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19 March 1997

### **The New Economics**

1. Economics is about the *effective* creation of wealth: It is only about the efficient creation of wealth, e.g. allocation of scarce resources, under special circumstances. These circumstances began diminishing about the 1950s. In the 1980s it was forgotten that it is about creation of wealth. It used to be about wealth creation and profit, now more about mere profit.
2. The US stock market has been valuing the wealth of the US economy at about 70% above the valuation provided by the traditional measures of corporate wealth. One suspects this over valuation reflects new realities.
3. Wealth creation is reflected in the property rights registered on a bit of paper. Increasingly the new wealth is registered on bits of paper owned by the financial sector, not the corporations.
4. An understanding of the new economics must appreciate this change of locus of the ownership of wealth.
5. Financial bodies must assume new forms of institutionalization in order to own equity. This is to be seen in the banks and other agents such as those in the past confined to insurance; it is particularly to be noted in the case of retirement funds.
6. Whilst other long term pressures exist, the computerization of money transfers has played a critical role. New financial institutions can emerge and disappear overnight regardless of national boundaries.
7. The only measure of wealth creation under these circumstances is a highly abstract measure of profit, which proceeds hand in hand with so called creative accounting and tax havens.

8. Those who reach thesis 7 are condemned, a la snakes and ladders, to return to thesis 1. For 20 years they have been confronted by the cucumber thin predictions arising from economics and their rich scholastic, professional scandal of refusing to confront theoretical postulates of untestable veracity. On the other hand, they will be moved by the spreading social distress arising from the application of these economic beliefs, locally and internationally.

9. First tasks for a new economics are

- the reregulation of the local currency to prevent it being the pawn of the overseas, overnight capital markets and
- to re-impose restrictions on capital flows so that they are subject to the local flows for socially beneficial cheap loans and interest conditions.

10. Theoretically the new economics must be based on real effectiveness of wealth creation; this means exposing the assumption hidden in the efficiency argument.

**Refs:**

Emery Fred, 1982. Socio-technical Foundations for a New Social Order. *Human Relations*, 35: 1095-1122

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