just trading economy that would strengthen human bonds and friendships within and between societies across the world.(AS_WN, IV.7.166; JD; RW)

At the same time Smith was well aware of and greatly perturbed by the gross corruptions which had followed the birth of agriculture with its development of surpluses, societal stratifications and land struggles between societies and individuals. For that situation had allowed self-appointed land grabbers to proclaim unjust laws to control ‘their’ land along with all its resources,
included. Thus Smith could appreciate how “... in the age of shepherds, in the second period of society, that the inequality of fortune first begins to take place, and introduces among men a degree of authority and subordination which could not possibly exist before. ... The rich, in particular, are necessarily interested to support that order of things which can alone secure them in the possession of their own advantages. ... They constitute a sort of little nobility, who feel themselves interested to defend the property and to support the authority of their own little sovereign in order that he may be able to defend their property and to support their authority. Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all.” (AS_WN, V.1.55; AS_WN, III.2.6; IB4, 4-7; JD; RW; DD)

Yet, in contrast to the historical reality of the forced acquisition of land (source of all subsistence, wealth) Smith could also see all about him how the vast majority of ordinary folk willingly exchanged articles/services of value between one another in an equitable manner, equal value of goods or services exchanged being freely agreed to. And, as he stressed, the satisfaction thus gained by both parties frequently led to those bonds of mutual confidence and friendship that gave rise to the original conception of ‘free trade’, what should have applied within and between all free and just societies. Accordingly, Smith was greatly concerned to have the universal needs of those who had only their labour (or other service) to exchange, were fully acknowledged via a fair return. For example, concerning some recent improvement, Smith writes, “Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconveniency to the society? The answer seems at first sight abundantly plain. Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged.” (AS_WN, I.8.35)

Mercantile Monopolies: Sources of Corruption, Injustice and Wars

However, instead of such cooperative equal-value exchanges, what Smith observed across European society’s upper crust ‘mercantile system’, was very different. For, common to all were schemes contrived to favour particular societal sectors (e.g., ‘exclusive companies of merchants’) at the expense of all other citizens lower down the scale. In these ‘exclusive’ businesses, Smith’s special concern was their capacity to engineer government-designated
monopoly status. Being prominent in society’s upper strata, such exclusive companies successfully lobbied for legal protection against the normal competition. Indeed, frequently this resulted in a ‘Royal Charter’, such as those providing monopoly status to many already powerful overseas trading companies, like the East India Company, the Dutch East India, the Muscovy (or Russia Company), the Royal African, etc., such Charters granting simply outrageous ‘legal’, policing, and military powers over the land, people and property of many foreign territories.

However, in the first instance those disadvantaged were their fellow citizens, their domestic competitors, - along with all others in the home country. Then, likewise so, the competing traders from foreign countries, - and of course the colonised people where the exporter’s power held sway. Moreover, as Smith stressed, monopolies, avoiding competition, were not only unjust across their domestic and competing foreign populations, but were inefficient overall, since their net effect was to shrink the wealth available to all parties. Hence, “All the original sources of revenue, the wages of labour, the rent of land, and the profits of stock, the monopoly renders much less abundant than they otherwise would be. To promote the little interest of one little order of men in one country, it hurts the interest of all other orders of men in that country, and of all men in all other countries.” (AS_WN, IV.7.146)

Further, a central aim of monopolies was to manufacture and sell as much merchandise (whatever its nature) as possible, and by whatever means. As Smith put it, “It cannot be very difficult to determine who have been the contrivers of this whole mercantile system; not the consumers, we may believe, whose interest has been entirely neglected: but the producers, whose interest has been so carefully attended to; and among this latter class our merchants and manufacturers have been by far the principal architects. In the mercantile regulations, which have been taken notice of in this chapter, the interest of our manufacturers has been most peculiarly attended to; and the interest, not so much of the consumers, as that of some other sets of producers, has been sacrificed to it.” (AS_WN, IV.8.54)

And since these exclusive European trading companies set up businesses in many foreign countries, the ‘rights’ specified by Royal Charters or other legislative means, had the most far-reaching deleterious effects on vast populations across the world. For example, not long after Columbus’ 1492 discovery of the Americas, Spain’s incursions across the Caribbean, Central and South America, had catastrophic results on its indigenous peoples. Thus, as Smith saw that intrusion, “In consequence of the representations of Columbus, the council of Castile determined to take possession of countries of which the inhabitants were plainly incapable of defending themselves. The pious purpose
of converting them to Christianity sanctified the injustice of the project. But the hope of finding treasures of gold there was the sole motive which prompted him to undertake it; and to give this motive the greater weight, it was proposed by Columbus that the half of all the gold and silver that should be found there should belong to the crown. This proposal was approved of by the council.” (AS_WN, IV.7.15)

And as he further commented, “Folly and injustice seem to have been the principles which presided over and directed the first project of establishing those colonies; the folly of hunting after gold and silver mines, and the injustice of coveting the possession of a country whose harmless natives, far from having ever injured the people of Europe, had received the first adventurers with every mark of kindness and hospitality.” (AS_WN, IV.7.81; BC)

Of course such larceny of gold and silver was more than bad enough, yet it was just the beginning of the worst imaginable cruelties and injustices perpetrated as international ‘business’. For what the invaders then demanded of the indigenous folk, was their slavery to mine and transport the valuable treasure to ships for transport back to Spain. But then the resulting close contact with the invaders soon brought European disease to which the natives had no immunity. Consequently, the soon-decimated American native slaves the Spanish had used were replaced by Africans, men women and children transported in their hundreds of thousands, - eventually millions. Indeed, this African trafficking grew remarkably, expanded hugely due to insatiable demands for slave labour to grow and harvest sugar, rice, tobacco, cotton and other plantation cash-crops for trade back to Europe, - a prodigiously lucrative trade that supported Europe’s industrial expansion over the following 300 years. (UNESCO; USI)

And as Smith recognised, although Spain and Portugal had ‘led the way’, it was not long before Europe’s other maritime powers, “the English, French, Dutch, Danes and Swedes” followed (AS_WN, IV.7.31) – each driven by the same self-serving greed of master-merchants and monarchs in the aggressively competitive spirit of the time. Indeed, it was a spirit that misled all these nations into both the massive African slave trade and limitless dreams of Empire, - their colonial ambitions via the acquisition of more and more foreign lands, resources and peoples. And all this greatly encouraged by the exclusive companies’ governments, via their Royal and other charters.

Moreover, as should have been foreseen, since each government-backed company’s efforts to dominate others’ lands would be challenged by other nations’ similarly-backed companies, it was inevitable that the common outcome would be aggressive confrontation and mutually-destructive wars
between the European powers. Accordingly, that is what came to pass, initially the never-ending series of wars of the 18th century, and then the ongoing extended series which eventually culminated in the catastrophic First and Second World Wars, - and subsequent wars to the present day. (e.g., AS_WN; JES&LB; MG1; MG2; MG3; IB1; IB2; IB3; IB4; IB5)

Now, here it must again be emphasised that the above-described commercial behaviour was completely at odds with that advocated by moral philosopher and pioneer economist, Adam Smith, who (contrary to wishful-thinking popular belief) was in no sense an advocate of business world greed, not to mention cruelty and war. For, realizing just how such greed led not only to reduced cooperation in all spheres, and diminution of the world’s aggregate wealth through monopoly-generated inefficiencies (plus a multitude of other injustices), but to those competitive trade tensions that misled Europe’s nations into wasteful counter-productive war, Smith warned, “.... nations have been taught that their interest consisted in beggaring all their neighbours. Each nation has been made to look with an invidious eye upon the prosperity of all the nations with which it trades, and to consider their gain as its own loss. Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity. The capricious ambition of kings and ministers has not, during the present and the preceding century, been more fatal to the repose of Europe than the impertinent jealousy of merchants and manufacturers ....” etc. (AS_WN, IV.3 Part 1, 38)

Indeed, for Europe and the rest of the world, the resulting series of 18th century and subsequent wars were to have profound effects, not only on the health and well-being of all directly involved in those conflicts, but by shrinking each nation’s wealth. Thus, citing Britain as an example, Smith documents the series of 18th century wars it had with trade competitors and the consequent war-by-war growth in its ‘perpetual’ public indebtedness over 74 years, namely a full ten-fold increase. (AS_WN, V.3.42-45; IB4, 24-25; & c.f. JES&LB)

Now, one might imagine that Britain’s ‘exclusive merchant’ class of business leaders would have felt sorely burdened by such ever-expanding ‘perpetual debt’, recognized their responsibility and taken prompt action to stop it? But that would be to misunderstand the realities, Smith explaining, “The necessities of the state render government upon most occasions willing to borrow upon terms extremely advantageous to the lender. ....... The merchant or monied man makes money by lending money to government, and instead of diminishing, increases his trading capital.” (AS_WN,V.3.7) ..... In England, the seat of government being in the greatest mercantile city in the world, the merchants are generally the people who advance money to government. By advancing it they
do not mean to diminish, but, on the contrary, to increase their mercantile capitals, .....” (AS_WN, V.3.35) “The ordinary expence of the greater part of modern governments in time of peace being equal or nearly equal to their ordinary revenue, when war comes they are both unwilling and unable to increase their revenue in proportion to the increase of their expence. ............ By means of borrowing they are enabled, with a very moderate increase of taxes, to raise, from year to year, money sufficient for carrying on the war, and by the practice of perpetually funding they are enabled, with the smallest possible increase of taxes, to raise annually the largest possible sum of money. In great empires the people who live in the capital, and in the provinces remote from the scene of action, feel, many of them, scarce any inconveniency from the war; but enjoy, at their ease, the amusement of reading in the newspapers the exploits of their own fleets and armies. To them this amusement compensates the small difference between the taxes which they pay on account of the war, and those which they had been accustomed to pay in time of peace. They are commonly dissatisfied with the return of peace, which puts an end to their amusement, and to a thousand visionary hopes of conquest and national glory from a longer continuance of the war.” (AS_WN, V.3.37)

This makes clear Smith’s views on one aspect of the exclusive merchants’ motivations for overseas wars, wars unrelated to home defence. And, that, together with motives connected to a variety of injustices linked to the colonisation of foreign lands, added up to a very ugly scene which boded ill for any long-term peace in Europe itself, as well as for Europe’s future relations with the rest of the world. Indeed, the resultant type of behaviour became deeply entrenched, it persisting in various guises still. Yet, as the following quotation shows, Smith clearly recognized the enormous potential, the unique opportunity that exploration and trade provided, not only “to relieve one another’s wants and enjoyments”, but to create confidence, cement friendships and promote cooperation throughout the world via enlightened forms of ‘cultural evolution’. At the same time, however, he well understood that that would be possible only if there was a far juster and fairer approach by those monarchs, bureaucrats and businessmen responsible for Europe’s foreign engagements and trade.

For, as Smith understood the situation, “The discovery of America, and that of a passage to the East Indies by the Cape of Good Hope, are the two greatest and most important events recorded in the history of mankind. ...... What benefits or what misfortunes to mankind may hereafter result from those great events, no human wisdom can foresee. By uniting, in some measure, the most distant parts of the world, by enabling them to relieve one another's wants, to increase one another's enjoyments, and to encourage one another's industry, their general tendency would seem to be beneficial. To the natives however, both of the East and West Indies, all the commercial benefits which can have
resulted from those events have been sunk and lost in the dreadful misfortunes which they have occasioned. .... At the particular time when these discoveries were made, the superiority of force happened to be so great on the side of the Europeans that they were enabled to commit with impunity every sort of injustice in those remote countries. Hereafter, perhaps, the natives of those countries may grow stronger, or those of Europe may grow weaker, and the inhabitants of all the different quarters of the world may arrive at that equality of courage and force which, by inspiring mutual fear, can alone overawe the injustice of independent nations into some sort of respect for the rights of one another. But nothing seems more likely to establish this equality of force than that mutual communication of knowledge and of all sorts of improvements which an extensive commerce from all countries to all countries naturally, or rather necessarily, carries along with it.” (AS_WN, IV.7.166)

That well illustrates Smith’s earnest hopes for a fully cooperative trade-bonding, peaceful world, together with his views on the current trading system as he found it, - compared to the way it would need to be if it was to fairly serve all. Yet, as we know, ever since his time sectors of the business world have gone to great lengths to obfuscate the reality of that message into a fictional misrepresentation of his Wealth of Nations which would make Smith not only the friend of ‘free trade’ but the strongest advocate of ‘winner takes all’ greed, an enthusiastic promoter of ‘anything goes’ that’s profitable. Accordingly, just as Smith was fully aware, we too should bear in mind the following.

First, long before Smith’s was born, Europe’s maritime powers of the 15th and 16th centuries were involved in far-reaching explorations of foreign coastlines, setting up trading posts which soon became territorial claims. And such activity was led by merchant adventurers (‘privateers’) who behaved aggressively competitive, attacking and looting one another’s ships. Thus, a great deal of wealth was accumulated, including much gold, silver and slaves pirated from the Spanish. As a result, wealthy free-booters like John Hawkins and Francis Drake, attracted many influential backers, including Elizabeth I. Here, I’m simply emphasizing the character of early ‘international trade’ as it came to be understood, a trade which from its origins was not meant to be fair, but through exploitation and war, extremely profitable. (JKG1, 40-44 ; SR)

Secondly, as Smith also knew, since the mercantile system’s ‘big operators’ of his time came from the same background, he could have little expectation that it’s trade would be fair. Moreover, he well understood that the upper sectors of Europe’s merchant world had engineered self-serving ‘national interest’ concessions, such as their companies’ monopoly status, - like that of the Honourable East India Company, granted by Queen Elizabeth I in 1600. Thus, the sort of behaviour Smith’s writings profoundly objected to had, with the
backing of government and royalty, been around for a very long time, and he would have had no false expectations of a quick fix.

Yet, what Smith’s writings did accomplish was to document the glaring injustices of the mercantile system, while at the same time indicating a reformed version that could guide societies along a cultural evolutionary pathway towards universal justice. (JSa, L5; MY_KW; J;Sc JKG1, 59-61, 71-72) For example, doing away with monopolies would increase the total pool of wealth, while simultaneously making it more widely available. So, not only might the market serve everyone in a just and sustainable way, but with all traders satisfied, and human bonds cemented both domestically and internationally, a peaceful world could emerge.

However, as we have seen none of that became a reality during Smith’s lifetime. And although following publication his Wealth of Nations it had been well received and read, Smith’s clear messages about the urgent need for reforms did nothing to immediately alter upper echelon business attitudes or practices. Moreover, as the historical record shows, none of the key economic features advocated by Smith were subsequently implemented across the West’s international business world.

Indeed, that world appears ever since to have maintained essentially the same mind-set when it comes to level playing fields, fairness, market sustainability and society’s freedom from progressively growing inequities, international tensions and wars, - not to mention today’s accelerating assaults on the world’s finely-balanced environments. With all that at stake, it is clearly high time that in the interests of our children, our grandchildren and indeed all children across the world, we take urgent action to put our trading markets into the order Smith advocated, before it is too late.

**Looking Ahead, What Can be Done?**

Well, for this vitally important task we are indeed fortunate in having highly insightful economists (past and present) and others of great ability and good will to explain to those in governments across the world, the logic of the present economic failure, - along with the means to save the day. All relevant historical and current evidence is readily available. For example, as stressed in Joseph Stiglitz’s recent book *The Price of Inequality*, as well as Garnaut and Llewellyn-Smith’s *The Great Crash of 2008*, urgent first steps to stop a further slide will need to include the restoration and further strengthening of those financial system regulations which over recent decades, governments allowed to lapse. Along with many others, this issue is thoroughly dealt with in these outstanding highly readable books. (JES; JES&LB; RG_LS)
Among other critically important issues is the eventual calamitous consequence of the corrupt practice of the larceny of other people’s incomes. As noted above in *The Price of Inequality*, Joseph Stiglitz draws attention to the abject failure of the US financial system’s regulators to prevent well over 65% of US annual income from ‘rising’ to the top 1% of its citizens from 2002-2007. Indeed, by 2010, that percentage had risen to 93%! Further, in examining the mismanaged macroeconomic basis of that failure of social justice, Stiglitz shows how for decades the US Federal Reserve allowed the financial system’s regulators to centre attention on the limitation of even moderate inflation, so augmenting the income of bond-holders, - especially bond-holding corporations and others at the top, at the expense of those lower down. However, the ultimate unfortunate result of that misguided approach has been the present Great Recession which has so grievously further injured those people least able to protect themselves. (JES, 2-3; & c.f., JKG2, 192-193)

For, pursuing lower inflation at the 2% level led to higher unemployment, with all the loss and suffering that that entails. Indeed, this occurred not only in the US but, via similarly faulty practices, in countries across the Western world, they too remaining immersed still in the crisis. Yet, there was available a raft of alternative strategies which could not only have protected society’s most vulnerable, but also prevented the financial melt-down by stabilising and growing economies for the benefit of all. These strategies, clearly explained by Stiglitz, cannot be fully reviewed here, but attention is drawn to several aspects.

In discussing the role played by macroeconomic policy in financial matters, especially its great potential to generate enduringly successful economies, Stiglitz stresses it’s contrasting role in those financial failures where collapsing aggregate demand is central. There, financial regulators who were supposed to keep the economy stable, failed to maintain totally separate the traditional operations of commercial lending banks from the speculative investment banks with their highly risky predatory lending, bubble creations and other scams. Thus, the investment banks were allowed to ‘capture’, to dominate government policy along with regulators’ thinking, and thereby to implement progressive deregulation while at the same time gaining the government’s guarantee of their deposits, - as well as bail them out if/when they failed. So, clearly both the regulators and the government they served failed to understand the logical consequences of their flawed economic policies, believing to the end that all would be well. Indeed, even today some ‘winners’ remain convinced that simply because their great wealth remains intact, everything must be just fine.

However, for those seeking positive outcomes for the nation and it’s people, let us reflect on Stiglitz’s observation, “*Imagine how different monetary policy might have been if the focus had been on keeping unemployment below 5 percent, rather than on keeping inflation below 2 percent.*” After all, in the
decades leading up to both the Great Depression and the current Great Recession, middle income and wage-earners were falling further and further behind, indeed, to the eventual tipping point, - the calamitous fall in aggregate demand. Accordingly, there exists a strong case for recognising the stabilising and economically stimulating effects of properly sharing the rewards of rising levels of production. (JKG2, 192-193; JES, 242)

Hopefully, such lessons if taken seriously will begin the long haul to get us out of the most urgent financial and other difficulties. Even so, among the worlds political economists, there remain deep misgivings that all is far from healthy in our traditional financial trading system, - including its long-entrenched ways of thinking. For it is clear that original conceptions of ‘the economy’ as centred on serving the needs of human societies has long been supplanted by an inwardly-regarding ‘economics’ which, using internally-referenced mathematical models, by-passes human and environmental imperatives while focussing on production, sales and profit at the expense of under-rewarded producers, market-excluded (unemployed) losers, over-exploited natural resources, and the grossly undermined ‘externalised’ natural environment on which all life depends. Moreover, this self-serving pseudo-scientific version continues to exhibit the many other dismal features that distressed Adam Smith, including corporate monopolies, exploiting the land and resources of foreign populations and engaging in wars over land, resources and markets, and all for the benefit of the 1% winners and glory of ‘full spectrum dominance’.

Now, on the surface that sort of ‘economic’ outcome might seem very strange because the West’s upper echelon business communities have for centuries claimed not only a sincere Christian heritage**, but their great indebtedness to the soundness of Adam Smith’s economic wisdom. However, their on-going engagement in trade wars clearly contradicts the first claim and as recounted above, Smith’s morally guided economic wisdom has never been allowed to take hold. Thus, while to the present day Smith’s (misrepresented) ideas on economic theory continue to be given high praise, the practical application of his real views has remained void, their moral basis quietly suppressed. Although the reasons for such rejection were never openly stated, it is nevertheless vitally important that these reasons be identified from the performance record of international business from the time of Smith to the present day.

**re. Christian Heritage: I do not know Smith’s attitudes to dogmas promoted by various Christian churches, but based on his strong feelings towards people and social justice there can be little doubt of his sympathies for many teachings of Jesus of Nazareth, e.g., his Sermon on the Mount, re. ‘doing unto others as you would they did unto you’. ‘Religious’ or not, I see Smith as deeply spiritual in the best universal inclusive sense.
Summing Up

As indicated above, in his own time Smith was very much concerned over the malign influence that aggressively competitive monopoly commerce was having in the world of domestic and international trade. For, again, as he observed, “...nations have been taught that their interest consisted in beggaring all their neighbours. Each nation has been made to look with an invidious eye upon the prosperity of all the nations with which it trades, and to consider their gain as its own loss. Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity. The capricious ambition of kings and ministers has not, during the present and the preceding century, been more fatal to the repose of Europe than the impertinent jealousy of merchants and manufacturers ....”

(AS_WN, IV.3 Part 1. 38)

Tragically, however, that same pattern of upper echelon commercial behaviour has continued, repeated on and on through European and Western history, notwithstanding the generous gifts of nature, (energy sources included) and the human inventiveness that made possible the birth and expansion of modern industry. For, given those features in support of both domestic economies and a world-wide system of fair-trade exchange, a just economy could readily have satisfied the needs of all in a totally pacific manner, which of course is exactly what Smith so ardently sought.

However, that fails to fully describe the problem because the Western trading system has other features described by Smith (and still with us today) that stand in the way, the stumbling block of monopolies and oligopolies granted to (or wrested by) the powerful, - and the dire effects these continue to have on the character and temper of trade. For, to side-step the normal (‘much-lauded’) competition, inherently unfair monopolies always attain their own advantage (both domestically and internationally) by disadvantaging all others in society. Further, as Smith repeatedly stressed, in the international economy they have been at the very core of international disharmony, and war. For, from the outset, Europe’s government-sanctioned monopolies took the form of forced colonisation and exploitation of overseas peoples and their resources, such injustices commonly leading to revolt and wars of punitive repression. Moreover, the ‘favoured’ Western monopolies, each backed by it’s national government and in aggressive competition over their supposed ‘rights’ to control the economies of overseas territories, repeatedly went to war with one another.

So, understandably, the core of the problem is monopoly, the ability of business to take unfair advantage over others, their rightful competitors, and the willingness of governments to support such injustice. Indeed, in terms of its
effects, injustice, poverty and war, its radiating evils are frequently of the
greatest magnitude and horror. And since this evil stems from greed and the
cheating of others, it represents corruption of the worst kind. Indeed, since
ultimately such corruption threatens the lives of all, it is vitally important that it
be arrested as soon as possible. For, we humans are on the brink, surrounded by
many chasms, urgent crises related to our grossly-assaulted environments,
resource depletion, overpopulation, distorted human relations, poisoned
international relations, resource wars, quasi racial and religious wars, - and all
essentially because our trade and finance relationships remain so deeply mired
in this toxic corruption. Moreover, should our confused, less-than-sane inaction
continue, any of these issues, (e.g., the Middle East mess, assaulted
environments/global warming, nuclear instability/cum madness) could get out
of hand, beyond the point of no-return. Yet, despite the reality of these truly
precarious situations, in many quarters there appears a bland expectation that
‘all will be well’, a form of wishful thinking that amounts to simply standing by
while over-viewing what amounts to a race for the bottom. Sadly, it takes one
back to the insanity of the Cold War decades when, right or wrong, all sides
were within a button press (whether intended, mistaken or accidental) of mutual
species extinction, i.e., the final betrayal of all hopes and promises that came
out of WW2. (IB1,9C(b); IB1, I (a) (b); IB1, 10A (b); EOW)

And yet, in principle, the nature of the solution to the above corruption-driven
crises is already well understood, both from the wisdom of Smith and that of a
host of other wise folk, including many who are ready today with sound
programs. To repeat, the key to overcoming such corruption through a re-
configured honest trading system, is to ensure everyone’s interests by protecting
the ‘common welfare’. For this feature is an absolute pre-condition not only for
the sustainability of the economic trading system itself, but for the health of our
natural environment, the peace of the world, the conservation of human and
other species, – and thereby, as Joseph Stiglitz puts it, our own “….ultimate
well-being”. (JES, 52-82, 288, 397)

Ultimate Costs of Futile Wealth Creation, an Analogy,

Finally, the above suggests an interesting biological parallel which, since it
relates to the seeming ‘success’ yet ultimate suicidal effects of ‘thriving’
malignant cells, could be enlightening. For, in malignancy a sub-population of
affected tissue cells lose the shapes and arrangements characteristic of their
normal tissue patterns of origin (skin, muscle, liver, kidney etc.). Moreover,
those cells behave ‘anti-socially’, showing little if any ordered arrangement as
they multiply and move, actively invading adjacent and (metastasising) more
distant tissues. There, freely taking up others’ nutrients, they thrive.
Consequently, as the tumour mass increases, the victim’s normal tissues steadily fade away. (IB6)

And, here’s the rub, for while the victim’s normal tissue cells continue their usual functions (movement, digestion, breathing, thinking, etc) striving as best they can, the thriving tumour cells do absolutely nothing but imbibe good nutrients and put on weight. So as Adam Smith would appreciate, treating the problem as macroeconomics gone seriously awry, we too can recognise the inevitable end result. For, ‘no one’ wins, since the malignant cells’ triumph of collecting all wealth unto themselves has so weakened the overall body system that it expries, the lives of all cells lost due to one cellular sub-population’s (allegedly self-serving) de-regulation which causes the extinction of all.(IB1, Appendix D,4,5)

**Broad conclusion:** Re-educational cultural evolutionary pathways remain the key to preserving the human and other species. Continued intra-species conflicts in any guise are the over-arching challenge, for should these conflicts continue, our species will not survive. In other words, it is altogether certain that if a species is to continue to survive, it must abstain from being at war with itself.

Finally, a salutary thought. Throughout the evolution of the human species over some millions of years, cooperative behaviour, including the sharing of burdens and sustenance in a broadly equitable manner was an absolute condition of our species survival. But now, after a relatively very brief 10-12,000 years of trying out a very different inequitable societal way of life, we have arrived at a fork in the road where we must choose between mutual destruction with extinction, vs, a return to that broad societal equity, but now backed by existing support systems for people/populations along with all other plant and animal species in an effectively preserved natural environment.

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