



## **The Great Divorce: Economics & Philosophy**

For early economists such as Adam Smith, Thomas Malthus and John Stuart Mill, economics was indivisible from moral philosophy. Their objective was not to discover eternal laws governing the functioning of human economic systems, but rather to improve upon the prevailing economic system to support the survival and enhance the economic security of all members of society. They understood an obvious fact that has since been lost sight of. Economic systems are man-made and, as such, can always be modified and improved. Smith understood that trade was a powerful means for enhancing the wealth of nations, hence his emphasis on the power of markets. Yet he knew that unregulated markets were a throw-back to the law of the jungle, a principle that might have governed the evolution of animals and primitive humanoid species in the past, but was unacceptable as the guiding principle for societies that claimed to be civilized and cultured. Writing at the very dawn of the Industrial Revolution, Smith understood that economic systems are not ends in themselves, but rather means for enhancing human welfare and security and that they are capable of continuous evolution and improvement.

The Industrial Revolution that dominated the 19<sup>th</sup> Century was a triumph of technology – proof of extraordinary human capacity for knowledge and invention, unimagined productive potential of technology, unparalleled creation of wealth among a small but growing class of entrepreneurs. A new respect for scientific knowledge, a quest to discover the laws of nature and to apply the power of Nature for productive purposes led to a marriage of science and technology, which began, largely unconsciously, at the turn of the 20<sup>th</sup> century and matured after the second world war, reaching a summit during the past 25 years. This phenomenal success led inevitably to the extension of the same scientific outlook to the study of human society.

Somewhere in this process, we forgot a basic truth self-evident to early economists. Unlike the laws and principles that govern physical and chemical processes, the laws of economics are man-made. They reflect the values, aspirations, knowledge, attitudes and culture of the human beings who fashion and utilize them. Unlike the physical laws of nature, which remain constant over eons, society and its systems are capable of continuous and rapid evolutionary progress. They are not governed by infallible and un failing laws of Nature to which we are forced to adapt. They are products of human consciousness, human choice and initiative. While we may confidently depend on the law of gravity to keep our feet firmly planted on the ground from now to eternity, to rely on free markets or any other economic mechanism as the final arbiters of human welfare is no more scientific than the belief that drought and pestilence are God's punishment for human indiscretion. Yet to a large extent this is what has occurred. Thus, we resign ourselves to the fact that tens of millions of today's

youth are unable to find gainful employment and more than three billion people still live in poverty, struggling for survival from one day to the next without a modicum of human security, while a small but growing number accumulate unimaginable wealth beyond any possible need or capacity to utilize it.

The divorce of economic science from moral philosophy has led to a sense of bewilderment, helplessness and fatality regarding the functioning of our economic systems at precisely the moment when we have the collective knowledge and capability to eradicate poverty globally. The world today possesses the capacity to produce sufficient food, clothing, housing, education, health care and other basic necessities for all its citizens. At the same time there is a huge backlog of unmet human needs. What we lack is an effective system for harnessing our collective capacity to meet those needs. High levels of unemployment and underemployment demonstrate that our economic system is unable to effectively utilize the most precious of all resources – the human resource. Human beings learn by doing. Our capacities increase when they are exercised. Experience gives us skill, knowledge and maturity of judgment. Like a neglected machine that rusts or a muscle that is not exercised, in the absence of use our human capacities gradually deteriorate. Today we live in an economic system which denies to huge numbers the opportunity to exercise and develop their basic human endowments. Surely we can do better.

Economic systems reflect human choices, not incontrovertible laws of nature. The laws governing modern economy are largely based on Roman conceptions of property, which upheld the rights of the private property owner to just rewards, but failed to take into account the collective rights of global society for protection and a just return on the use of our global commons. As Winston Nagan points out in “Human Rights and Economic Theory”, the narrow conception of individual freedom founded on private property rights advocated by neoliberalism neglects a much wider, more humane conception of social democracy, freedom from want and human security affirmed by the New Deal, the Atlantic Charter and the UN Charter.

It is time that global society fully recognizes its power and responsibility for crafting an economic system that provides economic opportunity and human security to all its members.