



Course on New Economic Theory



Topic Outline

Ideas have power. Thought precedes action. Changing the economic policies and behaviours that are generating high levels of unemployment, widening inequality and bankrupting Nature is not possible without first changing the erroneous economic concepts and theories on which the world economy is currently functioning. A change in thinking can lead to a radical change in action. This proposal will harness the best available ideas and practices on human-centred, sustainable economy to create informative, authoritative and compelling educational and communication tools with the power to challenge and alter university level education in Economics, public policy, business decisions, media coverage and general public opinion regarding how the world economy should and can work for the betterment of all humanity.

Introduction to the Course

This introductory session describes the nature and objectives of the course, including the problems it seeks to address, the premises on which it is based, the methodology applied to develop it, and the appropriate manner in which its contents should be viewed as an effort to promote the evolution of economic theory and practice.

The course is organized into six major sections, each consisting of several topics. Each topic is further subdivided into several subtopics.

Section 1: Topics 2 – 8 The Need for New Economic Theory – This section will present an overview of the two main schools of economic thought – the neo-classical school and the heterodox school – and their major sub-schools. Contemporary economic theory largely regards economy as a separate field of social existence functioning relatively independent from its social, political, cultural and ecological context. It focuses on a narrow range of policy instruments. It ignores fundamental social and psychological principles and processes applicable to all fields of human activity and powerful drivers for social development underpinning the evolution of global society. The opening group of lectures address the following questions: What are the critical issues in the world economy today that are not adequately addressed by current theories? What changes are needed in the conceptualization of the social sciences, including Economics, in order to enhance their relevance to complex social realities and conscious social processes? What are the conceptual problems with contemporary economic theories? How do these problems impact on public policy and economy practice today? What are the limitations and errors resulting from current tools for measurement in Economics? What is the source of the multi-dimensional divorce between economy and sustainable development that characterizes the global economy today?

Section 2: Topics 9 – 18 Core Elements of NET Theory and their Application – Section 2 examines the rationale for a shift in perspective toward trans-disciplinary, human-centered social theory, core principles and perspectives on which NET is based, the organizing principles by which wealth creation is generating, eight different forms of capital which provide inputs for

economic activity, underlying social drivers of economic development that powerfully impact on economic performance, the unique role of money and financial markets, the principles governing free and regulated markets, and the political and legal foundations on which modern economies are based.

Section 3: Topics 19 – 24 Global Economic Challenges – Section 3 applies the basic premises of NET to addressing the root causes of serious economic challenges confronting global society today and in coming decades related to food, poverty, employment, inequality, resource scarcity and ecological limits. It will review these challenges and identify the underlying economic processes that reproduce these challenges and undermine the potential solutions.

Section 4: Topics 25 – 27 Evolution of economy – Section 4 considers the ways in which economy, society and ecology are evolving and the impact of evolutionary changes resulting from globalization, technological development, dematerialization, the growing importance of networking and knowledge based services, and the changing boundaries between public and private goods. It shows how changes in economic theory are needed to respond and adapt to these broader evolutionary trends. This will be done by using transition theory to understand the major industrial transitions that have taken place since the start of the industrial revolution, as well as the major socio-metabolic transitions that have taken place since the last ice age 13000 years ago. This provides a framework for understanding the current poly-crisis and the need for a transition to a more sustainable, inclusive long-term development cycle. This section will show how changes in economic theory are needed to respond and adapt to these broader evolutionary and transitional trends -- not just another industrial transition, but an industrial transition that is driven by the dynamics of a socio-metabolic transition to more sustainable modes of production and consumption.

Section 5: Topics 28 – 29 Boundaries of economy – This section addresses important issues ignored by contemporary economic theory which relate to the explicit and implicit relationship and interdependence between economy, politics, society and nature. It applies NET to understanding the relationship between the monetarized sector of economy and the large non-monetarized sector, which is a major determinant of human welfare, well-being and ecological sustainability. It also considers the broad notion of social power, with emphasis on the impact of the linkage between money power and political power, which is a major determinate of how markets work and who benefits from economic activity. The aim is to demonstrate the importance of an economic theory that is rooted in the actual real-world dynamics of the real economy rather than derived from models with assumptions that derive from an economic theory that is divorced from the dynamics of the real economy.

Section 6: Topics 30 – 34 Towards a human-centered theory and practice – This section examines the potential impact of NET on human welfare and ecological sustainability, its public policy implications, the process of transition to a new paradigm of economic development and future steps for the development of human-centered economic theory. Many case studies will be cited that reflect how economic actors can cooperate either within specific regions or across sectors to create the basis for more inclusive and sustainable forms of economic production and consumption.

Section 1: The Need for New Economic Theory

1 A brief history of Economy

A historical overview of human economic progress will highlight the fundamental processes underlying economic development and wealth creation, the evolutionary nature of economy and society, and the necessity for the evolution of concepts and principles to keep pace with the rapidly changing social context.

1.1 Historical development of the world economy from 1800

1.2 Economic achievements of the 19th and 20th century

2 World Economy Today

An overview of the world economy today will highlight its achievements, problems and the problems it confronts in addressing critical problems and meeting critical social objectives. The analysis will point out the linkage between persistent problems and prevailing theoretical concepts that necessitate and justify formulation of new theory.

2.1 Overview of the world economy today

2.2 Limitations of the current economic system

2.3 Critical Issues

2.3.1 Poverty and deprivation

2.3.2 Financial instability

2.3.3 Unemployment

2.3.4 Environmental threats

2.3.5 Inequality

2.3.6 Insecurity and social unrest

2.3.7 Corruption and plutocracy

2.4 The contribution of current theory to these creating, aggravating and addressing these critical issues

2.5 The need for new theory

3 Evolution of the social sciences

This topic seeks to place the development of the social sciences in a larger historical context to illustrate the similarities and differences between the natural and social sciences, the nature of the laws and principles they seek to identify, the complexity of the challenges they face, the appropriateness of reliance on wholly objective methods of study, the level of maturation of knowledge in different fields, and related issues.

3.1 All sciences undergo fundamental paradigm changes at critical points in their development, similar to the revolutionary paradigm changes in Physics following development of Relativity and Quantum Theory and in Genetics after the discovery of the chromosome and DNA.

3.2 Social sciences are still in a formative stage akin to the status of the natural sciences in

1900. They were founded much later and are still in a formative stage. Social systems are far more complex than any physical systems, since they have to grapple with the behavior of conscious, individualized human beings. Therefore it is not surprising that knowledge in the social sciences lags far behind the development of the natural sciences.

- 3.3 The interrelationships between disciplines are far more advanced in the physical sciences, than in the social sciences. Geologists, meteorologists, biologists and ecologists all base their work on the same underlying principles of Physics and Chemistry. Whereas each social science functions in relative isolation from the others and bases itself on a different set of premises, e.g. the assumption of rational behavior affirmed by economists has long been discredited by psychologists and sociologists.
- 3.4 Laws of society, including the principles of economy, are man-made and reflect human decisions, attitudes and values. The Newtonian conception of immutable economic laws ignores the obvious contribution of government, law, public policy, cultural values, prevailing social attitudes.
- 3.5 Social science is purposeful – not merely observation of reality. Social science must be value based. Economics must promote human welfare and well-being. It cannot be value neutral.
- 3.6 In an attempt to mimic the mathematical precision of the physical sciences, Economics assumes that human economic behavior can be effectively described by objective universal laws, disregarding subjective perception, preference and conscious choice. There is overwhelming evidence to show that people’s sentiments and decisions are not an artefact of economic laws, but rather the central determinant of how markets perform. Social science cannot ignore the subjective dimension of individual and collective behavior as the natural sciences have done.

4 Two-Main Schools of Economic Thought

This section will present an overview of the two main schools of economic thought – the neo-classical school and the heterodox school – and their major sub-schools.

5 Problems with contemporary economic theory

This topic presents a comprehensive analysis of contemporary economic theory to identify critical perspectives, assumptions, principles, methods, conclusions, strategies, policies and research findings that need to be reconsidered.

- 5.1 Current theory fails to achieve vital social goals – access to essential needs, economic security and welfare for all, true freedom of choice, equity and social justice, social stability and harmony.
- 5.2 Current theory regards growth as synonymous with rising levels of human welfare when it may actually be the very opposite.
- 5.3 Current theory does not account for ecological limits or promote sustainable development.
- 5.4 Prevailing theory regards economic price as a proxy for the real value of transactions to human beings and human welfare.

- 5.5 Current theory disregards as externalities core factors for promoting human welfare. It fails to reflect the real impact of transactions on society and on the environment, such as the social costs of unemployment, pollution and climate change.
- 5.6 The narrow economic concept of efficiency ignores social implications and social costs of profit maximization. The efficiency of firms sought by replacement of workers with machines is not synonymous with the efficiency of society that is faced with rising levels of unemployment, welfare costs, crime and violence.
- 5.7 Economic theory does not match economic reality. The actual process of wealth creation does not conform to the simplistic notions of prevailing economic theory.
- 5.8 Economics is still modeled on 19th century scientific concepts relevant to local and national economies during the Industrial Revolution, disregarding fundamental changes in the principles governing the modern service economy.
- 5.9 Implicit assumptions, values and social constructions of current economic thought need to be consciously recognized and subject to examination, e.g. the assumption that pricing of resources at the cost of extraction reflects their real value to society or that extending intellectual property rights promote social justice.
- 5.10 Static equilibrium models are inadequate to describe rapidly evolving social processes that govern the generation of wealth and welfare.

6 Four-fold divorce of economy and human welfare

This topic highlights the widening gulf between economy, society and human welfare arising from current theory.

- 6.1 Divorce of financial markets from the real economy
- 6.2 Divorce of employment from production and technological application
- 6.3 Divorce of economy from ecology
- 6.4 Divorce of economy from governance, social stability, social welfare and human security

7 Economic Measures

Transition to new theory necessitates adoption of new measures and indicators that reflect the shift in objectives and in the way economic progress is evaluated. The necessity of adopting alternative measures, the criteria for selection and effective strategies for their adoption need to be discussed.

- 7.1 What is wrong with targets and measures for economic growth?
- 7.2 Inappropriate comparisons between growth as a flow and wealth as a stock
- 7.3 The concept of negative value – economic activity that consumes more than it produces
- 7.4 Alternative measures of economic development, sustainability and human welfare

Section 2: Core Elements of NET Theory and their Application

8 Trans-disciplinarity

This section examines the rationale for new theory that is realistic, fundamental, comprehensive, inclusive and trans-disciplinary:

- 8.1 It is realist rather than instrumentalist, because it transcends disciplinary boundaries by including real-world dynamics regarded as externalities by most current economic theories.
- 8.2 It is founded on underlying principles and processes common to all human activity, rather than regarding the principles underlying economic activity as unique.
- 8.3 It assumes that markets tend towards disequilibrium rather than equilibrium, which is why institutions matter.
- 8.4 It is about production and abundance, rather than exchange and consumption.
- 8.5 It is about cooperation rather than individualism.
- 8.6 It is about an understanding of the economy as embedded within a wider social-ecological system that provides resources and ecosystem services.

9 Human-centered Social Theory

This topic examines the rationale for a shift in perspective from emphasis on resources, production, finance, technology, and growth to a focus on the central role of human beings (Human and Social Capital) as the primary driver and source of wealth creation and the social and psychological processes that underpin economic and other forms of social accomplishment.

- 9.1 Current theory does not give adequate importance to the contribution of human capital to economic progress
- 9.2 Human beings are not just the beneficiaries of economic activity
- 9.3 Human beings are the most precious resource, but that resource is perishable and diminishes when unused or left undeveloped.
- 9.4 Economics is a science of network relations between people and institutions. Human interactions are the primary source of wealth creation.
- 9.5 There are not inherent limits to the development of Human Capital.
- 9.6 Something becomes a resource only when human beings recognize its value and discover a way to utilize it effectively. Therefore human capital is the ultimate source of all other forms of capital.
- 9.7 Technology and capital dominated economics in the 19th century when labor was considered a dispensable resource measured in horse power. In the modern service economy, the development of human capital and social institutions is the primary determinate of real development

10 Principles and Perspective of NET

- 10.1 *Goal of Economics*: The goal of economy is not production or growth for its own

sake, but sustainable human welfare for all. Economy is not an end in itself. It is intended to promote human security, welfare and well-being in a sustainable manner. The validity of economic theory and practice must be evaluated in terms of their effective contribution to promoting these goals.

- 10.2** *Limitations of Existing Theory:* Cumulative knowledge of economy has helped generate unprecedented prosperity during the past two centuries, but errors and limitations associated with prevailing theory are also a principal reason for the persistent poverty, financial instability, unemployment, inequality and ecological threats confronting the global economy today. The call for new economic theory is not an indictment of existing Economic thought, but rather a realization that the existing theoretical framework is insufficient to address the challenges and opportunities of the 21st Century.
- 10.3** *Laws of Economy are Human-made:* Current economic theory is founded on deterministic principles and concepts common to the 19th century natural sciences. Economy is a human activity. The laws of Economics are created by human beings based on human choice, not the result of immutable processes of nature to be discovered like the laws of Physics and Chemistry. Therefore they can be altered to work more effectively.
- 10.4** *Need for Trans-disciplinarity:* Society is an integral whole. Problems arise from applying partial, compartmentalized piecemeal concepts and strategies that address problems in isolation from the wider social context. The arbitrary fragmentation of the social sciences limits their relevance and effectiveness in the real world. Economy, governance, society, culture ecology and psychology are inseparable dimensions of a single whole and must be approached in their interrelationships, totality and integrality. A trans-disciplinary approach is fundamental to formulation of more coherent and effective economic theory and policies.
- 10.5** *Social Construction of Science:* All social theory reflects social and cultural interpretations and constructions of reality by the scientist, but there has been a marked effort to disguise implicit constructions as impersonal objective knowledge. Economics and other social sciences must be value-based, rather than value-neutral. The goal is not just to understand how things work in physical nature, but to understand how we can make them work better in human Society. The values that determine our conception of 'better' should be made an explicit component of economic theory.
- 10.6** *Centrality of Human Capital:* Economy is an activity of human beings. Human beings are the source of the energy, ideas, initiatives, organizations, skills, inventions and innovations that generate wealth. Economic science must be Human-centered. It must be founded on the pre-eminent role of Human Capital in wealth creation and promote the fullest development and opportunities for expression of human capacities.
- 10.7** *Wealth-creation as a social process:* Economics is a body of knowledge concerned with wealth creation. Wealth creation is one expression of a fundamental human process for conscious, goal-oriented accomplishment applicable to all fields and can best be understood by viewing it as a subset of the more general process that involves the generation, focusing, organization and expression of human energy to achieve results.
- 10.8** *Awareness & Organization:* Economic development and all other forms of social

advancement can be described in terms of rising levels of conscious awareness leading to the constitution of more effective forms of social organization. Organization of material processes generates technological progress. Organization of social processes leads to the development of political, legal, economic and social institutions. Organization of mental processes leads to advances knowledge and education. Organization of psychological processes leads to the formulation of universal human rights and values. Organization of values fosters the emergence of formed individuals with greater capacity for knowledge discovery, comprehension, creativity, innovation, and entrepreneurship.

- 10.9** *Society is Evolving*: The principles governing society are evolving. Economics and economic thought need to evolve to keep pace with social evolution. The principles applicable to the economics of the Industrial Revolution are no longer sufficient for understanding and managing the emerging knowledge-based service economy.

11 Organizing Principles for Wealth Creation

This topic seeks to demystify the process of wealth creation by examining comprehensively the principal means by which human beings have evolved economically in the past and will continue to evolve in future.

- 11.1** Imitation of nature -- evolution of agriculture
- 11.2** Connectivity – the energizing role of human communications, relationship, interaction and exchange
- 11.3** Division of labor and specialization of function
- 11.4** Markets organize and facilitate exchange
- 11.5** Money is a catalyst for exchange and medium for productive investment
- 11.6** Banking coordinates and facilitates of savings, lending and investment
- 11.7** Technology is the organization of production according to mental principles that enhance productivity, quality, speed, design, service and other values
- 11.8** Transport expands and accelerates production, distribution and exchange
- 11.9** Communication is a catalyst for exchange, production, research and innovation
- 11.10** Law and governance provide the secure standardized framework of rights and responsibilities within which wealth creation takes place
- 11.11** Education and training is the organized transfer of knowledge and skills to enhance awareness, skills, productivity, innovation and creativity
- 11.12** Globalization of social networks expands the reach and intensity of transactions possible between individuals and firms
- 11.13** Organization of human rights raises the energy, productivity, innovation and creativity of the individual worker and citizen
- 11.14** Organization of human actions according to universal values generates a rich, fertile, productive social environment based on freedom, equality, reliability, trust, cooperation, harmony, integrity and human dignity

12 Forms of Capital

In one sense all forms of capital are human inventions. Even natural resources acquire value as capital only when their potential is recognized by human beings. This topic examines the role of different types of capital in promoting wealth creation, welfare and well-being. It recognized the determinative role of human beings in identifying, organizing and utilizing all forms of capital.

- 12.1 Natural – limited, non-renewable
- 12.2 Physical Infrastructure – man-made
- 12.3 Human – capable of unlimited development
- 12.4 Intellectual – knowledge, science & information
- 12.5 Technological – knowledge applied to facilitate physical processes
- 12.6 Social & Cultural – institutions, networks, systems, standards, values
- 12.7 Political, legal and regulatory
- 12.8 Financial capital

13 Drivers of Economic Development

This topic presents a comprehensive view of the physical, social, cultural, mental and psychological factors which act as catalysts of economic development and wealth creation. The objective is a comprehensive view of the creative powers of society which contribute to economic performance so that all available social potential can be harnessed for sustainable human welfare.

- 13.1 Geography
- 13.2 Natural resources
- 13.3 Freedom and democracy
- 13.4 Law and governance
- 13.5 Technology
- 13.6 Social organization
- 13.7 Social equity and equality
- 13.8 Rising expectations
- 13.9 Education & Training
- 13.10 Global integration
- 13.11 Demography
- 13.12 Leadership, Entrepreneurship & Creativity

14 Money

The section examines the essential nature of money as a catalyst for human activity, as a form of social organization and as a networking tool, the sources of its utility and power in society, its inter-convertibility into other forms of social power, and the potential ways in which money can be created and multiplied to promote socially desirable objectives.

- 14.1 Money as a networking tool like language based on trust

- 14.2 Forms of money and how they are created
- 14.3 Digital currencies
- 14.4 Complementary currencies
- 14.5 Multiplying money
- 14.6 The origin and role of banking
- 14.7 Causes and impact of Inflation and its role in development

15 Financial Markets

This topic examines the positive role played by financial markets in economic history, the negative attributes and abuses it is subject, the impact of the current functioning of financial markets on the global economy and human welfare, and the potential for more effectively regulating and harnessing these markets to promote the goals of human welfare ecological sustainability.

- 15.1 Origin and purpose of financial markets
- 15.2 The global casino of unregulated financial transactions
- 15.3 Erroneous assumptions of financial market theory: e.g. rational choice, perfect symmetry of information, perfect competition, risk assessment.
- 15.4 Impact of financial speculation on economy and society
- 15.5 Healing the divorce between financial markets and the real economy
- 15.6 Financing global sustainable development

16 Free Markets & Regulation

This topic addresses the doctrinal debate regarding free and regulated markets by examining the origin and development of markets and their impact on innovation, productivity and human welfare to arrive at a balanced perspective.

- 16.1 The myth of unregulated markets
- 16.2 Balancing initiative and innovation with equity and public good
- 16.3 Promoting entrepreneurship and business development
- 16.4 Globalization of trade
- 16.5 Reforming the financial architecture

17 Political & Legal Foundations for Stable Sustainable Economy

Placing economy within a political and legal framework reveals the innumerable points at which tradition, culture, non-economic policies and the exercise of social power determine the functioning of the economic system. NET must make explicit all the decision-points which are opportunities to fine-tune the system to maximize human welfare.

- 17.1 Human economic rights
- 17.2 Legal basis for property rights

- 17.3 Ownership of the commons
- 17.4 Role and Regulation of technology development & application
- 17.5 Beneficiaries of economy policy

Section 3: Global Economic Challenges

18 Overview of Global Economic Challenges

This and subsequent sections examine the critical economic and social challenges confronting humanity today, their relationship with current theory and policies, and the potential for addressing them more effectively through a new framework. It will review these challenges and identify the underlying economic processes that reproduce these challenges and undermine the potential solutions, including the financialization of the global economy, the changing nature of governance that has resulted in weak nation-states relative to the power of global corporations and globalized financial systems, the role of major multi-lateral institutions like the World Bank, IMF, OECD and the various UN agencies, and the implications of the rise of the BRICs economies.

- 18.1 Food for All
- 18.2 Abolishing Poverty
- 18.3 Housing
- 18.4 Education
- 18.5 Healthcare
- 18.6 Full Employment
- 18.7 Demography – population growth, migration and aging
- 18.8 Urbanization
- 18.9 Peace & Security
- 18.10 Resource scarcity and environmental limits

19 Food for all

No economic issue is more fundamental or important than ensuring sufficient production and distribution of food to achieve global food security and to meet the nutrition needs of all human beings. This topic examines the problems and possibilities related to food production, distribution and consumption at the national and global level.

- 19.1 Evolving role of agriculture in economy
- 19.2 Demography and food production
- 19.3 Ecology and food production
- 19.4 Productive potential of global agriculture
- 19.5 National food security
- 19.6 Global food security

20 Persistent Poverty

Poverty is a multidimensional phenomena related to access to resources and credit, ownership of land and other assets, productive skills and education, social and cultural factors, legal and political factors, and ecology. Thus the theoretical remedy must consider the underlying trans-disciplinary principles that govern development with respect to each of these factors and comprehensive strategies to effectively address them all.

- 20.1** Historical perspective on the origins of poverty and its progressive eradication
- 20.2** Barriers to overcoming poverty
- 20.3** Linkages between poverty, malnutrition and education
- 20.4** The legal and political foundations of poverty
- 20.5** The role of education and training
- 20.6** Access to productive assets and financial resources
- 20.7** Models, demonstrations and multiplier effects

21 Employment

In a market economy, employment is the economic equivalent of the right to vote in democracy. It is the power of economic franchise. A market economy that does not ensure job opportunities for all who seek them must be inherently unstable and subject to high rates of illness, crime and social unrest. Conventional economics lacks a true theory of employment. This topic examines the rationale and historical evidence regarding the widespread belief that demography, globalization and technological innovation must necessarily result in increasing rates of unemployment. It presents a social theory of employment and policies that can effectively achieve full employment.

- 21.1** Historical overview of employment
- 21.2** Transformation of work during the 19th and 20th century
- 21.3** Theories of job creation
- 21.4** The relationship between employment and technological adaptation
- 21.5** The relationship between employment and trade
- 21.6** The role of employment in a market economy
- 21.7** Employment as a fundamental human right
- 21.8** Basic income programs
- 21.9** Policy options for full employment
- 21.10** Modeling global employment
- 21.11** The future of work

22 Inequality & Social Equity

The section examines the trends, factors and forces impacting on social inequality, the theoretical position of a human-centered theory on widening inequality, the rationale and means for narrowing the gap.

- 22.1 Origin and sources of economic inequality
- 22.2 Inbuilt mechanisms reinforcing inequality
- 22.3 Impact of inequality on population, health, social harmony and overall social prosperity
- 22.4 The role of inequality as catalyst for social innovation and progress
- 22.5 The potential impact of reducing inequality on overall economic performance
- 22.6 The opposition to inequality
- 22.7 Policy measures and other strategies

23 Resource Scarcity & Ecological Limits

This topic examines the concept of limits, implicit and explicit assumptions regarding fundamental ecological limits to economic growth, human welfare and well-being; the factors governing the expression of the limits; options and alternative paths to sustainable development within ecological boundaries.

- 23.1 Energy
- 23.2 Water
- 23.3 Land
- 23.4 Mineral resources
- 23.5 Pollution
- 23.6 Climate Change

Section 4: Evolution of economy

24 National level economic theories and models in a global economy

Economics evolved originally as an instrument for national level policy formation and it continues to focus primarily on the nation-state. This topic examines the need for development of global theory and models that reflect the complex interrelationship and interdependencies in the global economy today.

- 24.1 National level models are inadequate to describe an increasingly globalized economy, e.g. employment at the national level is now subject to dozens of factors beyond control by national level economic policy measures.
- 24.2 National level policy must be supplemented by global modeling, coordination, institutions for governance.
- 24.3 Insights from recent European experimentation with regional economic policy and monetary union

25 Knowledge Based Service Economy

An implicit assumption of current theory is that the principles of economy applicable to the industrial economy are equally relevant to the knowledge-based service economy. This topic

examines fundamental differences that impact on the measurement of value, the time during which transactions take place, the notion of what constitutes a transaction, and other issues.

- 25.1 How the modern economy fundamentally differs from the old industrial model
- 25.2 Economics of large service systems such as education and healthcare
- 25.3 Utilization time and the problem of value in service based industries
- 25.4 Management of risk and uncertainty

26 Public Sector and Public Goods

New theory needs to clarify the boundary lines between private and public good and their relevance to public policy.

- 26.1 Political Economy concerns the functioning and relationship between the private and public sectors, which are inseparable, overlapping, interdependent and complementary spheres of economy.
- 26.2 Economic theory needs to reflect the fact that today the public sector represents a major source of economic activity and employment, accounting for between 25 and 50% of total expenditure and revenue in most OECD countries.
- 26.3 The concept of Public Goods and its relevance to management of the physical and social commons
- 26.4 The tragedy of the commons
- 26.5 Management of public goods
- 26.6 Management of the natural resources
- 26.7 Management of the global commons

Section 5: Boundaries of economy

27 The non-monetarized sector

Human welfare results both from monetarized economic transactions as well as those which do not involve monetary exchange. Current economic theory applies to only monetarized transactions, ignoring the large non-monetarized household sector and care economy that provide essential goods and services without the use of money. Policy, social organization and technology can have a significant impact on the shifting line between these two sectors. Rising costs for child care, paid household services, bottled water, and environmental remediation reflect the monetarization of activities that once resided in the non-monetarized sector.

- 27.1 Human activities that conventional economic theory omits and ignores, especially the household sector.
- 27.2 The constant interchange between monetarized and non-monetarized sectors and the distorting impact of this interchange on measures of economic progress.
- 27.3 The problem of assigning value to essential and precious non-monetarized activities.
- 27.4 The future of the non-monetarized sector.

28 Interdependence between Economy and Social Power

Crucial to the understanding of economy is the relationship between the functioning of the economic sector and the exercise of social power by money, political influence and other factors. NET theory must make explicit the impact of various forms of social power on the laws, institutions, public policies and private practices impacting economic activities and human welfare.

- 28.1** All economics is really Political Economy, as the study of the economics of states was originally termed. Economics cannot be divorced or considered separately from politics. The functioning of economy is powerfully influenced by the exercise of political power and social influence and vice versa.
- 28.2** Social power is the capacity to accomplish work in society. Money, political influence, popularity, media research, transport, communication, knowledge, research capacity are all forms of social power which are inter-convertible.
- 28.3** The interrelationship between political and economic power is of particular relevance to the functioning of economies because it results in a skewing of policies in favor of some parties to the detriment of others and the general public, leading to monopolistic advantages and public corruption. Democracy today contains a large measure of plutocracy.
- 28.4** Property rights, subsidies, tax rates, incentives, zoning laws, patent and copyright, corruption and crime are all strongly influenced by the exercise of social power.
- 28.5** The debate regarding free markets and regulation is not a scientific debate but rather a struggle for power – money power and political influence vs. power to promote social welfare.
- 28.6** Human rights, law and public policy are powerful determinates of the distribution of social power and therefore of economic benefits.

Section 6: Towards a human-centered theory and practice

29 Economic Goals for the Future

Economic theory must be goal oriented and evaluated in terms of its effectiveness in meeting social goals. This topic examines the performance goals related to the global economy, the prospects for achieving them based on existing theory and practice, and the need for radical change in economic theory and practice.

- 29.1** World economy that meets the need of all human beings for material and social security
- 29.2** Eradication of poverty
- 29.3** Full employment world economy
- 29.4** Social equity
- 29.5** For benefit corporations – the new capitalism
- 29.6** Sustainable world economy and planetary ecosystem

30 Public Policy for Sustainable Development

The topic examines critical policy levers that can powerfully impact the fulfillment of global economic goals in the future.

- 30.1** Human economic rights
- 30.2** Ownership, pricing and taxation of resources
- 30.3** Taxation of labor, capital gains, and financial transactions
- 30.4** Liability, pricing and taxation of pollutants

31 Principles of Sustainable Economy

The section examines principles and practices consistent with promotion of economic welfare of all humanity in a sustainable manner that protects the ecosystem.

32 The process of Transition to a New Paradigm in Economy

How does society evolve and transit from one paradigm to the next? What are the factors that govern the speed of transition? What tools are available to accelerate the movement? This topic examines possible steps that can be taken to hasten the transition to a far more prosperous, equitable and sustainable global economy.

- 32.1** The process of social evolution
 - 32.1.1 Ways in which economy, society and ecology are evolving and the impact of evolutionary changes resulting from globalization, technological development, dematerialization
 - 32.1.2 The growing importance of networking and knowledge based services, and the changing boundaries between public and private goods
 - 32.1.3 Changes in economic theory that are needed to respond and adapt to these broader evolutionary trends
 - 32.1.4 Factors that accelerate and retard social change
- 32.2** Reflections on important paradigm changes of the past
- 32.3** Transition Theory
 - 32.3.1 Transition theory reveals the major industrial transitions that have taken place since the start of the industrial revolution, as well as the major socio-metabolic transitions that have taken place since the last ice age 13000 years ago
 - 32.3.2 Framework for understanding the current poly-crisis and the need for a transition to a more sustainable, inclusive long-term development cycle
 - 32.3.3 How changes in economic theory are needed to respond and adapt to these broader evolutionary and transitional trends -- not just another industrial transition, but an industrial transition that is driven by the dynamics of a socio-metabolic transition to more sustainable modes of production and consumption

33 Towards Human-Centered Theory of Economy and Society

This topic reviews the basic premises of new economy theory and examines further steps that can be taken to deepen the research, clarify the theoretical formulation, improve the presentation, broaden the global public and policy debate, test hypotheses, and establish alternative models.