

PRACTICAL ECONOMICS

GUIDING PRINCIPLES and their current application

We are now living in a time of unprecedented economic and financial turmoil. As events continue to unfold there is more transparency as to what has taken place but there is still a great deal that we do not know or understand. Although the pundits are looking back to the great Depression and Japan's "lost decade" for help in gauging the future course of events it is not clear that this is a valid course of action. Indeed, it is not at all clear that anyone actually knows what is required.

As recently as the end of March last President Obama, in an interview with the FT, said "there is a gap in ideas about how to approach a crisis like this – especially among economists. And in last week's Business Week the lead article was entitled "What good are economists anyway?"

The situation is not unlike that of a major earthquake. The pressure builds for an extended period of time and then the tectonic plates move in ways that cannot be predetermined. Perhaps we do not know enough about the forces to properly understand them and their effects. Perhaps we are not meant to – they are just the forces of nature working themselves out. Following a large earthquake there are generally a series of after-shocks. These are also unknown quantities and there is no way to know in advance how many there will be, their severity nor what the new landscape will actually look like once everything has settled down into a new period of equilibrium. Nassim Taleb would call these earthquakes Black Swans.

The longer the period of so-called stability between 'quakes the more likely the more destabilizing the result. The point is that there appears to be stability on the surface of the planet but, in fact, there is much going on beneath the surface. Each disruptive event is interspersed by periods of what look like stability.

It does seem as though what we are going through now mirrors such an event. Periodically, we get an economic upset interspersed with periods of growth and expansion. We now have a significant upset having been preceded by a period of extended and global expansion. Not all would agree that economic upheaval and an earthquake are synonymous. I believe they are and simply put they are the result of natural forces at work. Part of the difficulty we face is that we just do not understand what is at work here.

What do I mean by this? Well, we are all familiar with the notion of the balance of nature. By virtue of simply observation we see that things left to themselves in a natural setting operate harmoniously. When matters get out of balance Mother Nature operates to bring them back into balance in her own way and in her own time. I would submit to you that this is exactly what is happening today. One way to think of this is in terms of natural justice. Nature operates in a just and equitable way and what is happening now is that the various injustices are being remedied.

The difficulty seems to arise when that familiar character, Man, gets into the picture and starts to move the pieces on the chess board around without understanding that there is a body of law, Natural Law, that actually governs events. Thus the actions of Man will either be congruent with this body of law or they will not and our activities will aggravate the situation. But let us make no mistake, Nature will have her way whether we like it or not.

With that in mind we could usefully direct our minds to the subject of justice and this body of natural law. We should begin to appreciate that it exists and that it does indeed govern events. This body of law we can think of as the guiding principles.

When we think of law, to the extent that we think of it at all, we think of man made law – human law if you will. However, there are levels of law and we will spend a moment on them. In fact the notion is not completely alien since the Declaration of Independence invokes the Laws of Nature and of Nature’s God. It also identifies the self evident truths with which the Creator endows us.

Down through the ages the subject of natural law has been addressed and notably by St. Thomas Aquinas, Marsilio Ficino and Sir William Blackstone.

Blackstone, as the most contemporary, is helpful in expounding this subject. He refers to natural law, revealed law, the law of nations and municipal law. Natural law may be understood as the cosmic law, the level of law through which the Creator expresses the Universe. These laws are beyond our sensory perception and regulate all activities including, by way of example, the order and disposition of the galaxies, the mighty revolutions of our planetary system, the rise and fall of civilizations and, at the other end of the scale, the seemingly mundane, the seasonal appearance of crocuses in spring.

The revealed law is that which is given to us by the great law givers such as Manu, Hammurabi and Moses. The Ten Commandments and Sanatan Dharma are examples of such laws and it is that aspect of natural law that has application for mankind.

The law of nations relates to what we call international law and municipal law is what we are familiar with as emanating from federal, state and local sources. These last two fall into the category of MML.

Blackstone says that all human laws are dependent upon the natural and revealed laws and *“no human laws should be suffered to contradict them.”*

I would submit to you that it is because our human laws are not in sync with the revealed laws that injustices have arisen. Moreover, that situation will not change for the better until the situation is redressed.

There is a metaphor concerning a blind man and a lame man. One cannot see nor the other walk so one carries the other and between them they are able to proceed. The

relationship between NL and MML is like that. Man-made law is injunctive, it commands and we are obliged to follow it on pain of punishment. It generally comes in to being to meet a more or less immediate need and lacks foresight. The natural law cannot command but has the long term in view. If events unfold in accordance with natural law the result is happiness and contentment and justice results. The union of the two, NL and MML will lead to a more just and equitable society. As with the blind man carrying the lame man both NL and MML have a part to play if justice is to prevail.

So the first point is that the current crisis is a direct result of a problematic relationship between NL and MML. As Blackstone might have put it “our human laws contradict the natural laws.” We are suffering the consequences.

So, how to redress the situation? We need to recognize that what Blackstone says is correct and having accepted that go right back to basics. We might start with the most fundamental questions as to what is an economy and what is it supposed to do. These questions are rarely asked but it seems to me that unless one has a clear view on this I am not sure that any solutions that are proposed for the current situation are any more than rearranging the deck chairs on the Titanic.

Well, what is an economy and what is it supposed to do? There are probably lots of answers but one which satisfies is this. It is a dynamic organism that is based upon human behavior and which operates to satisfy human needs. It will also satisfy human wants and we need to carefully distinguish between the two since it is the satisfaction of the latter that has got us into so much trouble. As Gandhi pointed out *“there is enough for everyone’s needs but not for everyone’s greed.”*

One thing to note about an economy is that it comes into being spontaneously. It arises wherever a group of people congregate for an extended period of time. Nobody legislates for it to come into existence; it just arises through the manifestation of desire.

Just consider the truth of this. Here in the US we have a “so called” free market capitalist economy. It is not free of course, only sort of, with all kinds of subsidies, taxes, imposts and so on but it has considerable benefits over a planned economy such as that which collapsed in the USSR some years back. What happened in the Soviet system? Without a price mechanism to regulate demand and supply a black market developed. Nobody legislated for that to happen but it did despite the best efforts of the authorities. An economy arises naturally as a response to meet the needs of the people who populate it or come to rely upon it.

Of course, once an economy starts to function, government gets into the picture and looks to regulate the operations of the economy in various ways. But notice that this also happens naturally and only after the economy has come into existence. An economy is not a single event of course and although different systems come and go this dynamic organism will continue to exist as long as there are needs and wants that are going unmet in a society.

The point about this is that an economy is a natural thing, if we can describe it as such. It arises naturally and operates naturally according to this body of guiding principles. Whether we know about these laws or principles or not is irrelevant, they continue to operate regardless.

In understanding matters one of the challenges we face is that economics is regarded as a “soft” science. By soft I mean that there appear to be no hard and fast rules as there are in the hard sciences like physics or chemistry. If you compress a gas in certain conditions the same set of phenomena will always result and Boyle’s and Charles’ Laws describe this. If you combine two atoms of hydrogen and one of oxygen you will always get the same result.

However, people are different. Rarely will one get the same result twice from a group of people. This is to be expected since one is dealing with human beings not pieces of unconscious matter. This means that in the matter of human relations there is an apparent absence of hard empirical data and this gives rise to a situation where theories, opinions and beliefs are substituted for hard facts. No wonder that economics is so apparently inexact. No two views are ever the same.

If one needs affirmation of this just look at the response to the economic turmoil, no one really knows how to fix things. There is no play book, so the financial pundits tell us, and differing solutions are emerging to be tested against public opinion and the operation of the market. The need for truth or justice to be inherent in the proposals does not seem to have arisen as a prerequisite and time will tell to what extent any of them will work. It may very well be that time itself will prove to be the great healer. All that we will have done in the interim is meddle in the process and perhaps exacerbate the situation.

So, the proposition is that we have a situation where if the natural laws are followed a just situation would result and an economy, whether local or global does not matter at this stage in the analysis, would be capable of meeting the needs of its people. After meeting basic needs it is probably capable of meeting some level of wants as well.

With this background we ought, perhaps, to say something about what has given rise to the current situation? If we can identify some of the characteristics of the present situation that may furnish some clues as to what has gone awry.

First, there is this sense of entitlement that seems to penetrate everything. We hear all about rights but what about duties. What about our obligations as citizens. The whole notion of rights is based upon a system of inherent obligation whereby, for example, I am free to walk down the street unmolested simply by virtue of the fact that we all agree to restrain ourselves. What could be more natural in a civilized society?

Instead of the pre-occupation with rights we need to shift the focus to our obligations as members of the human family and those other species with which we share the planet. It may very well be as the Book of Genesis says that we have dominion over the fish of the sea and the fowl of the air and over all the earth. However, this does not mean that it is

our role to ruthlessly exploit the situation. Dominion means lordship and sovereignty which implies responsibility and a duty of care. It does not mean domination.

By way of one example think of the impact of human activity upon the planet's water resources. More than a billion people lack access to clean water and 2.5 billion are without water for sanitation. 80% of all disease is carried by dirty water. Despite the fact that the Earth when viewed from space looks blue, 97% of the water on the planet is not potable.

To bring this closer to home - recently I was sent a link to YouTube and a WWF sponsored video entitled "How much water does it take to make one latte?" Not only does this include the water in the latte but the lid, cup & sleeve, sugar, milk and, of course, the coffee itself. The answer is 200 liters of water, some 50 gallons. Now just think how many lattes are consumed on a daily basis worldwide. This is an awful lot of water. Reflect upon the implications?

It also apparently takes 2,000 liters to grow a kilo of vegetables and 15,000 liters to produce a kilo of beef and more and more people are eating meat as living standards and diets "improve". We grow alfalfa (a thirsty crop) in CA through irrigation and grow wheat in India and Brazil where twice as much water is consumed were it grown in the US and China. 75% of the world's water goes to agriculture and we are going to need 60% more water to support the 2 billion souls who will join us between now and 2025.

Not to belabor the point, although one could be forgiven for so doing, the planet is a finite resource. In the light of peak oil, climate change, destruction of habitat, loss of species diversity and on and on we need to carefully re-consider this whole idea of rights and entitlements and start to consider the subject from the perspective of duties or obligations. Essentially, we need to remember the Golden Rule – do unto others as you would have them do unto you. If we could but imbibe this principle in all our activities the world would be a different place. We need to put rampant consumerism in the context of sustainable economic activity and remember the principle of – first, do no harm.

Secondly, there is this notion of something for nothing. The classical economists tell us that there are three factors of production, land, labor and capital. Labor applied to land generates wealth. Mark that, labor and land generate wealth. Money is not wealth; it is merely a claim on wealth. Money, or at least its digital version, evaporates as we now very well know and it is useful to look closely at this since whilst wealth does degenerate over time it does not evaporate overnight. Just ask any home owner – we are constantly fixing things and the place always needs painting. Wealth is tangible and useful. Money is only useful if it can be exchanged for things and we need hardly be reminded that it cannot be eaten. Money also gets rapidly devalued as the hapless citizens of Zimbabwe know to their cost.

Just consider how much of our economic activity, how many of our resources are devoted to the making of money rather than of creating tangible wealth. A recent article in

Atlantic Monthly drew attention to the fact that in 1973/85 the financial sector contributed 16% of domestic corporate profits. By 1986 that figure had reached 19%. In the '90's it ran between 21 and 30% and in this decade it has been as high as 41%. Pay scales also reflect this bias. From 1948 to '82 average compensation in the financial sector was between 99 and 108% of the average for all domestic industries. From 1983 it shot up and reached 181% in 2007.

Of course the situation has change in the last few months but is it healthy to have so much of our economic well-being tied to such activities. As a result of the brightest and the best going to the financial sector we now have this unprecedented worldwide mess.

I am not arguing for disbanding the financial sector but is making a profit through financial engineering rather than making something useful or creating jobs more important? I do not want to suggest that financial engineering or making a profit is a bad idea. Not at all but there is a wider issue here. For example, much of the recent M & A activity has its root in the need for increased efficiency as partly reflected in stock-holder returns. In the process thousands of jobs have been eliminated and we now face a crisis of employment. Where is the sense in all this?

Bear in mind also that a significant number of these monetary claims on wealth that are being generated relate to future wealth productive capacity. As has been said wealth does not accumulate of its own accord, it deteriorates, but claims can and do accumulate and will have to be retired by the productive capacity of future generations.

Consider also the interest on a loan, the rent of unimproved land, a receipt of dividends or other so-called unearned income. Do such payments represent something for nothing? Are they the direct result of labor applied to land? Do they represent wealth? These are highly complex issues given the way our society organizes itself. I do not propose to develop answers here but merely to pose the questions as something worthy of serious enquiry and having direct relevance to where we find ourselves today.

Third, we referred earlier to the balance of nature and it is useful to reflect upon some of the imbalances that are now in the process of being corrected.

The idea of the American Dream originally expressed as freedom and prosperity has become understood as the ability to own one's own home. Not a bad thing in and of itself and successive governments have, as an act of policy, promoted home ownership by a raft of measures that culminated in the sub-prime loan debacle. The idea that a home should be a source of capital gain as opposed to merely providing shelter has taken root with disastrous results. The relationship between household income levels, rental levels and home prices has changed dramatically. Perhaps not all should be able to own their own home unless they are able to meet some clearly defined and reasonable criteria. Clearly, no money down, a teaser interest rate and the necessity for two incomes to support a mortgage have not proved a good recipe for success. A more sustainable relationship between income levels and house prices needs to be established.

When I bought my first house in the UK perhaps 30 years ago the rule of thumb was that you could borrow up to 2.4 times the principal breadwinner's gross income. This created a barrier to over-leverage. I understand that home prices expressed on some sort of average or median basis have fallen from 4x income to 2.8x income and that is a move in the right direction. In terms of recent affordability statistics and prior to recent events something approaching 60% of income was being allocated to mortgage payments by some owners. The Administration has proposed ways to help distressed home-owners by reducing the number to 31 or 32% and you can readily see how badly things have got out of balance.

Next there has been the extraordinary expansion of lending. Money has been borrowed into existence to fuel consumption. Some 68% of the US GDP is predicated upon consumption. That is an awful lot of toasters, cars and goodness knows what else. It might not have been so bad if the borrowing had been for investment rather than consumption but borrowing to acquire a wasting asset is a fool's errand. Many of these consumer loans were sliced and diced and sold around the world as investment grade product. This is another gross imbalance that is now being rectified at huge societal cost.

All of this was attended by an enormous imbalance in the global savings and spending picture. Whilst China was saving we were spending as if there was no tomorrow. This is going to have to change and indeed it is. With saving in the US increasing this is having an adverse impact upon efforts to re-stimulate the economy by seeking to persuade us to buy more things we probably do not need with money we do not have.

The interesting thing about Mother Nature is that she makes provision for, in systems analysis terms, feedback loops. These operate to prevent matters getting too far out of balance. Part of the issue for us, and it is most apparent in the financial world, is that man's creative capacity to invent sophisticated financial instruments far out-ran our ability to create the appropriate feedback loops. If we had developed better loops or risk assessment tools or, perhaps, paid more attention to the ones we had in place, some level of restraint might have prevented the worst excesses.

The last major imbalance worth mentioning is that of the enormous concentration of wealth in relatively few hands. I read recently in The Economist that in 1979 the top 0.1% of Americans earned 20x the income of the bottom 90%. By 2007 that multiplier had become 77. No doubt there are plenty of statistics available to prove the point but the anecdotal evidence is that the gap between the haves and the have-nots has got unsustainably wide. This is going to have to change.

The picture seems clear enough and these are some of the things that have led us to where we are today. We should appreciate they are not all of recent origin and many have their roots way back in time. For example, it was in 1913 that the mortgage interest deduction was first introduced. One might say that therein lay the seeds of the housing boom and the sub-prime crisis.

The question before us now is where do we go from here?

Before embarking upon that we might just reflect upon the role of philosophy in all this. After all this is the School of Practical Philosophy and we offer courses in Economics. Why should what we have to offer be any better than what is available elsewhere. Indeed, why even study economics?

Let us go back to the definition of an economy. It is a dynamic organism that is based upon human behavior and which operates to satisfy human needs. We can readily appreciate that an economy involves people and cooperation. As an individual there is not a whole lot one can accomplish. As a jack-of-all-trades life will be basic and, as Hobbes said solitary, poor, nasty, brutish and short. Obviously there will be no time to pursue higher ideals or the capacity to lead a more fulfilling and rewarding life. Working in cooperation with one's fellow man a division of labor arises and one has the option to follow a course that would enable one's full potential to be realized. Moreover, the society is enabled to produce an economic surplus that is available (if society is so minded) to build houses of worship, museums and centers of learning and so forth. This and a series of other benefits mean that society may be uplifted.

For most of us work is how we spend a great deal of our time, how we express ourselves. In many cases our work may be repetitive and/or boring, largely unfulfilling and perhaps no more than the means to the end of paying the bills – a form of wage slavery. Whilst we enjoy civil freedom there is no real sense of economic freedom and to better penetrate the reasons for that it would be useful to engage in the study of economics.

As Plato said *“The penalty that men pay for failing to participate in politics is to be governed by others worse than themselves.”* He could as easily substituted economics for politics.

Economics as currently presented, for all practical purposes, ignores the fact that we are human beings. Indeed, it thinks in quantitative terms rather than qualitative and we represent units of consumption and production, economic statistics if you will. Philosophy shows us that we are much more than material beings and we embody an ethical and moral dimension. It is philosophy that identifies that we have a universal aspect and that we play a part in a much larger scheme of things.

It seems to me that an economics that fails to account for the fact that we are human and have values and needs beyond the material is a flawed system. Hence it is that philosophy and economics are two aspects that properly have to be considered together. It is for this reason that we offer courses in both branches of knowledge.

In view of this let us consider the way forward. We have touched on a number of issues within the system – the need to re-think our sense of entitlement and our place in the overall scheme of things, the complexities bound up in the notion of something for nothing, living way beyond our means and the disparity between those that have and those that do not.

How may these be addressed? It is not suggested that there are any easy solutions but what is clear is that we have to begin to think differently about things. It is the role of the leaders in the community to bring that about. As Einstein said *“The significant problems we have cannot be solved at the same level of thinking with which we created them”*.

With that in mind it is possible to sketch in some broad outlines of what a new system might include. However, let us be in no doubt that change is being imposed upon us by the forces of Nature, better that we appreciate that this is the case and take positive steps to embrace it. Indeed, as President Obama’s Chief of Staff, Rahm Emmanuel, said a crisis is too good a thing to waste. In that light the current turmoil represents an excellent opportunity to take steps to fashion a new global economic architecture. It may very well be that the G 20 meeting that took place in the UK recently will be the first step down that road. That said one hears mixed reviews on how the then best expressed intentions appear to be playing out.

The principal thing that has to change is that we think of economics in terms of the overriding need for justice to prevail. We have to find ways and means to allow that to happen but if all arrangements are subordinated to that end a very different economic organism will result.

Consider what most of us take for granted, the free availability of the elements that we need to survive – fresh air, abundant sunlight, water and land. All of these are provided for our use by the Creator and were made available in abundance before we arrived on the scene. Whilst sunshine remains abundant and freely available the air is not quite so clean and fresh everywhere as it used to be. Industry, by way of example, has been busy venting pollutants into the air as the most cost effective way of dealing with unwanted elements of their productive processes.

As we are coming to appreciate the availability of water is an issue that looms larger than that presented by peak oil. This is as much a problem here in the US as it is elsewhere in the world. I have been reading recently of serious shortages in California’s Central Valley where many of our vegetables are grown. At this point arguments about water have given rise to local skirmishes but could easily develop into much more serious confrontations not only between communities but between nations.

However, the basic element that provides us with space to live and work and provides for everything that we need – food, clothing and shelter – is no longer freely available in the West and, indeed, in many other parts of the world. It has been parceled out and most, if not all, of the productive and marginal land is spoken for. This divides humanity into two categories – those that own land and those that do not. This creates a dependent class of being and opens the way for abuse, undue exercise of influence and all that that empowers. Those that depend upon access to land for subsistence have to exchange the fruits of their labor for it since they have nothing else to offer. This is hardly a natural state of affairs and is rife with injustice.

There is another aspect to this; unlike most things land does not respond to demand by producing more supply. In the ordinary course of events the operation of the price mechanism would call forth more supply. As demand increases the price of the product increases and, in turn, new supply is induced into the market. Not so with land; all that happens is that the price goes up. Only in rare instances does land get created although in the Gulf States, and Dubai in particular, they have mastered the art by dredging up material from the Gulf to form new islands.

Zimbabwe's Robert Mugabe and Venezuela's Hugo Chavez, and perhaps others, have land re-distribution systems underway but in terms of the way it is being effected is far from just. However there are other ways to begin to address the situation to properly reflect the privileges inherent in ownership and possession of land.

Henry George's great insight was that progress and poverty would continue as handmaidens as long as land was not freely available to those that needed it. It was recognized that the system of ownership was so deeply embedded in our society that to change it was probably impossible. His solution was to reserve unto the community a part of the value of the land that was created solely by the community. He sought to levy a tax not the improvements on land, the buildings, but on the increase in the value of the land brought about by community funded improvements such as roads and other infrastructure. The collection of these funds would operate to reduce the general burden of taxation.

Further, given what we know about the rising population and the demands upon water supplies there will likely be the need for action in relation to this element as well. This holds true for other naturally available resources as well, such as the electro-magnetic spectrum, off-shore and undiscovered sources of fossil fuels and anything else to which man can turn his mind in the seeking of exclusive possession.

What is required is a system to replace exclusive ownership with user fees. There are some things that probably need to be owned in common and where consumption takes place a user fee is paid for that privilege. We can begin to see the initial outlines of a system in the notion that "the polluter pays". This is the first area where some new thinking is in order.

It is appropriate to mention the subject of taxation. Just reflect upon where the current burden falls - it largely falls upon labor. Without wages or salaries there is nothing upon which to levy an income tax. Without the product of labor there are no goods and services to levy a sales tax. We know that to apply a burden or an impost to something operates to limit it in some way. Thus, taxing labor, which is all that most of us have available, operates to minimize our incentive to produce.

This is the second area where some new thinking would be in order.

A third area that needs re-assessment is the thrust of globalization. This is a multi-headed hydra and we will look at two aspects that have the potential for import substitution, replacing international with local production - food and employment.

In terms of food, we are told that the average item in our supermarket has travelled between 1,300 and 1,500 miles to get there. This says plenty about the freshness of the product and its nutritional value let alone the carbon footprint involved. We could do a great deal more to promote locally grown and consumed food. This move is already underway with CSA's and farmers' markets but additional impetus could be added by appropriate government action.

The organic farming movement is growing in leaps and bounds and this has important implications. The idea is feed the soil not the plant. If we take care of the soil, nature will take care of the rest. The move from fossil-fuel based supplements does a couple of things. It begins to reduce dependency upon oil, and foreign oil at that, since the production of inorganic fertilizers is enormously energy intensive. Secondly, it facilitates an improvement in soil conditions because the application of inorganic fertilizers destabilizes the soil food web, the communities of microbes that foster the recycling activities in the soil. Lastly, it creates more local employment and the revenue streams may also circulate locally for the benefit of all. Shopping at Costco and Wal-Mart is all very well but the revenues leave the community.

This leads on to the second aspect of globalization that I would like to refer to, employment. In recent years technological developments and improvements in logistics have enabled all sorts of tasks to be commoditized, that is broken down into separate and discrete parts. This has facilitated outsourcing to the lowest cost producer. This has affected all sorts of industries, cars are but one example. It has also affected services – you can now get your accounting done in India or your X-rays read in the Philippines.

Not only might it be possible to bring home some of these tasks thereby exercising better quality control but there is another more subtle aspect. A new attitude to work could be developed whereby not only did one take more pride in one's work but the employer or consumer of the product recognized the inherent quality of the product and the labor that went into producing it. This would require something of a re-examination of the costs and benefits of mass production and outsourcing generally. I am not arguing for a return to some pre-Luddite bucolic ideal. However, there must be scope to develop local economies in a way that would restore the dignity of work, bring a much greater level of satisfaction to the worker and restore the social fabric of many of our communities.

There are many more areas where new thinking is required but in the interests of time I will mention but one. We have to re-examine our predilection for growth at any cost. As we have said we are bumping up against the limits of the planet to support us. This is going to become an increasingly important matter as the UN Population Division projects that by 2050 there will be around 9 billion of us, some 50% more than today. Somehow we will need to find a way to feed and clothe ourselves. Nothing in nature grows on a continual basis. What happens is that there is some growth followed by development

before the natural cycle comes to a close. We recognize this to some extent in the economic notion of creative destruction.

The metrics by which and the importance we attach to the measure of growth, GDP, needs to be re-thought. Whether the State of Bhutan's Gross National Happiness Index or our Genuine Progress Indicator is the way to go I do not know but what is clear is that more of the same cannot continue.

That said, much of what one hears about the current crisis and its remedies are geared to getting us back to where we were before the earthquake. I fear that this is misguided – getting back to business as usual as quickly as possible is not a practical proposition. As was said before, we need to begin to think differently about all these issues.

I would like to close with a couple of quotes. The first from Khalil Gibran's Prophet. When asked by the merchant to speak on buying and selling he had this to say:

“To you the earth yields her fruit, and you shall not want if you but know how to fill your hands. It is in exchanging the gifts of the earth that you shall find abundance and be satisfied. Yet unless the exchange be in love and kindly justice, it will but lead some to greed and others to hunger.

And before you leave the market place, see that no one has gone his way with empty hands. For the master spirit of the earth shall not sleep peacefully upon the wind till the needs of the least of you are satisfied.”

We have said a great deal about the subject of an economy and have said little or nothing about economists. In view of that I would like to leave you with an observation by Mr. Leon Maclaren, who, as some of you know, founded the mother ship of this school in London some 80 odd years ago. He said *“The problem of the economist is to understand the balances at work in society, to know what human actions disturb these balances, and set the irresistible powers of nature at work to restore them. Knowing these disruptive actions, our task is to restrain them.”*

Thank you for your attention.

28th April, 2009