

# Understanding the Global Economy

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*Peace Education Books*

## Preface

This book began as a way to help my friends with their homework. (I have been helping friends with homework since fourth grade.) Now, as a member of the middle-aged professional class in California —when I am not teaching Peace Studies at Earlham College, Indiana— I have friends who see themselves, with reason, as victims of the global economy. They are engineers who have lost high-paying jobs as corporations have downsized or moved operations offshore. Other friends suffer in other ways, while still others are not suffering—not yet. All of them—it is my destined honor to have socially conscious friends— are active within orgs that protest the global economy and seek to reform it. We all sense that the global economy has power over us and does not love us.

I wrote this book because I believed that my friends had not done their homework; they did not have time; they had no training in philosophy. I had the preconception that economics could not be understood, much less transformed, without philosophy. I think I always knew in the back of my mind that I had a thesis to prove. My initial plan was to review all of the scientific efforts undertaken to understand the global economy, without declaring any conclusions in advance. Thus, I wanted:

- outlines of the new and enhanced understandings of the global economy, outlines that would include and go beyond the knowledge and insight of all the extant theories
- my conclusions to state and prove themselves by the weight of the evidence alone
- the reader to see —guided by my survey— that there is a better way to understand the economic dilemma, which humanity now faces, thus to see the way to solve it.

My initial plan was vague, so I use this preface to state what I will try to prove, and how I propose to prove it. Ultimately, even if the conclusions do not affirm themselves, I will have supplied a vocabulary for formulating them. I

will be able to write my thesis in my terms and those borrowed from authors (such as Wittgenstein). I merely surmise about what concepts and terms are familiar to most readers; though I do define some of the knotty ones, context often suffices. I state my thesis using the common terms: culture, cause and effect, and needs. **My thesis: the solutions to global economic problems are, in the end, cultural rather than economic.** Otherwise stated: the lines of reasoning by which economists explain international trade are, in the end, descriptions of how certain basic cultural norms work out in practice on a global scale.

Hence, social changes intended to alter the present disastrous course of events must, if they are going to solve humanity's fundamental problems,—change culture. By contrast, traditional societies not fully incorporated into the basic normative structures that govern the global economy, in most cases, will solve their problems better if, as a rule, their cultures do not change.

We should ask the question, “How can we construct cultures of peace, justice, and ecological balance?” That question should precede and set the framework for more specific questions about what sets of economic policies to pursue. The process of making cultural change without which economics is powerless to solve the problems it addresses has two apt names: *cultural action* coined by Paulo Freire,<sup>1</sup> and *moral and intellectual reform* by Antonio Gramsci.<sup>2</sup>

The thesis that culture is the primary reality, and the economic institutions and theories are forms of culture is explained by cause and effect. If we ask how and why the global economy became the way it is, then we are asking what mechanisms produced it, and what mechanisms it uses to produce its effects. The short answer is —the market. I will argue that the market is best understood as a form of culture, and that the cause is market culture, of which the global economy is an effect.

As I review each major theory that claims to accurately explain the global economy, I will discuss, case by case: 1.) each theory's *normative basis*, which is its answer

to the question, “What should we do?” and 2.) each theory’s *epistemological basis*, which is its answer to the question, “How do we know?” The resulting theoretical matrix, which combines knowledge about the global economy with explicit or implicit norms to guide action, I will call a *metaphysic*.

The norm to guide our action, which has support from many precedents (which I endorse) is: invent and employ cultural forms that meet the needs of humans, which regards the human family as a part of Earth’s living systems. In effect, it is the love (care) ethic combined with the Earth ethic. Thus I join the common term needs with culture and cause and effect to articulate my thesis.

In bringing to the fore the cultural basis of economic phenomena, I do not deny the validity of the explanations economists give. What economists predict often happens, in part, because their cultural assumptions mirror a culture that exists. Likewise, I approve of most all the critiques that progressive economists have made of the neoliberal juggernaut, which is wreaking havoc worldwide.

In Part 8, I comment on the twenty-six guidelines for political action formulated by Professor Jane Kelsey, a progressive economist from New Zealand. Although I agree with most of her guidelines, I also propose to modify and extend her action program. In Part 8, I outline a philosophy of culture, which views economics as a part of culture, adds important new contributions to implementing transformation, while it supports the conclusions reached by intelligent economists committed to the cause of social justice.

Readers may wonder why I do not refer to or cite popular books on the globalization of the economy. In short, I have limited my topic to scientific explanations of it. I discuss only books that claim to explain step-by-step why economic events occur. Scientific books have, or at least claim to have, a practical advantage that popular books lack: the principle of causal explanation, which is subjected to the rigors of empirical testing by confrontation with historical facts gathered and analyzed systematically. Arraying the historical facts under one or more explanatory principles

enables the scientist to advocate future policy on the basis that the same causes will produce the same effects.

A classic example is Adam Smith's *Inquiry into the Nature and Causes of the Wealth of Nations*.<sup>3</sup> Taking a —certain tendency in human nature to barter, exchanging one thing for another— as an explanatory principle, Smith deploys an extensive array of historical facts to argue that the relative prosperity of Great Britain and The Netherlands in the 18th century is due to giving that tendency free reign in free markets. Smith's normative recommendation, a prudent and moderate policy of *laissez faire*, drew strength from the premise that the same causal factors that had operated in the past would continue to operate in the future.

A popular book, such as Jerry Mander's excellent work *The Case against the Global Economy: and for the Return to the Local*<sup>4</sup> appears to have a logical disadvantage. Lacking a systematic explanation of why the world is the way it is, it thus lacks a principle to justify the inference that the measures advocated will produce the preferred results.

Nevertheless, popular books are helpful and important; in some instances, popular books that do not test scientific theories, nonetheless do have facts that will mobilize public opinion and change history. Certain popular books may even have better explanations than scientific books. Scientific theories propose generally applicable models to explain human conduct and institutions. In contrast, the events of history are often due to particular human actions unexplainable (or hard to explain) by general theories. For example, violence, lies, coincidences, surprise, passion, pride, illusions, and stupidity are powerful in the real world, but hard to explain by general theories. Popular books —long on facts and short on theory— are likely to provide better explanations of current events and better insights into the particular human motives that produce particular actions. Attempts to achieve a scientific comprehension are most relevant to the steady persistent factors; which, in the end, shape the structures within which human action takes place.

Having limited my scope to theories that propose scientific explanations, I do not attempt to review all of them. Instead, I attempt to review all of the types of explanation they employ. First, I discuss what I find to be the logic relating causes to effects in a type of explanation of international trade, (such as comparative advantage theory or Marxist theory). I then desist from discussing all of the theories of that type because if my thesis is true of a general type of explanation, then it is must be true of any instance of that general type. In some instances, however, I may have failed to regard one or more of the extant scientific explanations of the global economy because: 1). either I was not aware of it, or 2). I erred by regarding it as a species of a genus previously considered. Thus readers: please bring to my attention any scientific explanation of the global economy that contrasts those described and analyzed in this book so that I can discuss it in a later edition.\*

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The Commission on Global Political Economy discussed the earlier edition of *Understanding the Global Economy* at the meetings of the International Peace Research Association in Durban, South Africa, in June of 1998.

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In this second edition, I thank the editors at Peace Education Books: • David K. Faubion • Jeanine L. Clark. The second edition has a tenth chapter: *A Vision of a World Free of Poverty and Economic Insecurity*; it unifies my previous research

and analysis with insights and awareness that were eager to join the celebration of light.

\* The web site, [www.global-economy.info](http://www.global-economy.info) now update the evolving topics of global economy, which includes reader input. The list serve, [pjsadiscussion@lists.riseup.net](mailto:pjsadiscussion@lists.riseup.net) is the our interactive discussion of the peace and justice issues within the economy global and otherwise.

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### Notes

1. Paulo Freire, "The Adult Literacy Process as Cultural Action for Freedom," *Harvard Educational Review*: 40, 2. May, 1970.

2. Tomas Valdivia, *Gramsci y la Cultura, Mensaje*. Santiago de Chile: 28, 285 December, 1979.

3. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*. Modern Library Edition. New York: Random House, 1937. p. 13.

4. Jerry Mander, *The Case against the Global Economy, and for the return to the Local*. San Francisco: Sierra Club Books, 1996.

### The International Association of Educating Cities

This second printing makes its debut with the author presenting it themes at a conference of the IAEC –International Association of Educating Cities, born April 2003 in Barcelona, Spain (three hundred signatory cities so far). The IAEC conference is in Rosario, Argentina, the Educating Cities model city and the regional center for the pilot league of cities called Educating Cities (eighty-five cities as signatories). The Educating Cities will, as projected, be a continuous meeting of the mayors of *Mercociudades*, (market cities) which is the association of mayors in countries within the South American Common Market.

The government and NGO sponsors include the Rosario city government, (which gives the Educating Cities project

its city hall offices). In 2003, the Rosario work within the Educating Cities project won an —Outstanding Civic Work— award from the United Nations Development Program (UNDP), which opens the door to other forms of UN sponsorship. The project is a mainly a grassroots project, which aims to engage, as participants, all the people who live in the cities; which is one reason for Rosario's prize—involving neighborhood groups and citizens in participatory democracy.

The author's main activity will be facilitating seminars on *evaluation* as broadly defined for facilitators from the cities who will come to Rosario for this purpose. In addition to the author, the other main planners/advisers/facilitators of the peace education effort for the cities are: Magnus Haavelsrud of University of Trondheim, Alicia Cabezudo of University of Rosario, and Adolfo Perez Esquivel, the Argentine winner of the Nobel Peace Prize who has a chair in peace studies at University of Buenos Aires. This three-week conference from January 10, to be updated continuously, will travel to several of the regional educating cities to conduct seminars and training within the social justice issues to promote participatory democracy, human rights, and a culture of peace.

Project documents, which state the goals in detail, starting with the resolution passed by the mayors at their meeting in Rosario in April 2003 are available at <http://www.edcities.bcn.es/>.