

# Rubbery Figures

*Don't take the numbers so seriously – they don't mean anything.*

Everything to do with money sounds absurd, unless one's ears are tuned just right...

Our current economic and political games use ancient habituated rules. Their keystone is called the *Law of Supply and Demand (LSD)*, which, according to economics textbooks, ensures that prices of goods and services function as accurate and meaningful market signals, so guaranteeing the most efficient use of resources and the most optimal of all possible economic outcomes. Yet this lofty claim, like so many in economics, depends on a plethora of unrealistic assumptions: uniform market prices for identical goods or services, no expenses for tracking down or delivering them, perfect foresight or no change, rising costs with the scale of production, and enough buyers and sellers to avoid any having enough market power to set prices.<sup>1</sup> Since the assumptions do not hold (as even a few economists admit), LSD-prices need not be accurate or meaningful, resources need not be used efficiently, outcomes need not be optimal, and the market can fail.

But then, how *could* LSD-prices be considered accurate or meaningful when they do *not* include costs avoided while pursuing profit maximisation – costs passed to the environment and society to bear: air, water, soil and noise pollution... soil erosion and salinity... desertification... reduced biodiversity... urban congestion and gridlock... diminished physical and mental health from over-work, under-work, and the stresses of economic competition... One estimate of “only those costs which had been properly established by authoritative studies” suggested that “in 1994 corporations in the United States were permitted to inflict \$2.6 trillion-worth of social and environmental damage, or five times the value of their total profits.”<sup>2</sup>

Nor do LSD-prices take account of the direct and indirect savings to businesses that result from work done outside the official market economy by members of households and by volunteers – or even those resulting from the presence of roads, railways, ports, police, free or subsidised education, energy and communication networks, and much else paid for by governments (and sometimes handed over to private industry gratis). Let's also not forget public-funded bailouts of ‘too-big-to-fail’ corporations – even, or especially, of those who most ardently chant that the market knows best and must not be regulated. Just the direct subsidizing of business by government through grants, tax breaks, incentive schemes, loan guarantees, wage allowances, investment rebates, and the like sometimes exceeds reported profits.<sup>3</sup>

But although many costs are excluded from LSD-prices, many others are inappropriately included, such as those of political lobbying... excess packaging... unduly lavish office furniture and equipment... prestigious petrol-guzzling company cars... exorbitant business lunches and dubious client entertainment expenses... jobs for the boys... Picassos and weekly lock-changes for executive washrooms... million-dollar consultancy fees for five minutes of pre-determined discussion with self-styled authorities long past their use-by dates... ‘brainstorming’ retreats and overseas ‘business’ trips that include five-star accommodation, century-old brandy, and Kama Sutra instructors... gambles that don't pay off and other miscalculations... various other forms of waste, duplication, ego gratification and high living...

Rather than ensuring an efficient use of resources, LSD misleads us and wastes our time. One estimate<sup>4</sup> suggested only thirty percent of work in modern economies produces real wealth, the rest merely keeps us busy, such as by creating weapons of mass destruction then, after signing treaties, destroying them at fifty times the cost of production<sup>5</sup>... writing memos in quadruplicate full of inaccurate details about

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<sup>1</sup> Roger Leroy Miller, *Intermediate Microeconomics* (McGraw-Hill Kogakusha, Tokyo, 1978), p.90

<sup>2</sup> George Monbiot, *The Age Of Consent: A Manifesto For A New World Order* (Flamingo, London, 2003), p.231, citing David C.Korten, *The Post-Corporate World: Life After Capitalism* (Kumarian Press, West Hartford, 2000), citing Ralph Estes, *Tyranny of the Bottom Line: Why Corporations Make Good People Do Bad Things* (Berrett-Koehler, San Francisco, 1996).

<sup>3</sup> Numerous examples cited in F.E.Trainer, *Abandon Affluence!* (ZED Books, London, 1985), p.237-9; another instance mentioned in Kirkpatrick Sale, *Human Scale* (Secker & Warburg, London, 1980), p.112.

<sup>4</sup> Buckminster Fuller, *Critical Path* (St. Martin's Press, New York, 1981), p.226

<sup>5</sup> *Scientific American*, September 1990, p.18

subjects of no relevance to people who aren't interested... juggling paper profits... advertising... Another study of how abysmally the market allocates resources found that "half to three quarters of annual resource inputs to industrial economies are returned to the environment as wastes within a year."<sup>6</sup>

And to achieve these very sub-optimal outcomes, L\$D rewards necessary but comparatively easily supplied work to produce food, housing and clothing with far lower wages than non-essential work (or should it be called recreation) in art, music, sport, literature, film and TV. L\$D also grants often offensively high payments for 'labour' in pen-pushing paper-shuffling bureaucracy, marketing, legitimised gambling, finance, post-15-minutes-of-fame speaking engagements, and other endeavours that produce no real wealth whatsoever. But wait – there's more.

Instead of functioning as accurate and meaningful market signals, L\$D-prices encourage delusion. With no more than the flourish of a pen, loaves-and-fishes banking systems lend money many times greater in amount than the savings left by depositors. Reserve Banks create money on receipt of nothing more tangible than government-completed forms. Currencies fluctuate, constantly shifting values based on *perceptions*, incessantly being bet upon, for and against. Creative accountancy manipulates ledgers to transform a reality of bankruptcy into a pretence of profit. Fickle manic depressive (sometimes paranoid) markets for bonds, stocks, derivatives, shorts, mortgage-based bundles, collateralized debt obligations, credit swaps, and various other too-clever-by-half exercises in self-deception – glorified IOUs and bets upon gambles – conjure up cash flows with almost as much ease as they lose them (the traders' assumptions, biases and perceptions now enshrined in automated computer trading programs).

Modern financial exchange requires belief in order to work at all, otherwise it looks like sleight-of-hand. But do not expect rhyme nor reason, as it's all based on perception. For instance, if the latest official *estimate* of inflation is calculated as a mere tenth of a percent more or less than the average anticipated by so-called authorities, then stock markets, interest rates or currencies can fall or rise out of all proportion. Or if a somnambulant federal treasurer casually includes the phrase "banana republic" while publicly speculating about his nation's future, the currency can sink like a stone. Figments of hyperactive imaginations, L\$D's misleading numbers mean next to nothing – mean only what we perceive or choose to ascribe to them.

Nevertheless, the modern world is hooked on L\$D, and so, deafened by the hallucinatory sound of money talking, we pursue profits and cash flows – not the satisfaction of needs. Money is mistaken for real wealth, and energies frittered accordingly. Lacking money and (consequently) demand, the poor cannot offer businesses any chance of maximizing profits, so their needs take a back seat to the mere desires of others. Work of great need is sacrificed in lieu of work that makes great profits. Mercedes are built for the Mercedes-less rather than homes for the homeless. Medical research panders to the vanity of the rich rather than curing diseases of the poor. The First World stockpiles mountains of excess food while the Third World starves.

Yet the economic rules that compel this fiasco are not god-given, self-evident, unalterable commandments. They have become entrenched due to historical accident, so ingrained from long use that alternatives evoke cognitive dissonance, but they remain *arbitrary*. Perhaps we have grown too used to the profit-mad economic flow and its deranged rules to consider changing, too habituated to recognise the addiction, but other more balanced and controlled rules – suited to modern times, needs and abilities – can be devised.

Pssst. New system for sale. It's got the lot. A one-day working week. Afford anything deemed appropriate. No more financial hardship, unemployment, job insecurity, mortgages, rent, corporate tyranny. Save work without fear of losing income. Competition subservient to cooperation. Local stewardship, environmental care, international security, unfettered aid, truly sustainable development, political self-determination, change... You know you want it.

Herman Royce is [God Almighty's](#) biographer and self-appointed spokesperson, inventor of [A Free Lunch](#), and the first person in history to say "Now I've seen you naked, I could never eat turkey."

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<sup>6</sup> Emily Matthews et al, *The Weight of Nations: Material Outflows from Industrial Economies* (World Resources Institute, Washington, 2000), p.xi, cited in James Gustave Speth, *The Bridge at the Edge of the World: Capitalism, the Environment, and Crossing from Crisis to Sustainability* (Yale University Press, New Haven, 2008)