

CHAPTER 2

ECONOMICS: A REVIEW OF DEFINITIONS AND PERSPECTIVES

2.1 INTRODUCTION

Economics is founded on very specific principles which guide its formulation and implementation. This chapter reviews some of the definitions and perspectives of economics in order to highlight these principles which undergird what one may call “a philosophy of economics”. This chapter is not meant to just provide basic and relevant definitions, distinctions and information about economics. Its overall role and function in the framework of this dissertation is to critically review definitions and views on economics, economic development, economic systems and sustainable development. This is done in order to state clearly that “scarcity” is the root which runs through them and that it is a concept that is used as a “point of departure” for economic theory and practice. The assumption is that one cannot provide an “alternative point of departure” in the form of a theological-ethical framework unless and until one understands the root which defines “the rules of the economic game”. A better grasp of economic issues will help one to construct a viable theological-ethical framework for economic development. This chapter is divided into five major parts, namely: economics: etymological background and levels of meaning - towards an adequate definition of economics, economics and economic development, economics and scarcity, economics and economic systems, and economics and sustainable development.

2.2 **ECONOMICS: ETYMOLOGICAL BACKGROUND AND LEVELS OF MEANING – TOWARDS AN ADEQUATE DEFINITION OF ECONOMICS**

In seeking an adequate definition of economics, this study will consult both secular and Christian literature. The “secular” will mainly portray the understanding of economics by economists, economic historians and economic philosophers irrespective of their re-

ligious persuasions. The “Christian” will include mainly the Christian religious voices who have had some academic training in economics as well as those who have interest in economics, have researched and written on it.

Under this section, a number of definitions and views which are often similar will be highlighted in order to describe the comprehensive meaning of economics. The task that lies before this kind of dissertation requires an integrative, comparative, and analytical approach to the meaning of economics. In order to get to the root of the economic problem, one needs to consult as many definitions and views as possible. In addition to this, critical comments will be given. The basis of critical comments will not be undegirded by thorough argumentation, but by a simple and straight-forward critique which seeks to highlight pros and cons of various approaches to economics whose benchmarks will be thoroughly developed later. All of this is preceded by a presentation of general etymological perspectives.

2.2.1 General Etymological perspectives

It is not easy to spell out in clear terms what economics is and is not. Part of the problem is that economics as a discipline has evolved over a period of about 2400 years, stretching from Aristotle (384-322 BC) and the Romans to the era of the scholastics (Medieval schoolmen) and merchantilists, and then to the modern period of physiocrats (led by a Frenchman Francois Quesnay [1694-1774]), classicists and neo-classicists (*NEW CATHOLIC ENCYCLOPEDIA* Vol.5 1967: 64-75). This study will mainly focus on the last 200 years since the publication of the now famous *An Inquiry*

into the *Nature and Causes of the Wealth of Nations* by Adam Smith¹, which set the tone for classical economics (sometimes known as political economy) and neoclassical economics (or simply economics). The pre-smithian allusions to definitions of economics will only be used as reference points, background material and for etymological (root-meaning) purposes.

Before the presentation of the modern understanding of economics, one needs to allude to the etymology of the word “economics”. The *New Catholic Encyclopedia*, Vol 5, observes that “The word economics belongs to the Greeks, and appeared in a treatise by Xenophon (c425-352 BC) and another by Aristotle” (1967:64)². Greeks understood economics in terms of household management (*Ibid*: 64). It is a word based on the Greek *oikonomia* (economy) which is rendered as management of *household* (*DICTIONARY OF THE ECUMENICAL MOVEMENT* 1991:320) or simply household-management as shown above. The Greek *oikonomia* is a compound word based on two Greek words namely: *oikos* (house) and *nomos* (law or rule) which when combined give us the word

¹ There is considerable consensus among economists and economic writers that Adam Smith’s treatise *An Inquiry into the Nature and Causes of the Wealth of Nations* was a masterpiece and foundational to the development of modern economics, for example: Bob Goudzwaard and Harry de Lange, *Beyond Poverty and Affluence: Toward an Economy of Care* (Geneva: WCC 1995), Herman E. Daly and John B. Cobb, Jr., *For the Common Good: Redirecting the economy toward community, the environment and a sustainable future* (Boston, Massachusetts: Beacon Press, 1989), Karl Polanyi, *The Great Transformation* (New York: Rinehart and Co., inc., 1944) and John Kenneth Galbraith, *A History of Economics: The Past as the Present* (London: Hamish Hamilton, 1987). Nonetheless, it must be noted that there are other persons in the pre-smithian era who contributed (positively or negatively) to the emergence of economic thought. These include: Aristotle with his understanding of household economics and satisfaction of wants within a household, the Romans with their development of *jus gentium* (law as applied to non-citizens of the Roman empire) which was used by merchants when it came to merchantile contracts, the scholastics with their support for commutative (relations between persons), distributive (relations between state and individuals) and social justice (relations between state and society) within an economic framework and their claim that “private property and division of labour were naturally given”, the merchantilists for laying down the economic “infrastructure” such as communications, the physiocrats for their opposition to state-controlled economies and their belief in the rule of nature through the processes of “agriculture as the source of all wealth”, and John Locke [1632-1704] with his theory of property rights which, *inter alia*, emphasize that we as individuals can mix our individual labour or energy and material resources from nature in order to create our own property and that nobody has the right to take it away from us (see *NEW CATHOLIC ENCYCLOPEDIA* Vol 5 1967b:64-75, Galbraith 1987:26-56 and Wogaman 1986:14-18)

² *The New Palgrave: A Dictionary of Economics*, Vol 2, expresses a similar view (1987:58).

“economics” understood as household administration (*New Catholic Encyclopedia* Vol.5 1967: 61)³ or household-management as already hinted.

From this it is clear that both “economy” and “economics” have the same root-meaning. However, in modern usage, they have assumed different connotations and meanings. The word “economics” has maintained the same etymological background and understanding, but with a different modern understanding and application⁴. As for the word “economy”, in modern usage, it has come to mean a wide spectrum of things ranging from the small microcosm of a person to the wider universal community. For instance, one may talk of the economy of Southern Africa to refer to all what makes up the resources and the infrastructure of the Southern African economy such as communication and banking facilities and what goes into its management (*Webster’s Desk Dictionary of the English Language* 1983:285). But when the word “political” is combined with “economy” to give us the word “political economy”, it means something else. According to the *Encyclopedia Britannica* Vol.7, “political economy” “is a modern term” which was “introduced about the beginning of the 17th century to describe the study of the problems of the princely states which at the close of the middle ages in Europe replaced the feudal-ecclesiastical political order” (1968:937). It referred to “the economic affairs of the state or principality – the raising and use of revenue and the increase of resources – treating the state as the estate of the ruler” (*Ibid*:937). Strictly speaking, the term “political economy” cannot be applied before the arrival of liberalism in the last half of the 18th century which changed the intellectual perception of Europe, even though what the princely states did bordered on “political economy”. In other words, the term can only be applied after the late 18th century. The *Encyclopedia Britannica*, Vol.7, observes

³ *The New Palgrave: A Dictionary of Economics*, Vol 3, supports this etymological view (1987:141).

⁴ This is precisely the criticism leveled against modern economics by Herman E Daly and John B Cobb Jr. for diverting from the original focus of economics which was household management (*oikonomia*) to *chrematistics* (money-making or wealth creation) when they observe that: “It appears that in modern usage the academic discipline of economics is much more closer to *chrematistics* than to *oikonomia*” (1989:138). *Chrematistics* is based on a Greek word *chremata* (plural) meaning goods, property and other forms of material wealth. The word *chrematistics* denotes money-getting or making but “often with pejorative overtones” when applied to antiquity which was distrustful of trade (*The New Palgrave: A Dictionary of Economics* Vol 3, 1987:421).

again: “After the nationalistic epoch gave way to individualism or liberalism at the time of the enlightenment in the late 18th century, political economy was adopted as the name of a science based on the new moral and political world view and the older state-oriented literature came to be designated as mercantilism” (1968:937). In fact, the first crop of modern economists such as Adam Smith, Malthus and David Ricardo understood themselves as political scientists because they dealt with a new science known as political economy. They belong to the great classical tradition (Galbraith 1987:89). In spite of attempts to distinguish political economy from economics prior to 1920, Alfred Marshall came to treat political economy and economics as synonyms when he wrote: “Political economy or economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well-being” (quoted in *The New Palgrave: A dictionary of economics*, Vol 3 1987: 906)⁵. Marshall’s definition will be dealt with later. On the basis of the foregoing, “one view” is that as we draw near to the close of the 20th century and wait for the arrival of a new millenium, the terms “political economy” and “economics” should be regarded as synonyms (*Ibid*:906). The other view is that while it is appreciated that “political economy” was the older name for “economics”, one should be aware that, in recent times, “the term has reappeared in relation to economics (traditional economics)” (*Dictionary of Economic Terms* 1977: 175)⁶. This view is supported by Todaro⁷. One should not simply take “political economy” and “economics” as synonyms because each term, in modern use, emphasizes an aspect of the economic process and therefore, it is important that a clear distinction is made between political economy and traditional economics. It should be pointed out also that when To-

⁵ The partial text of Alfred Marshall’s main ideas concerning his understanding of political economy or economics (from his work *Principles of Economics* 8th edition, London: MacMillan & Co. 1920) is quoted by Arthur D. Gayer, *et al.*, in *Basic Economics: A Book of Readings* (New York: Prentice-Hall, 1951).

⁶ See also *the Mit Dictionary of Modern Economics* 4th edition (Cambridge, Massachusetts: The MIT, 1992).

⁷ Michael Todaro advances the view that “Political Economy” which studies, *inter alia*, “the social and institutional processes through which certain groups of economic and political elites influence the allocation of scarce productive resources now and in the future, either exclusively for their own benefit or for that of the larger population as well”, should be distinguished from traditional economics and the more recent economic development (1997:7-8).

daró uses the term traditional economics, he refers to the historical economic process as seen and interpreted by modern economists or simply the “conventional” economic thought which has emerged over the last 200 years⁸.

This study will take the term “economics” as an all embracing term to refer to economic thought that has emerged over the last two centuries. When the terms “modern economics” or “traditional economics” occur in this study, they should be taken as simply synonyms of the term “economics”. The term “political economy” is used in its recent heightened meaning such as the one Todaro has elaborated⁹.

2.2.2 Economics: A definition – secular viewpoints

On the basis of the foregoing, the meaning of economics from a secular viewpoint can now be presented. The following writers are selected to give representative views on the nature and meaning of economics. In most cases, they give a materialist definition of economics. In this study, some of the pertinent critical comments about these definitions will be brought out.

Geyer and others base their definition on Alfred Marshall (1842-1924), the celebrated Cambridge economist and one of the architects of neo-classical economics (Geyer *et al.* eds 1951:1-10). Marshall’s definition of economics reads as follows: “Political Economy or economics is a study of mankind in the ordinary business of life ...” (*Ibid*: 1). This is rather a general definition. “Political economy” and “economics” are not distinguished, but taken as interchangeable terms. In modern use, with the rise of feminism, his definition will be labeled as sexist due to the use of the term “mankind”. His definition is true to the extent that Marshall feels that every facet of life (ordinary business of life) has an economic aspect, but when subjected to the dogmatic understanding of economics which is mainly based on industrial capitalism and emphasize economic aspects such as scar-

⁸ *Ibid*: 1-8. It will be revealed that economists and economic writers consulted on the meaning of the term “economics” do not depart from that dogmatic stance with regards to the nature and meaning of economics.

⁹ *Ibid*: 7-8

city¹⁰, the Marshallian definition raises more questions than answers and is, therefore, insufficient. For example, is self-sacrifice part and parcel of the subject matter studied by economics? As we shall see later, the answer is “no”.

Fischer and Dornbusch define economics as “the study of how society decides what gets produced, how and for whom” (1983:1). Even though they do include economic aspects such as production which is regarded as a fundamental element of economics, their definition is rather general, especially when it comes to the question of: who decides? It is a plain truth that society does not decide. Business leaders (influential bureaucrats) in collaboration with political leaders of a particular society do decide¹¹.

McCormick and his compatriot give a “capsule definition” of what economists study. They state that they study: “how men and women obtain their livelihoods” (1974:19). This is an inclusive definition (men and women are included) as compared to Marshall’s.

Their use of the term “livelihoods” reflects, to some degree, Polanyi’s understanding of the economy as livelihood (1944:31-248). Their limitation is that by “livelihoods” they do only include economic and material aspects, but do not necessarily include non-economic aspects such as the political, cultural, social and the moral. When Polanyi uses the term livelihood, he refers to the human and physical substance, which includes, *inter*

¹⁰ The issue of “scarcity” is very controversial. It is a word which will feature in some of the definitions. Generally speaking, most of the economists see “scarcity” as the fundamental economic problem. For example: Richard G Lipsey and Peter O Steiner (*Economics*, 2nd edition, New York: Harper & Row, 1966:1-3), James D Gwartney (*Economics: Private and Public Choice*, New York, N Y: Academic Press, Inc., 1976:3-5), Richard G Lipsey, Paul N Courant, Douglas D Purvis, Peter O Steiner (*Economics*, London: Butterworths 1966:5-13) and Michael Todaro (by implication) (*Economic Development*, 6th edition, London: Longman, 1997:1-10). The general view is that productive resources which give us economic goods and services are not enough, and hence, choices have to be made as to how to efficiently allocate these scarce resources. Consequently not everybody will have all what they need and want satisfied. The problem comes in when it comes to basic human needs such as food and shelter. If these become scarce, then it raises a theological problem which this study would like to address. Contrary to the view that productive resources are scarce is the view that *there is enough to go around and for every human being* (Goudzwaard and De Lange 1997). American Theologian M Douglas Meeks echoes the same view when he says: “Scarcity may not be made the starting point of a system of economic justice ... for in general, biblical faith teaches that there is enough if the righteousness of God is present and acknowledged as the source of life” (1989:174).

¹¹ Todaro gives some brief comments on the question of economic and political influence when it comes to a particular economy. He associates this with political economy. See his book *Economic Development* 6th edition. (London: Longman 1997:1-15).

alia, human attributes such as community and friendship, and physical life realities such as vegetation and animals (*Ibid*: 31-248). So their definition is satisfactory in the light of dogmatic economics, but insufficient when one sees the whole picture.

Lipsey and Steiner identify Marshall's definition as "the best known" (1969(1963):3-20). It may be "best known", but more needs to be done to fulfil the requirements of dogmatic economics. For this reason they give their own dogmatic definition: "Economics broadly defined is a study of a society's use of its scarce resources with reference to (1) the extent to which they are used; (2) how efficiently they are used; (3) the choice between competing alternative uses; and (4) the nature and consequence of changes in productive power of the resources over time" (*Ibid*: 8). Their definition is highly technical and geared towards industrial capitalism. Nonetheless, one may level the same criticism leveled against Fischer and Dornbusch that to use the term "society's use" is too generalised. It is those with power who influence how society uses its scarce resources and therefore, the definition as it is, is to a certain extent naïve.

Lipsey, Courant, Purvis, and Steiner give what they call a "penetrating definition" when they say: "Economics is the study of the use of scarce resources to satisfy unlimited human wants" (1993:3). This definition largely reflects the economic problem of scarcity and the satisfaction of limitless human wants. It is in line with modern thinking on economics and not decisively different from the one which Lipsey and Steiner gave (1969[1963]:1-20).

Bach does not depart from traditional thinking when he says: "Economics is the study of how the goods and services we want get produced, and how they are distributed among us" (1954:1). The situation does not change significantly when he gives three other subordinate definitions as follows: (1) "Economics is also the study of how we can make the system of production and distribution work better" (*Ibid*: 1); (2) "... economics is the study of why we are rich while over 2 billion of the world's people are in bitter poverty" (*Ibid*:1); (3) "Economics is the study of big business of giant concerns that sometimes benefit the consumer through mass production and research, and sometimes act as mo-

nopolies raising prices to their customers” (*Ibid*: 1)¹². The foregoing definitions deal with issues such as efficiency, structural prosperity and poverty, multinationals and globalisation, which are at the core of economics.

Chisholm and McCarthy say that: “We study economics in order to understand the hows and whys of our efforts to make a living” (1978:3). Their definition is not different from the one given by McCormick and his compatriots four years before¹³. The only addition is the whys or simply the reasons why people make efforts to make a living or “obtain their livelihoods” (to use the phraseology of McCormick and his compatriots).

Case and Fair write that “Economics is the study of how human beings and societies choose to use the scarce resources that nature and previous generations have provided” (1989:4). Again the question of choice cannot be generalised: it is those with power (economic and political) who decide or “choose to use the scarce resources” (*Ibid*: 4).

Even one of the most recent general definitions by the reformist Todaro¹⁴ does not really depart from mainline economic thought when he says:

¹² Definition no.2 is related to Economic Development as a sub-section of the overall economics discipline because it raises the questions of the North-South Inequality, Asymmetrical Interaction and Dependencia. To explore these issues see John Stott: *Issues facing Christians today: New Perspective on Social and Moral Dilemmas* (London: Marshall Pickering 1990: chapter 7), Klaus Nürnberger: *Power and Beliefs in South Africa* (Pretoria: Unisa 1988: passim), Michael Todaro: *Economic Development*, 6th edition (London: Longman 1997:75-94), Jan H Vorster, “*Dependency*” in Jan K Coetzee, editor: *Development is for people* (Johannesburg: Southern Book Publishers, 1987: chapter 3). Definition no.3 borders on political economy within a neo-classical environment because it emphasizes the power of privilege for either the betterment or dissatisfaction of the community: c.f Todaro (1997:1-10).

¹³ See their definition above.

¹⁴ Todaro seeks to reform economics from being an inward-looking discipline to one which is outward in nature, seeking to understand every aspect of human life. He does so through his articulation of Economic Development in his thought-provoking book *Economic Development* 6th edition (London: Longman, 1997).

Traditional economics is concerned primarily with the efficient, least-cost allocation of scarce productive resources and with the optimal growth of these resources over time so as to produce an ever-expanding range of goods and services ... By traditional economics we simply mean the classical and neoclassical economics taught in most American and British introductory textbooks (1997:8).

From this sampling of secular definitions, one would infer that in defining economics which meets the criteria of mainline economics the following elements, *inter alia*, should not be left out: production, distribution or exchange, consumption, choice, efficiency and the human factor or involvement – as matters which revolve around wealth-getting (*chrematistics*). According to this, a definition of economics ought to be materialist, economic and aspiritual. Above all, scarcity is the root which is in all secular definitions cited above.

2.2.3 Economics: A definition – Christian Religious views

At this stage, “Christian religious views” can now be briefly presented. This is in order to avoid unnecessary repetitions because in many respects secular and Christian definitions are congruent. The religious literature consulted did not depart from a materialist, economic and aspiritual definition. Like in secular definitions, scarcity as the root problem is also in Christian definitions. The WCC Document, for example, mainly reflecting economic thinking within the Protestant, Reformed, Anglican and Orthodox tradition, gives a simplified definition of economics as follows: “Economics is about the daily lives of the people, it is about procuring food, clothes, shelter and seeking work”¹⁵. These issues reflect the root problem of scarcity. Also, De Santa Ana of the University of Geneva, Professor at the Ecumenical Institute in Geneva and consultant with the WCC records that: “Economics deals with the production, distribution and consumption of material goods and services”¹⁶. Again, Brown observes that: “It is the science that studies how, and how well, a society uses available resources to provide the material base for

¹⁵ The document is entitled *Christian faith and the world economy* (Geneva: WCC, 1992).

¹⁶ See his article: “Economics” in the *Dictionary of the Ecumenical Movement* (Geneva: WCC 1991:313-314) edited by Nicholas Lossky, *et al.*

life and culture of its members”¹⁷. Also, the question of “available resources” hinges on scarcity.

Still, in giving a definition of economics, well-known Christian ethicist, Wogaman, observes that economic life is “the production and distribution of scarce goods” (1986:2). Again, the issue of scarcity is highlighted. He further observes that: “To say that economic goods are “scarce” is simply to acknowledge that the supply is limited” (*Ibid*: 2).

Further still, the *Encyclopaedia of Religion and Ethics*, Vol.5, observes that economics “originally meant the administration of household resources ...” (1912:145). Its relative term “economy” is, however, “now used in a much wider sense, being applicable to the prudent management of all kinds of resources and possessions – the utilization of material goods, of time, of thought, or of labour, in such a manner as to avoid waste” (*Ibid*:145). Again this highlights the notion of efficient utilization of scarce resources. In addition, according to this text, economics:

Inquires how man (and woman) obtains the goods which satisfy his (or her) wants, explains the causes upon which the material well-being of mankind (humankind) depends, and treats of all activities by which goods are produced, exchanged, and distributed among the individuals and classes of which society is composed (Ibid:145, brackets included).

2.2.4 A short evaluation of secular and Christian definitions

What comes out clearly is that firstly there is no difference between secular and Christian definitions. Scarcity is the root problem which runs through both types of definition.

¹⁷ See his article: “Economics” in *New Catholic Encyclopedia* Vol V (New York: McGraw-Hill Book Col, 1967a: 61).

Secondly, economics should be seen in its broader context. Economics should not just be seen as a study (a branch of social sciences), but as a description¹⁸ as well. That is to say that economics should not be confined to the university classroom, but should be described and experienced in daily living. A somewhat similar view is expressed by Hart when he says that whether economics is studied or not is not an issue: "...an economic aspect of human society is a fact of life: a society has an economics as it has a politics or a demographics"¹⁹.

Thirdly, in formulating an adequate definition of economics, the following aspects need to be considered:

*Economics ought to be seen as a study, a description and a way of life which deals with how and why humans produce, distribute and consume material goods and services on one hand; and how and why they can and should reach their full potential in relation to their specific environment and God on the other hand*²⁰.

¹⁸ See the *Dictionary of Business and Management* by Jerry M Rosenberg (New York: John Wiley & Sons, 1978:146).

¹⁹ See his article in *Encyclopedia of Economics*. (New York: McGraw-Hill 1982:322) edited by Douglas Greenwald.

²⁰ This consideration underlines that one cannot talk of economics when issues of human potentiality such as human dignity and a sense of belonging, environmental realities and spiritual matters or religiosity are left out. Firstly, economics sees humans as *homo economicus* (economic man) - other non-economic aspects of humanity such as community (in which a sense of belonging is expressed) are unimportant. Secondly, environmental issues have not featured prominently in mainline economic thought and practice. Thirdly, classical and neo-classical economics, from the time of their birth, have tended to project the view that God is dead in economics and that it can do without God in its growth and development process – this is in spite of the Western Christian heritage. This study is advancing the view that issues of human potentiality, the environment and religiosity should be on the agenda of modern economics. As far as human potentiality is concerned, studies and presentations are being done which support this thesis, for example: Goulet quoted in Todaro (1997:17). As for the environment, Daly and Cobb, Jr., (1989), and Goudzwaard and De Lange (1995), have led the way among Christian scholars to raise environmental awareness viz-a-viz the world economy. In the area of religiosity, studies have been done and are being done that peoples of the world have a spiritual and religious dimension of life, for example, speaking for the African continent (especially Sub-Saharan Africa), Prof Mbiti of Kenya, now based in Switzerland, has done tremendous research on the question of African religiosity in his book: *Concepts of God in Africa*. The point is that a definition of economics should maintain balance between materiality and spirituality, and take into consideration the entire life potentiality of humanity in relation to the environment for the benefit of the present generation and their world and that of the future world and posterity. To exclude human potentiality, environmental concerns and spirituality from mainline economic thought and to treat them as non-essentials and externalities is an insult to humanity. A new holistic thinking should begin to emerge so that it can begin to influence economic thought patterns, thereby contribute to true human, social and cosmological growth and development.

Above all, economics whether studied or not, should be used as a tool (reflectively and practically) to solve problems of human existence, help humanity excel to higher levels of life and potential, and thereby attain material and spiritual wholeness. Therefore, the words of John Maynard Keynes are very fitting: “Economics is a method rather than a doctrine, an apparatus of the mind, a technique of thinking which helps its possessor to draw conclusions”²¹. As humans (both economists and non-economists) draw conclusions, their focus should be to *serve society*. This is the only way economics will fulfil its true historic mission.

2.3 ECONOMICS AND ECONOMIC DEVELOPMENT

Under this section, the meaning of economic development in relation to economics will be critically presented. In talking about economic development, it ought to be borne in mind that it is a concept that is related to other types of development in general which encompasses all dimensions of life such as social development, educational development, and cultural development. In the text of this section and elsewhere, its meaning will be presented in relation to other types of development in general. That is to say that in reviewing the meaning of economic development, one cannot just talk about advancement in material wealth and prosperity, but that in order for economic development to have a richer meaning and to be authentic, other aspects of life have to be included. As such, these other aspects of life are an integral part of its meaning. Economic development does indeed depend on other aspects of life in order to be adequate. Nonetheless, in the text of this section, the word “development” will be used to refer specifically to “economic development”. The point is that even though one cannot talk of economic development without due consideration for other aspects of life, the specific focus of this dis

²¹ Quoted by Groenewegen in *The New Palgrave: A Dictionary of Economics* Vol.3 (London: MacMillan, 1987:906) edited by John Eatwell *et al.*

sertation is the kind of development which is economic in nature. What then is development?

In economics, growth and development are interrelated.

Kindleberger makes a distinction between growth and development when he says: “Growth may well imply not only more output, but also more inputs and more efficiency, i.e. an increase in output per unit of input. Development goes beyond these to imply changes in the structure of outputs and in the allocation of inputs by sectors” (1958 [1965]:3). To make his distinction clear, he uses an analogy about the human being: “By analogy with the human being, to stress growth involves focussing on height or weight, while to emphasise development draws attention to the change in functional capacity – in physical coordination, for example, or learning capacity” (*Ibid*: 3). So “growth” is size, weight, height oriented, whereas “development” is function oriented. It is indeed useless for the size of anything to increase when there are no corresponding changes in its functional value. This distinction is also alluded to in the 3rd and 4th editions written with Herrick (1977:3 and 1983:21). What comes out clearly is that “growth” has to do with quantity of things and that “development” has to do with quality of things, especially the quality of human life.

In other words, “measures of growth and structural change must be complemented by measures of improvement in the quality of everyday life for most people”²². However, generally speaking, economic growth and economic development should go hand in hand (Kindleberger 1958[1965]:3).

Kindleberger and Herrick give a rather elaborate definition of economic development when they say:

²² See *A Lexicon of Economics* (London: Routledge 1988:102-103) by Phyllis Deane & Jessica Kuper.

Economic development is generally defined to include improvements in material welfare, especially for persons with the lowest incomes, the eradication of illiteracy, disease and early death, changes in the composition of inputs and outputs that generally include shifts in the underlying structure of production away from agricultural toward industrial activities; the organisation of the economy in such a way that productive employment is general among the working-age population rather than the situation of a privileged minority; and the correspondingly greater participation of broadly based groups in making decisions about the directions, economic and otherwise, in which they should move to improve their welfare (1977:1).

They see and conceive development in terms of:

- improvement in the material, physiological and psychological welfare of humanity especially for the poor;
- growth in productive forces from agriculture to industry;
- remunerative employment, especially for most of able-bodied people; and
- democracy – stretching far beyond the confines of economics to every facet of life.

This is quite a stimulating conception of economic development in that it is a definition which takes into consideration the unsatisfactory human and institutional realities and stands for large-scale improvements in human welfare. In their 4th edition, they give a rather short definition when they observe: “Economic development studies the causes and cures of mass poverty” (1983:1). On face value, it sounds acceptable, but when it is scrutinized, one discovers that it only deals with one aspect of the problem of under-development, namely: poverty. Questions of unemployment, inequality, release of productive energies latent in people and the like are not addressed. Although one would argue they are implied by the word “poverty”, one would still say that probably an all encompassing term like “under-development” could have been used to replace the word “poverty”.

It is Todaro who probably gives the most penetrating view on the nature and meaning of “Economic Development”. First of all, he categorically states that “Development Economics” is quite distinct from “Traditional Economics” and “Political Economy” (1997:1-10). Traditional economics is inclined to the “efficient, least-cost allocation of scarce resources” whereas political economy is interested in the “social and institutional processes through which certain groups of economic and political elites influence the allocation of scarce productive resources” (*Ibid*: 8). For Todaro, development economics has a special mandate:

*In addition to being concerned with the efficient allocation of existing scarce (or idle) productive resources and with their sustained growth over time, it must deal with the **economic, social, political and institutional** mechanisms, both public and private, necessary to bring about **rapid** (at least by historical standards) and **large-scale** improvements in levels of living for the masses of poverty-stricken, malnourished and illiterate peoples of Africa, Asia and Latin America (*Ibid*: 8).*

Thus:

*... development economics, to a greater extent than traditional neoclassical economics or even political economy, must be concerned with the economic, cultural and political requirements for affecting rapid structural and institutional transformations of entire societies in a manner that will most efficiently bring the fruits of economic progress to the broadest segments of their populations (*Ibid*: 8).*

As Todaro has observed, one of the things development economics should do is to spread wealth and a good standard of living for the majority. It does not mean that everybody will be financially equal, but that basic human needs for all will be met.

Seers poses penetrating questions with regard to development when he observes:

The questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels – then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result “development” even if per capita income doubled.²³

The Seers' questions are as relevant today as they were when asked 30 years ago. It appears, some economists, have not taken heed of this advice: you cannot talk of development when the central issues of poverty, unemployment and inequality have grown worse “even if per capita income doubled”. We still have economic literature which ignores this advice. For example, Pearce would rather maintain that economic development is “the process of improving the standard of living and well being of the population of developing countries by raising per capita income”²⁴. There is a difference between economic growth and economic development, between figures and real lives of the people. As already noted, growth is quantity-oriented; whereas development is quality-oriented. This study would like to keep the distinction.

About this, Todaro observes that:

Development, in its essence, must represent the whole gamut of change by which an entire social system moves away from a condition of life widely perceived as unsatisfactory toward a situation or condition of life regarded as materially and spiritually better (1997:1-10).

²³ Quoted in Todaro:14. See Dudley Seers' paper: “The meaning of development”, *International Development Review* No.4:3, which was presented at the Eleventh Conference of the society for International Development in New Delhi, India, in 1969. Akin L Mabogunje observes that Seers has since added “self-reliance” as essential to development (1989:36). See Seers' paper “The meaning of development”, in *International Development Review*, 1977:p3.

²⁴ See *The Mit Dictionary of Modern Economics*, 4th edition (Cambridge, Massachusetts: the Mit Press 1992:119).

Certainly, a particular level of complementarity and equilibrium between materiality and spirituality in our quest for development should be maintained. This study will try to do just that.

Development should be able to fulfil certain objectives and values which have a direct bearing on economics and society. For this reason, Thirlwall observes that our world requires: “A concept of development which embraces the major economic and social objectives and values that societies strive for” (1983:8). He observes again that the best attempt has been that of D Goulet²⁵ who distinguishes “three basic components or core values in this wider meaning of development which he calls life-sustenance, self-esteem and freedom” (*Ibid*: 8). These need to be part and parcel of the development process. People’s lives need to be sustained; their self-esteem enhanced; and their freedom propped up. This view is supported by Todaro (1997:17). This study will uphold these values which are so central to development. They should serve as “a conceptual basis and practical guideline for understanding the inner meaning of development” (*Ibid*: 16). Without an entrenchment of these values, all talk about economic development is useless.

To crown it all, this study will support a holistic approach to development. About this Todaro observes:

...economics needs to be viewed in the much broader perspective of the overall social system of a country, which includes values, beliefs, attitudes to effort and risk taking, religion and the class system, if development mistakes are to be avoided which stem from implementing policy based on economic theory alone (1997:1-10).

²⁵ See D Goulet’s ideas on core values in his book: *The Cruel Choice: A New Concept on the Theory of Development* (New York: Atheneum, 1971).

Therefore, economic development ought to be oriented towards a materially and spiritually satisfactory life by seeking to release all human, social and institutional processes so that all our resources (moral, spiritual, physical, ecological and otherwise) are tapped and used responsibly to prop up our dignity and humanity. It ought to seek to support every effort not to negate the whole of human life, the totality of creation and a balanced sensitivity to the supernatural or the spiritual. Its historic mandate is to contribute to harmonious living between the human community, the environment and the creator-God who seeks to be involved in human history and affairs. It is not that economic development (conventionally inclined to progress in material wealth and prosperity) will be expected to bring about both a materially and spiritually satisfactory life, but that it will allow itself to be influenced by both the material and the spiritual aspects of human life. The influence will result in a materially and spiritually satisfactory life.

Even though economic development seeks a holistic approach to the satisfaction of life, it, nevertheless grapples with the root problem of scarcity. The question of “affecting rapid structural and institutional transformations of entire societies” (Todaro 1997:8) is premised on how political and economic authorities efficiently allocate scarce resources.

2.4 ECONOMICS AND SCARCITY

Having dealt with the etymological background and levels of meaning under the science of economics and having specified the objective of economic development, it is established, *inter alia*, that orthodox economics has to do with the material satisfaction of human needs and wants²⁶. In the real world, real needs and wants of countless humans are not fully met. This lack of full satisfaction of human needs and wants is a basic issue which economics wishes to address. It forms part of the notion of scarcity. It is seen both as a problem to be solved and as a mechanism by which it is solved. As shall be

²⁶ We have already argued that orthodox economics ought to go beyond material satisfaction to include spiritual satisfaction and ecological concerns.

seen later, when it is taken as a mechanism or “point of departure” for economic development, it raises **some moral concerns**.

Seen as a problem, scarcity is the fundamental economic problem which the science of economics seeks to solve. It is a “relative term” (Gilpin 1977:197) which is used to indicate shortage of goods and services in relation to demand for the same. It is linked to the supply and demand complexity.

Seen as a mechanism, it defines “rules of the game” for the science of economics. The majority of economists, if not all, use it as a “point of departure” for economic theory and practice. As Bannock *et al.* have observed: “Theoretically, in the absence of scarcity, no difficult choices would not have to be made, no prices would need to be attached to anything and the study of economics would be rendered entirely unnecessary” (1998:371).

What then is “scarcity” or “relative scarcity”? Pearce defines scarcity like this: “In economics, usually reserved for situations in which the resources available for producing output are insufficient to satisfy wants” (1992:385). That is to say that it is a term which describes and defines conditions where available resources for productive purposes are simply not enough to meet wants. Such situations of scarcity have become a real life experience in our world today which is characterised by massive income inequality between the haves and the have-nots globally and locally (Stott 1990). Some of the questions which this thesis would like to address later are: Is scarcity artificially created or genuine? Is scarcity a sufficient basis upon which to base the distribution of wealth and goods of the earth for all humankind? Is scarcity biased, that is, does it exist for some while it does not exist for others, especially when genuine human needs and wants are considered? Why is it that some have more than enough while others live under the poverty datum line? After 200 years of modern economic science, has humanity, through economists, failed to solve the problem of relative scarcity? Is relative scarcity a perpetual and eternal life-circle which will only be solved at the end of time (theologically speaking)?

As for Bannock *et al.* scarcity is “a situation in which needs and wants of an individual or group of individuals exceed the resources available to satisfy them” (1998:371). Their definition is not different from Pearce’s, except that they include both wants and needs. It is generally argued that wants are artificial human cravings such as a luxury car and a TV; whereas needs are usually basic necessities for survival and livelihood and may include food, shelter, clothing, basic education and self-esteem. One may do without wants; one may not do without needs, especially those essential for survival. Nonetheless, as we shall see later, in today’s world which is ruled by an ethic of scarcity as a “point of departure” for economic development, both wants and needs are not guaranteed to be met.

Steyn *et al.* agree that scarcity is indeed the business of economics (in Steyn editor 2000:2). They observe that the problem of scarcity (“the demand for goods and services [wants, needs] relative to the supply [availability] of goods and services”) is something that is experienced by all individuals, households, business firms and authorities (*Ibid*:2). They seem to suggest that scarcity is part and parcel of human experience. This is partly true, for example, at the individual level, one can only buy so many goods and services commensurate with available resources. It is the issue of “unlimited or multiple wants [or needs]” (*Ibid*:2) for that individual, household, business firm and that government authority. People cannot just get all they want and need due to the condition of limitedness of available resources.

They further observe that all people who participate in the economy need to make choices about how they go about the business of satisfying their needs and wants in the light of limited available resources (*Ibid*:2). No wonder orthodox economics is said to be “the study of how people use their scarce resources, which have alternative applications in order to meet their multiple needs (or wants) in the best possible way”! (*Ibid*:2).

Since scarcity is real, what should be the human mandate? The human mandate is to search for “ways and means” (which are usually defined by scarcity as a “point of departure”) to meet “multiple demands by resources that are scarce and have alternative use in an optimal manner” (*Ibid: 2*). In other words, this calls for wise decisions and choices which are coloured by the imperatives of the notion of scarcity on the part of that individual, that decision-maker in a firm and that policy maker in government so that “multiple demands” are met optimally – that is, to the highest degree possible. The quest for “ways and means” bring about three economic questions which need to be answered as a matter of economic choice viz (*Ibid: 3*):

- a) what to produce?
- b) how to produce it?
- c) for whom to produce it?

These are the three constituent parts of the problem of scarcity and its solution through the notion of scarcity as a “point of departure” in an economy. They are so inter-linked such that one may answer them simultaneously.

The first two questions deal with the issue of production and allocation; whereas the last one deals with the issue of distribution (*Ibid:3*). In short, relative scarcity has to do with production, allocation, and distribution. People, guided by the three constituent parts of scarcity, ought to solve the reality of relative scarcity for their specific situations.

The point is that this business about “the questions of what, how and for whom to produce” lies at the very heart of relative scarcity (*Ibid: 4*) on the one hand. On the other hand, it provides “material” for the field of economic science (economics) which delves into the complexities and intricacies of allocation, production and distribution in an economy in order to solve relative scarcity from the standpoint of a framework which is influenced by scarcity values . In short, scarcity is the essence of economics as a science. As Bannock *et al.* have observed, without relative scarcity, the study of economics is rendered irrelevant. That, according to conventional economic wisdom, the problem of

relative scarcity is very much alive, strengthens the position of economic science.

It follows, therefore, that the main presupposition of scarcity is “alternative use” (Goudzwaard 1980:2). That is to say, limited, productive means may be employed for a wide spectrum of uses, but due to their limitedness, only few of these can be realized. That is why the reality of limited means relative to human needs “forces choices on humanity with regard to which needs will be given priority and which and how much means will be allocated to satisfy these needs” (*Ibid*: 2). In this regard, economics which is underpinned by the notion of scarcity becomes the business of solving the tension between the subjective human preferences and the available productive means to satisfy them (cf *Ibid*). In fact, in this process, what is paramount is not so much the needs, wants, preferences, and choices of subjective humans, but the “manipulation of the implementation of means seen as the only option” (*Ibid*: 2). Broadly speaking, those who own these means have a large stake in the manipulative process.

We may conclude by saying that even though the ethic of scarcity has for many years defined rules of the economic game, it is not without blemish! While seen as a necessary term which has helped humanity to explain the functioning of the real world of economics oriented to the solution of relative scarcity, it is insufficient because, *inter alia*: it justifies the continuation of relative and absolute poverty by arguing that not all our wants and needs will be met due to limited means; it gives a partial picture of humanity that, as *homo economicus*,²⁷ they have unlimited needs and wants which cannot be satisfied due to limited means; and it limits accessibility to wealth and goods of the earth for all by stressing that the means to make this possible are simply limited. Because of the foregoing reasons and others, economists such as Goudzwaard and De Lange (1995) argue that scarcity is not an adequate “starting point” for economics. They argue that there is enough to go around for every person if new values which respect society and the environment are embraced (*Ibid*). In the following chapters, it will be argued that there is a need to “come up” with an adequate “point of departure” for economics

²⁷ Daly and Cobb, Jr., argue that “real human beings are not well imaged by the model of *homo economicus*” (1989:91) because, *inter alia*, it makes humanity to be acquisitive without limit and without due regard to the needs of others.

2.5 ECONOMICS AND ECONOMIC SYSTEMS

In economics, the problem of scarcity is solved by the employment of economic systems which vary from country to country, and from society to society. They are “vehicles” through which various countries and societies choose to allocate their scarce resources from the standpoint of scarcity as a “point of departure”.

According to Cramp, an economic system “is usually seen as a set of conventions and ideas embodying answers to certain interlocking problems that need to be solved in every human society, relating to the provision of goods and services needed by society’s members to preserve life, and desired by them to improve life” (1975:14). The stress is on specific strategies and conceptual frameworks which are used by humans in order to get goods and services. Society makes a “plan” as to how it meets its needs and wants through the provision of goods and services – thus improve the quality of life. Steyn *et al.* are not very different from Cramp when they observe that “an economic system encompasses all the mechanisms and institutions that have been established to facilitate the making and implementation of decisions concerning production, consumption, expenditure and income” (2000:5). Central to their understanding are decisions and choices related to the provision of goods and services.

Steyn *et al.* further observe that one can classify and identify various economic systems by using the institutional criteria namely (*Ibid*: 5 ff):

- decision-making
- information
- property rights
- incentives and
- the financial sector

Firstly, decision-making can either be on a centralised basis or a decentralised basis. Secondly, information is usually provided by two main information structures namely: the market, whereby all relevant information in terms of prices and consumer preferences is given by a network of markets and central planning, whereby relevant information is

collected and processed by a centralised mechanism. Thirdly, property rights, that is “the full rights of disposal of a certain object” (*Ibid*: 7), are premised on either private ownership or state ownership. Fourthly, incentive – usually understood as “motive forces” (*Ibid*: 7) – are either material or moral. Finally, the financial sector is characterised either by private control through ownership of financial institutions or by state control through the control of banking and financial transactions (for example through monetary and fiscal policies of central government).

The criteria refers more to the modern set-up of doing business. In traditional societies, for example, African traditional societies, such criteria could not apply in a very strict sense. In such societies, everything in the economy, including land, rivers, lakes and animals, belonged to the community and owned by the chief on behalf of his or her people. When it came to trade between societies, the economic system used was somewhat loose and flexible. For example, the market was neither price-oriented nor planned, but simply based on barter system (c.f. Polanyi 1944 and see Bolink 1967). Also, the “motive forces” were purely ethical; in most cases, people in antiquity ensured that the economy served society’s survival interests and that their households were protected against hunger, nakedness, and shelterlessness (*Ibid*). The rise of the market economy has altered this scenario. Society is now serving the interests of the modern economy (Heilbroner 1988) and thus, rendering traditional societies with their barter system ineffective. In this sense, the traditional way of doing business is no longer a desired option for many a modern country. Consequently, as already noted, this criteria cannot be strictly applied to tradition. Strictly speaking, this criteria can only apply to modern economic systems.

There are two main economic systems in the world, namely: the market economy popularly known as capitalism and the planned economy popularly known as socialism

(Cramp 1975; Steyn *et al.* 2000:6; Goudzwaard 1984). Broadly speaking, on the basis of the distinguishing criteria provided by Steyn *et al.*, in a market economy, decision-making is decentralised, information is market-supplied, property rights are usually private, incentives are usually material, and finance is controlled by a network of private

enterprises; whereas in a planned economy, decision-making is centralised, information is centrally controlled, property rights are usually owned by central government, incentives are usually a mixture of the moral and the material, and finance is controlled by government (*Ibid*: 8).

Nonetheless, it should be noted that none of them exist in a pure form; they are mixed and hence the term “mixed economy” (*Ibid*:9). In terms of how they are expressed in this mixture, it is worthwhile to note that it is not an equal partnership. That is to say that some mixed economies are capitalist-oriented; while others are socialist-oriented.

A presentation of the two specific economic systems can now be given in order to show their specific philosophies or principles which undergird them.

2.5.1 Capitalism

Broadly speaking, capitalism or the market economy is undergirded by an individualist philosophy. Proponents and exponents of this economic system believe – by convention and ideology – that the problem of scarcity can be solved when private individuals use their energy, their skill, their intellect and other means available to solve the problem of scarcity, first and foremost, for themselves and their immediate families. In such a system, an individual is rewarded when he or she profitably sells his or her products on the market which is ruled by the law of supply and demand (Smith quoted in Leatt *et al.* 1986). In this regard, the source of value for his or her products is determined by means of exchange value which is itself determined by supply and demand. An individual gains more from the system if his or her products or commodities have a high exchange value. If all individuals pursue their private material self-interest, good benefits will consequently accrue for the well-being of society (*Ibid*). This economic system seems to un-

derscore the point that the only way problems of the larger community (society) will be solved is through the pursuit of material self-interest. Under this system, individualism is “sanctified” in order to reach the objective of community wealth or prosperity. The individualist philosophy becomes a “saviour” to the community which is confronted with huge scarcity problems. It is “economic salvation” by individualism and not by collectivism. Collectivism or communalism find its salvation from economic ills through the pursuit of self-interested, trickle-down, individualism or privatism.

What, then, is capitalism? According to Pearce capitalism is “a political, social and economic system in which property, including capital assets, are owned and controlled for the most part by private persons” (1992:52). For Pearce, it is not just an economic system, but a system which has political and social dimensions. In short, it has to do with how the political process and social dynamics are organised within a particular context. The thread which runs through the *body political*, the *body social*, and the *body economic*, is the ownership and control of property – including capital assets – mostly by private persons.

For Bannock *et al.* capitalism is “a social and economic system in which individuals are free to own the means of production and maximize profits and in which resource allocation is determined by the price system” (1998:52). According to them, capitalism affects largely the social and economic dimensions of society; that is, they seem to suggest that capitalism is about people and business. It is not clear, according to this definition, if the political processes of a nation are part and parcel of an economy. It is generally argued that, even though Bannock *et al.* do not ascribe to the political, the political does have a prominent role, if not, the overarching role to shape the course of a modern market economy. The other things that capitalism has to do with, which their definition mention which Pearce does not mention, are: freedom to own means of production by private individuals; maximisation of profits by private individuals; and allocation of resources through the price system usually identified as the market. In this regard, private productive freedom, private profit maximisation, and the market, or a tri-lateral alliance, are

meant to solve the economic problem (scarcity) from the standpoint of the notion of scarcity.

Blaug argues that: “Capitalism is usually defined as an economic system in which the means of production are privately held” (1986:219). He further argues that “... private ownership of the means of production may involve a number of separate functions: the provision of financial capital, the employment and co-ordination of the factors of production, the management and administration of the entire enterprise, and the ultimate power of making strategic decisions about investment” (*Ibid*). For Blaug, capitalism is predominantly an economic system. He is very much in agreement with Bannock *et al.* when he stresses the idea of “private ownership of the means of production” as a fundamental part of the capitalist system.

The McGraw-Hill Dictionary of Modern Economics sees the concept of the free enterprise system as a synonym for capitalism. Accordingly, it defines the free enterprise system as “an economic system characterised by private ownership and initiative” (1973:243). According to this definition, the main focus of a free enterprise system is economic, that is, it has to do with business. Again, it is generally argued that business without people is purposeless and that business without the political countervailing mechanism is anti-social and, therefore, brutal. The other point about this definition is that capitalism has to do with private initiative. That is to say that historical problems of scarcity will not be solved unless and until men, women, and children in their private capacity rise to the occasion and use all their natural talents, gifts, and capabilities and appropriate from nature what they need for their survival and livelihood. As noted already, the guiding starting point in this process is the notion of scarcity. This is the essence of private initiative. Scarcity will not be solved by a lack of private initiative – so goes the ethic of free enterprise!

A synthesis of these definitions ought, therefore, to include: political, social and economic dimensions; the ownership and control of property by private individuals; productive freedom; maximisation of profits; price system; and private initiative.

Heilbroner and Thurow argue that capitalism was a “volcanic event” which upset “every facet of daily life” (1981:10) partly because it broke suddenly and completely from the traditional way of allocating available resources. Its philosophical basis is firstly undergirded by private property: “That each individual is entitled to own and control his or her property including the very important property of his or her own labour” (*Ibid*:16). Such a philosophy would obviously need a practical mechanism by which to express itself concretely and hence the creation of a market society “as a means of mobilising and co-ordinating the activities by which society reproduced itself” (*Ibid*:10). This structural and radical shift from tradition and command greatly strengthened the position of private individuals over against society at large. In a market society, economic activities were left “to men and women responding to the opportunities or discouragement of the market place, not to the established routines of tradition or the dictates of someone’s command” (*Ibid*: 15).

Secondly, it was undergirded by *laissez-faire*²⁸, that is, “a policy of non-interference by the state in economic affairs” (Gilpin 1977:131) or “the doctrine that government should limit itself to the maintenance of law and order and remove all legal restraints on trade and prices” (*The McGraw-Hill Dictionary of Modern Economics* 1973:22). The underlying philosophical bias of *laissez-faire* is that “man (and woman)²⁹ is moved predominantly by self-interest and that there exist certain immutable laws which produce a natural harmony” (Gilpin 1977:131). That is to say that “if everyone is left alone to pursue his (or her) own interests (to produce, buy and sell, borrow and lend) without outside interference, then the result will be to the mutual benefit of all” (*Ibid*: 131).

With regard to the first philosophical point, the crucial question is: Is it possible for all individuals in society to own means to factors of production (capital, land, and labour)

²⁸ The concept of *laissez-faire* has its origin from the French *laissez nous faire* – which means “leave us alone”. See the *McGraw-Hill Dictionary of Modern Economics* (1973).

²⁹ Brackets added by author for the purpose of inclusive language.

and thus, qualify to be called capitalists? Empirical evidence, generally speaking, shows that very few people own and control factors of production in a capitalist society. The rest – including some economists – are dependants on other people's private property and may never own nor control the private productive power in order to be called capitalists in the strict sense of the term. It follows, therefore, that the philosophical basis of the first point is simply ideological. There is no such thing as capitalists *en masse*, that is, having almost all people in society to own and control the private productive forces. With regards to the second philosophical point, there is no such thing as no government interference in the economic arena. As long as human beings' natural condition is tainted by inclination to vice and manipulation, government interference is a sufficient corrective to human market abuses and misuse. Free enterprise must operate under the countervailing mechanism of government intervention, albeit responsibly, flexibly, and accountably. The failings of *laissez-faire* and the need for state intervention in both capitalist and socialist nations is a well known fact (*Ibid*:131). These questionings and others ought to be taken on board by those who live by the philosophy of individualism founded on the principle of private property and *laissez faire*.

Historically, this philosophy of individualism on which capitalism is based is attributed to Adam Smith (1723-1790), an economist, who, as already noted, is described as the father of capitalism who in 1776 published a ground-breaking work: *An inquiry into the origin and causes of the wealth of nations* (Steyn *et al.* 2000:9). The year 1776 marked "the beginning of modern economic science" (*Ibid*: 9). Among other things, Adam Smith wanted to investigate (*Ibid*: 9):

- "why economic welfare differs between one nation and another"
- that "welfare does not consist of gold and precious metals", but that it "is determined by the productive use of a country's economic resources".

Laissez faire which is related to the notion of private property³⁰ found its classical formulation in Smith's work³¹ (Leatt *et al.* 1986:8). His work was essentially an attack on merchantilism – a system which enhanced state power through regulation. In his wisdom, he felt that the role of the state was to maintain law and order in society and keep away from the economy (*Ibid:* 8). He tended to promote self-interest of an individual as a virtue whose moral *telos* was to advance the common good, that is society at large (cf *Ibid:* 8).

Laissez-faire, as a philosophical basis, helped Adam Smith and other fathers of capitalism to develop ideas about the free-enterprise system. Leatt, Kneifel and Nürnberger conveniently summarise the fundamental assumptions of this system as follows (*Ibid:* 8-9):

- private ownership of the means of production: that “each individual has the right and the obligation to look after himself (or herself), take his (or her) own economic decisions for better or for worse, work hard, and make use of all his (or her) resources to his (or her) best advantage”;
- the sovereignty of the consumer: that “the quantity and quality of the product ... are determined by the needs and wishes of those who want to make use of it”;
- free competition³²: that “producers have to compete with each other in a free market”; and
- the free play of the market³³: that “in a situation of free competition, the price of anything and everything is determined by the relative strength of supply and demand”.

³⁰ As already noted earlier in this chapter, John Locke (1632-1704) had already contributed his voice to the issue of private property through his “theory of property rights”.

³¹ Additional work on *laissez-faire* was done by people like J S Mill and Bentham (*Ibid:* 8).

³² This is related to the notion of disciplining of all actors – that is, nobody will dominate the market, but that every actor will compete freely on the basis of the strengths of their products. See Heilbroner and Thurow (1981:28-43).

³³ This is related to the concept of self-regulation of the market whereby prices, wages, and profits are balanced up (*Ibid:*28-43).

Thus the major contribution of Adam Smith to the field of economic science was his teaching about the role of the market in the allocation of production factors (Steyn *et al.* 2000:9). According to this teaching, only the market “can guarantee that these resources are allocated optimally between alternative productive uses” (*Ibid*:9). Adam Smith’s famous terminology was “the invisible hand” (the Market) through which society was allocated the goods and services it wanted and needed (Heilbroner & Thurow 1981:28-43).

What comes out clearly about this system is the centrality of a self-regulating market mechanism within which private individuals can advance their self-interest, maximise their profits, own and control private property, have private productive freedom, and execute private initiative – and thus contribute to the well-being of society. This is the wisdom behind the ethic of capitalism.

Today, it has become the reigning model for much of the world. Its achievements include the following (Leatt *et al.* 1986:9-10; Hay 1989: 154 ff):

- rapid development of science and technology;
- emergence of highly efficient methods of production and distribution, forms of organisation, management techniques and allocation of resources;
- large-scale accumulation of productive capital;
- provision of great private motivation “to do one’s very best, to improve one’s capabilities, to make use of one’s potential and time, to take rational decisions, to be goal-oriented ... and so on” (Leatt *et al.* 1986:10);
- economic growth (in some countries);
- improvement in the standard of life (in some countries) and
- prosperity (in some countries).

In spite of these grand achievements, it is a system which is riddled by inherent problems and undesirable side-effects (*Ibid*). It cannot be called a perfect system. The following are some of its imperfections which need to be addressed (*Ibid*):

- Economic freedom is mainly restricted to big business players in multinationals: voices of small players are simply not heard and therefore, economic freedom is a myth;
- The system is extremely exploitative: for example, many Third World nations have become victims of a new kind of colonialism known as *neocolonialism* because, in spite of their political independence, “they are, to a large extent, economically dependent on the developed industrial nations” (Leatt *et al.* 1986:11).
- It is a wasteful system which is characterised, for example, by the creation of artificial products;
- Its neglect of public needs in preference for private luxury goods which generate more profits;
- Its bias towards the rich elite who determine production trends on behalf of the larger society;
- Its encouragement of income inequality which has negative effects on households;
- Its victimisation of the powerless;
- Its encouragement of the concentration of too much power in the hands of a few;
- Its engendering of the centre-periphery structure of the world economy (asymmetrical interaction);
- Its division of humankind through its “achievement norm” whereby those who are privileged and gifted are rewarded and those who are handicapped are punished;
- Its justification of mass unemployment evidenced in Third World countries, in particular;
- Its vulnerability to manipulation by powerful firms;
- Its contribution to environmental degradation;
- Its lack of a moral basis (in many cases) through its view of the market as a mechanical and technical institution; and
- Above all, its inability or inappropriateness to address fully the problem of scarcity for millions of people around the world.

In conclusion, there is need for the individualist philosophy which undergirds capitalism to be reformed. The market, though a necessary mechanism by which to solve the problem of scarcity for society through individualism is insufficient. As shall be emphasized later, it ought to be subjected to higher social, moral and ecological goals such as social justice, environmental wholeness, and the countervailing legal and political framework. In addition, the system ought to re-look at its “point of departure” - scarcity – and see whether this can be replaced by a more just, fair, and reasonable “point of departure” sufficient for an equitable, realistic, and resilient production, allocation and distribution of wealth (c.f. Goudzwaard and De Lange 1997; Meeks 1988) and goods of the earth for all.

There needs to be a paradigm shift from extreme individualism in the allocation of resources to an ethic of person-in-community. This will inevitably involve the kind of a person who: moves hand in hand with the community of other persons while growing up to his or her full potential; achieves private property and encourages others to excel as well; takes private initiative and encourages others to do the same; enjoys freedom of an individual and sees to it that others do the same; loves others as much as he or she loves himself or herself; and so on. This is the kind of creative tension which needs to exist between an individual and society. An individual cannot claim to solve society’s problems by leaving society behind. He or she does this in relation to the hopes and aspirations of others. In such a paradigm, it is not so much the quantity of resources to be allocated, but the quality of human relations (individually and corporately) in relationship to the quantity of resources. The failure to reform the individualist philosophy will see human manipulation, exploitation, and abuse continue unabated.

2.5.2 Socialism

Socialism was and is a historical response to the individualist philosophy which undergirds capitalism. The historical objective was and is to correct the defects of capitalism – in fact to eradicate it and its defects completely. Essentially, it is a collectivist philoso

phy which seeks to give all means of production (capital, land, and labour) in the hands of society through the state. The system says “no” to the private control and ownership of the means of production due to exploitation especially of the workers (the proletariat) by owners of private capital (the bourgeoisie). Followers of this system believe that justice will only be established when the means of production are held on behalf of the people by the state. A just and fair distribution of scarce resources can only be done by the state who knows exactly where they need to go and what is good for the people. In this regard, socialism is an ethic of collectivism which is intended to bring salvation from economic evils for all. Excessive individualism as presupposed by the market economy cannot be a vehicle for solving the economic problem. The solution to this can only be realized when the state harnesses all means available in order to produce, allocate, and distribute goods and services for all. Again, as noted already, this process is done from the standpoint of the notion of scarcity. Under this system, individualism is “swallowed up” by collectivism under the planned mechanism of the state which has full control over the productive forces.

It should be stated from the onset that socialist thinking as expounded by Karl Marx is founded on *the labour theory of value*. This theory is extremely fundamental to socialist thinking. According to this theory, “the value of an object is measured by the amount of labour embodied in it” (Leatt *et al.* 1986:211). This is in contrast with the capitalist view of value which measures value by means of exchange through the price system on the market (Blaugh 1986: xv, 128-133; Steyn *et al.* eds 2000:9; Heilbroner & Thurow 1981:33; Leatt *et al.* 1986:9). According to the Marxian analysis, it is human labour which accords value to an object or commodity (Leatt *et al.* 1986:211-212). The only measure of value is human labour (*Ibid*:211-212). Unfortunately, a human being who gives value to a commodity has been reduced to a commodity as well. In a market economy, this becomes a necessary step if a human being is to feed, clothe, educate, and shelter his or her family (*Ibid*:211-212). The non-recognition of human labour as a measure of value and the reduction of humanity to a mere market commodity to be sold is a fundamental contentious issue in Marxian thought. Connected to this theory is *the theory of surplus value*. According to this theory, “surplus value” is “the difference be-

tween the value of labour and what workers were actually paid for their labour in the production process” (Steyn *et al.* eds. 2000:10). As noted already, it is human labour which adds value to products during the process of production. Unfortunately, the workers who added value to products are paid less than they are really worth (*Ibid*). Surplus value in form of profit goes to a capitalist. This is partly “due to the unequal bargaining power that existed between the working class and the capitalist” (*Ibid*). In the words of Marx, “surplus value” is tantamount to “stolen value” which capitalists take away from the rightful owners – workers (*Ibid*). Marxian thought seeks to undo this kind of capitalist exploitation in order to establish justice and fairness in the economic realm (Leatt *et al.* 1986:212-213; McCormick *et al.* 1974:423-425; Steyn *et al.* eds 2000:10). In essence, socialist thinking seeks to expose the exploitation of human labour by capitalists and tries to show what the due rewards of workers are in relation to owners of capital.

Pearce defines socialism as “a term used to describe the general doctrine that the ownership and control of the means of production – capital and land – should be held by the community as a whole and administered in the interests of all” (1992:398). In theory, generally speaking, the ownership and control of the means of production is held by the community. In practice, this is not the case – they are owned, controlled and administered by the elite (the political command mechanism) who in most cases are dictated by their own human interests and who decide for whom to produce, how to produce, and what to produce. In other words, decision-making on matters of scarcity is not done by the masses, but by a few individuals, who claim to do it on behalf of the people. It is in very few cases that decision-making is decentralised so that masses decide their destiny with regard to matters of production, allocation, and distribution of available resources (cf Hay 1989:183ff).

Bannock *et al.* define socialism as “a social and economic system in which the means of production are collectively owned and equality is given a high priority” (1998:387). For Bannock *et al.* socialism, like capitalism, has social and economic dimensions. Again, it is not clear by their definition whether it is political. By common practice, socialism

flourishes well under the “political cover” through the state mechanism. It is questionable whether equality which is given a high priority is realized within the structures of society. As long as the socialist system is top-down in terms of the command structure, equality becomes a pipe-dream.

The McGraw-Hill Dictionary of Modern Economics defines socialism as “an economic and political system the basis of which are the abolition of private property and the public ownership and operation of the means of production” (1973:943). As already noted, socialism involves not only the economic and the political, but the social as well. Ultimately, decisions which are made in the economic and political arenas have an impact on the social, for better or for worse. The other point is that socialism as an attempt to abolish of private property is probably one of the greatest blunders of human history. Understandably, not all of humanity will command private control and ownership of productive property, but all of us enjoy to own private property which is basic to life. This includes a car, a house, and a piece of land. Even though these may not reproduce goods and services for large-scale consumption, they, nevertheless, define who humans are, that they love to enjoy basic private property without hindrance. Therefore, abolition of private property – whether for reproductive purposes for society or private use is problematic. This abolitionist movement needs to be de-mystified.

In the light of the above definitions, socialism involves: social, economic and political realities; control and ownership of the productive forces by the state on behalf of the community; a movement towards high priority equality; and the abolition of private property.

Socialism exists in various forms. Hay distinguishes three forms namely: communism, neo-Marxist socialism, and the social democratic tradition (1989:176ff). In communism, the powerful state is seen to direct the economy through planning. Under neo-Marxist socialism, socialism is intended to be introduced through a “quiet revolution” mainly by means of takeover of giant companies, co-ordination of activities through limited planning, and a strict control of the financial sector. As for the social democratic tradition,

even though it tends to reject much of Marx's analysis of capitalism (to which we shall come later), it puts in place what can be called a "detailed regulation of a capitalist economy" without letting go of independent private firms (as basic productive units). The key thread which runs through all these types of socialism (and others) inherited from Marx is that: "the organisation of production is the key to understanding all relationships in society, not least the question of the focus of power and how that power is exercised" (*Ibid*:176-177).

Socialism has a cooperative society and the equality of all persons as its philosophical basis. About this Leatt, Kneifel and Nürnberger observe: "Common to all theories and movements of socialism is the commitment to a communal, cooperative society based on the equality of all people" (1986:194). To bring about such a society, economically there needs to be: complete nationalisation or socialisation of the means of production; selective nationalisation of key industries and controlled private ownership of others; centralised state direction with a main master plan of production and distribution; a market economy "directed by socialist planners within a broad framework of guidelines" (*Ibid*:194). Socially, there needs to be: centralised direction, usually by government; a certain level of decentralisation, "decisions being made by public boards, local governments or self-governing producers communities"; workers' control and government planning boards (*Ibid*: 195). As for the distribution of economic goods and services, there needs to be: distribution according to one's work (known as a stage of socialism); distribution according to one's needs (known as the stage of communism); and adequate income for all, "assuring a minimal level of housing, clothing and food, and free access to education, health and culture" (*Ibid*: 195). In terms of politics and government, there needs to be: equal political rights for all citizens; and leveling of differences of status, "entirely or with different degrees of decision-making powers" (*Ibid*: 195). These strategies will vary from country to country and will largely depend on the form of socialism espoused by a particular country (c.f. Hay 1989:176ff).

It is crystal clear from the foregoing that the philosophical bias is collectivist. The individual is assimilated in a communal, cooperative society. It is as if an individual dies

completely to himself or herself and rises up within a collectivist society, but this time without any individual self-expression, self-actualisation, and self-advancement. Generally speaking, we are not meant to die completely to who we are as individual persons. Humans are meant to grow to our full potential as we relate to other persons. Extreme collectivism and dissolution of individual social beings is something which need to be revisited by those who adhere to socialism as a system.

Essentially, socialism was a historical reaction to capitalism. The starting point for this philosophy was “a fundamental dislike of capitalism and its effects” (*Ibid*: 177). It is a response to the evil or immorality of capitalism (cf *Ibid*: 177).

Karl Marx (1818-1883) is identified as the father of socialism (Steyn *et al.* 2000:10), Leatt, Kneifel and Nürnberger call him “the central figure of socialism” (1986:195). Marx was largely influenced by three movements, namely: German idealist philosophy, French socialism and English classical economics.

The main influence under German idealist philosophy was Hegel with his dialectic style of philosophising. According to Hegel: “... all reality is a totality in process which leads from an initial identity to its alienation from itself, and back from alienation to its progressive liberation, culminating in a final reconciliation”(quoted in Leatt *et al.* :199). He saw this final stage as a recapitulation of the total wealth of all the phases. And the driving force of this movement was the “power of the negative” (*Ibid*:199). The power of the negative, inevitably, brought about internal opposition within each phase, resulting in new stages of consciousness known as conscientisation (*Ibid*:199). This can also be called a process of progressive freedom (*Ibid*:199). The subject of its process is spirit or idea “identified as the totality of the historical world spirit” that moves or evolves “from its deepest alienation in nature through the basic forms of its subjective and objective stages, into the freedom of total self-consciousness” (*Ibid*:199). Art, religion and philosophy being its three incarnations (*Ibid*:199). According to Hegel, it is in philosophy that “world spirit comes home to itself, into its full identity” (*Ibid*:199). Through Hegel, philosophy had reached its end and fulfillment. Generally speaking, even though Marx

believed in Hegel's notion of the dialectic view of history and alienation, he did not accept Hegel's view that the end of philosophy had come. It was Feuerbach before Marx who initiated a reversal of Hegel (*Ibid:199*). According to his teaching, nature was "the real essence of man". This was contrary to Hegel's teaching which saw nature as "the deepest alienation of the spirit" (*Ibid:199*). Feuerbach taught that "man is a natural being rather than a spiritual being" (quoted in Leatt *et al.* 1986:199). Marx went beyond Feuerbach's teaching in that "he did not speak about an abstract essence of man, but about man in his concrete conditions, about natural man, social man, and economic man" (*Ibid:199*). In Marx's teaching, "the subject of history is man, who by active transformation of nature progressively creates himself in the totality of his objectifications in history" (*Ibid:199-200*).

In short, according to Marx's thought, man or woman is not spirit (as in Hegel), not simply essentially natural (as in Feuerbach), but man or woman is concrete (to encompass the natural, the social, and the economic). Hegel's idealism or spiritualism tended to be escapist and sanctioned the *status quo* which was rife with exploitation of person by person. Feuerbach's naturalism was abstract and it tended to obstruct who man or woman really was. Marx' view of man or woman was concrete – seeing them as they really are in their material and concrete existence. For Marx, it is man who makes history (*Ibid:200*) and is, therefore, the subject of history.

Through French socialism, he came to see the need for radical socialism which was aimed at overturning society (*Ibid:201*). While in Paris, he came into contact with "the followers of Saint Simon and Fourier, whom, together with Owen³⁴, Marx called Utopian

³⁴ Henri de Saint Simon (1760-1825) believed that the future socialist society would be like an extremely big cooperative society, "where the rule of men over men would be replaced by a shared administration" (*Ibid:196*); Charles Fourier (1771-1837) saw the birth of model communities, "the germ cells of the future society, consisting of 1500 people each" which would "not be ruled by experts, as Saint-Simon had thought, but would be bound together in love in a harmonious non-coercive order, guided spontaneously according to temperaments and inclinations" (*Ibid:196*); Robert Owen (1771-1858) "known as a model employer and proprietor of a textile work in Scotland", castigated "the principle of competition and proposed 'villages of unity and cooperation' where settlers, in addition to raising crops, would improve their bodies and minds" (*Ibid:196*). They all believed that "they could, through enlightened legislation, create a centrally planned industrial society by reforming the evils of the capitalist system" (*Ibid:201*).

socialists” (*Ibid*:201). This is because Marx thought that their socialist ideas were not radical enough to overturn the fundamental structures of society. He was further inspired by on-the-hand investigations of the capitalist system when he visited Engels’ (his life-long companion) father’s textile firm in Manchester. Inspired by French socialism, though not radical enough, and “baptised” into the chaotic workings of capitalism, Marx weaved together ideas which came to be known as scientific socialism as opposed to utopian socialism.

As for English classical economics, he came to be influenced by Adam Smith, David Ricardo, Malthus and J S Mill, especially during his time in London (*Ibid*:201). The main influence was Adam Smith with his belief in a self-regulating market system³⁵, governed by two natural laws namely: “self-interest” whereby each person was allowed to be motivated by it and “competition” which “ensures that individuals are not exploited by others” (*Ibid*:201-202). They gave legitimatisation to the new capitalist class and made “workers to accept that their new conditions as part of a natural, fixed order of things” (*Ibid*:202). Through his penetrative mind, Marx saw the “exploitative nature of the capitalist system” (*Ibid*:202). Consequently, through his writings, he was now poised to undo the capitalist system and show that “these laws were not natural, but were created by man; their effect was to alienate him” (*Ibid*: 202).

Armed with the Hegelian dialectic view of history and concept of alienation, French socialism which was meant to be oriented to the overturning of society, and insight into the exploitive nature of English classical economics, Marx was on a “warpath” to fight for the birth of a new social, political, and economic order through communism *via* socialism. He was the first theorist to stress the instability of capitalism (Steyn *et al* 2000:38).

Marx’s main ideas are found in *Das Kapital* (capital) much of which was published after his death (Steyn *et al.* 2000:10; Van der Laan 1983:63). In it, he tried to highlight:

³⁵ See section on “capitalism” above.

a lack of efficiency in capitalism (*inter alia*, due to unnecessary competition) and an obvious failure “to bring about an equitable distribution of income” (Steyn *et al.* 2000:10). Essentially, his work is the criticism of the old capitalist social order and the heralding of the coming of the new communist social order in which humanity will contribute according to ability and receive according to need. It was a movement towards the necessary annihilation of capitalism in order to bring about communism in which humankind will reach full humanity. This is because “capitalism is an inherently unstable system” (*Ibid*:10).

Marx’s basic vision is ably and conveniently summarised by Leatt, Kneifel and Nürnberger (1986:202ff) as follows:

- utopia of the “whole man”: that one day, man (and woman) will understand their *essential* whole being when present defects are corrected or rectified; for now, reality will be understood in relative terms;
- creative labour: that it was a mechanism through which humans interacted with nature, thus bringing about their rich potentialities and discovering the richness of nature; and that when a communist society fully arrives “man will experience the fullness of the creativity of labour in the full satisfaction of human *needs* and the full exploration and exploitation of human powers”³⁶
- alienation: that in bourgeois capitalist society, humans’ condition was alienated and that this alienation was evidenced by alienation from the product of their labour by becoming an appendage to the machine, alienation from their productive activity by limited and repetitive work due to increased division of labour, alienation from their species due to labour being considered simply as “a means of staying alive” and not as part of their potential which needs to be enjoyed and developed, and by alienation from fellow humans due to change in relations (for example capitalist - worker relations);

³⁶ Marx’s language about the imminent new world order is similar to Biblical apocalypse and eschatology simply because, *inter alia*, it speaks about fullness of life (cf Book of Revelations).

- private property and the fetishism of commodities: that society was split into two parts as a result of private property and that commodities were made into ends in themselves;
- the materialist conception of history: that “man is not the product of material conditions, but that he creates himself in history on the basis of his material conditions”;
- classes and class struggle: that classes are “the product of alienated labour” and that competition was the distinguishing factor of the struggle between the classes;
- revolution and violence: that due to the radical imbalance between the forces of production (capital, land and labour) and the relations of production (between capitalists and workers), revolution, which is not necessarily violent, was unavoidable;
- ideology: that it is false consciousness because “it is unconscious of its real function, namely, to legitimise and sanction existing relationships of production”; and that since it reflected alienated reality, it was “a form of alienation in the realm of thought”;
- the state: that it was serving the interests of the few; and that when the classless society comes, the power of the state will disappear;
- religion: that it was simply an ideological embodiment of the alienation of humans; that it legitimises the position of the ruling class; that it was “opium of the people” which makes them passive and obedient; that in its institutionalised form, together with private personal faith, were “obstacles to social progress”; that it “will vanish of its own accord when its *raison d’être*, man’s alienation, is overcome”;
- critique of capitalism: that it was intended to lay bare the economic law in order to go beneath the surface of capitalist phenomena and expose it for what it was.
- the labour theory of value: that the value of an object (commodity) was measured by the amount of labour embodied in it;
- capital and exploitation: that a capitalist exploits labourers through “surplus value” (the difference between actual wages and labour value which in Marx’s thought is equivalent to unpaid labour because it is labour which creates value).
- the capitalist breakdown: that one day, due to the impoverishment of workers as a result of low wages and unemployment, workers will rise to change the system;

- post-revolutionary society: that the first stage will be the socialist phase which will not be fully equitable because people would still be attending to inequalities of the previous capitalist era; and the second stage – the communist phase – the final stage of history and its completion will have arrived which will mark the “solution to the riddle of history”; that in this society, all will share in ownership and labour; that “everyone will contribute according to his *ability*, but receive according to *his needs*”; and that “man will no longer be alienated”.

Marx’s ideas were taken over by Lenin, Stalin and Mao Tse-Tung (Van der Laan 1983:21ff). They tried to put in motion Marx’s ideas with a practical orientation in their specific societies. Apart from China, Russia, and Eastern Europe, Marx’s ideas spread to other parts of Africa, especially post-colonial Africa (Leatt *et al.* 1986). As for much of post-colonial Africa, it should be noted that even though there was an interest in socialism in the form of Marxism among African founding fathers, the philosophy, nonetheless, did not receive a full-scale endorsement among them. *Inter alia*, most African founding fathers wanted to be true and authentic in their expression of African cultural ethos which, among other things, recognise the supremacy of the unseen God the creator of humankind and the entire world. For example, Kenneth David Kaunda of Zambia, the architect and main exponent and proponent of the philosophy of Zambian humanism, a socialist collectivist philosophy, used to refer constantly to religious ideas which are founded on the belief in God Almighty (see his book: *State of the nation: politics and government*, Vol.1, 1988). In most cases, European socialism was adapted to the African traditional life. Nevertheless, Marxist socialist ideas remained a source of inspiration for many African leaders, especially with its emphasis on the collectivist approach to life – a dimension which is at the very heart of African traditional cultural ethos.

Russia and its East European socialist countries followed a basic pattern for economic development developed by Lenin (Hay 1989:185). This was also propagated in post-colonial Africa (c.f. Leatt *et al.* 1986). This basic pattern had four basic elements (Hay 1989:185):

- the concentration of economic power in the hands of the party which “seeks to promote interests of the working classes”, provides “continuity in economic poli-cy”, and makes “basic value judgments about long-term objectives of society”;
- means of production are “socially owned, especially natural resources and capital equipment” and in such an arrangement, “small private or individual sectors may survive, but their activities are severely curtailed”;
- market processes are “replaced by or supplemented by economic planning”, macro-economic objectives being determined by the party;
- system seeks a “socially equitable distribution of the national income”.

It was hoped that the absence of a capitalist class and control of the instruments of production by the state would “remove the major source of class conflict” (*Ibid*:186). In this way, alienation of workers would partly be removed because capital is in the hands of the state. Surplus, previously in the hands of the bourgeoisie, would be used by the state for workers interests (*Ibid*:186). Central planning would be used for the purposes of removing market uncertainties (*Ibid*:186). In the long term, these measures would result in security of income and employment (*Ibid*:186).

In spite of these high-sounding socialist policy objectives and strategies, the crucial question is: Did they realise the vision of a communist state as prophesied by Karl Marx? Reality on the ground was quite different from what Marx predicted (*Ibid*: 185). Suffice to say that for a while, followers of Marx held together their socialist ideals with sanguine hope until their societies started to crumble down about 1989 due to, *inter alia*, the planned economy (cf Atherton 1992). This event exposed fundamental weaknesses within socialist societies. What was envisaged in the first stage (identified by Lenin as socialism) such as the abolition of property in land, a graduated income tax, central control of financial institutions and the means of transport and communication, extension of

state ownership of the means of production and free education³⁷, may have taken place, but could not be supported by the planned economy (Hay 1989:183; cf Atherton 1992:1ff). Consequently, the vision of the second phase (identified by Lenin as communism) to be characterised by new consciousness in humans, a new attitude to work, a new basis for production, and a new form of state became blurred (Hay 1989). Besides, the socialist system had other inherent operational problems including: a lack of democracy within socialist society; state triumphalism characterised by an attitude that the state was the “sole arbiter of what is good in society” (*Ibid*:183); class bias oriented to the working class only rather than all groups of society; abrogation of the rights of property; a lack of personal stewardship because virtually all property fell under state control and ownership; bureaucratic red tape; poor record on pollution and environmental protection; and parastatal financial losses, overmanning, low productivity, and poor consumer services (*Ibid*). In addition, the system lamentably failed to fully address scarcity.

Socialist society had collapsed, but socialistic thinking still lives on. It does not mark the end of an era, but the fresh beginning of the search for socialistic ideas which can contribute to the solution of human problems. A total abandonment of socialist ideas would be a mistake with disastrous consequences³⁸.

Finally, it should be stated that the socialist system aims at solving the economic problem by putting productive instruments or forces in the hands of the state. It is the state which can equitably distribute wealth and goods of the earth through its central planning mechanism. Unfortunately, as already noted, the command economy did not work for much of the socialist world. It is probably at this stage where central planning needs to be revisited so that it does not hinder economic development. The interventionist role of

³⁷ Some of them like free education to children can be considered as a benefit of socialism because it helped to educate children from poor backgrounds, who, in normal situations, would not have been otherwise educated.

³⁸ A person who reads Hay (1989) will agree that one of the ways to look at socialism is not to totally condemn socialism, but to point out some of the moral concerns which are deduced from it.

central government, as an expression of planning, should not be cut completely as others like Hayek seem to suggest (Hay 1989:209ff). Surely, government has a role to play in the economy, but this role ought to be done properly and responsibly. In addition, socialism should re-look at its “point of departure” in the distribution of goods and services. It ought to move from a point of insufficient resources to a “new point of departure” with the acknowledgement that humanity can manage all the resources of the earth responsibly and accountably, and share with all human persons (Goudzwaard & De Lange 1997; Meeks 1988). This matter will be discussed critically in the following chapters.

Therefore, society certainly needs a certain amount of socialist orientation in the management and distribution of goods and services. Its moral *telos* is to provide *inter alia*, public goods, equality of opportunity, and a flexible overall supervision of the market mechanism so that “the development process” is not subjected to human vice, manipulation, and abuse.

2.6 ECONOMICS AND SUSTAINABLE DEVELOPMENT

In economics, sustainable development is a strategy which seeks to correct the environmental chaos and degradation that have been caused both by the capitalist and socialist systems over the years. At the same time, the strategy aims at responsible human material progress through industrial development. The fundamental question is: How can humanity contribute to environmental sanity and well-being while pursuing their goal of economic growth? The system employed – individualist or collectivist is not an issue – but how these systems are employed in pursuit of material economic advancement viz-a-viz the environment. The strategy proposes an adequate balance between environmental objectives and economic objectives, the well-functioning of ecosystems and the material satisfaction of human needs and wants, and the natural basis of all life and human survival and livelihood. The sustainable model for development emphasizes that the wanton destruction of ecosystems and the irresponsible use of natural resources in the name of economic development has disastrous, if not fatalistic, effects, not only to human life, but

to all life and the entire earthly household. In spite of the good intentions of sustainable development, the core issue which it tries to solve is scarcity. The model contributes to the solution of scarcity, albeit, with a great sense of social and environmental responsibility as a key component of development

The Brundtland Commission³⁹ defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (quoted in Ismail Serageldin 1996:2). Sustainable development is a kind of development that considers the material needs of posterity as it tries to meet the material needs of the present generation. The model does not sacrifice the needs of posterity. Through this model, society is encouraged to cast its eyes into the future and ensure that there will be enough nutritious food, clean water, and clean air and so on for posterity, just like the present generation enjoys to eat enough nutritious food, to drink and use clean water and breath clean air. Serageldin calls this definition “philosophically attractive”, but argues that it is not without difficult operational questions (*Ibid*:2), for example, whose needs are sufficiently met? Is it the needs of all or just a few? Generally, a number of people in the Third World still have a number of their needs basic to life unmet. If the needs of the present citizens in the Third World are not met, how does “sustainable development” hope to meet the needs of their posterity? This is an issue which has to be taken on board when it comes to sufficient satisfaction of needs.

The 1991 joint report published by the World Conservation Union, World Wide Fund for Nature and the United Nations Environmental Programme entitled “Caring for the Earth: A guide to sustainable living”, defines sustainable development as “improving the quality of human life while living within the carrying capacity of supporting ecosystems” (quoted in Yeld 1997:14-15). Yeld argues that this has a double implication. Firstly, it means that “ecosystems will have to be protected as far as possible so that successive generations can also use them to improve their quality of life” (*Ibid*:15). The protection

³⁹ See also Brundtland World Commission on Environment and Development (1987) *Our Common Future* (New York: Oxford University Press).

of ecosystems is vital to sustainable development. However, as similarly observed by Serageldin, the improvement of the quality of life is biased towards the developed countries of the world. The pace at which life improves in the Third World for the majority is very slow, if not negligible. So one must be careful to define what is meant by “improving the quality of life”. Secondly, it means that “human population growth will have to be curbed” (*Ibid:15*). This is also equally vital to sustainable development. Humanity cannot be so naïve as to claim that things will take care of themselves even with uncontrolled population growth rates. Earth’s natural resources ought to be matched with population growth. Uncontrolled growth rates of populations will render the ethic of sustainable development meaningless. The earth’s capacity to carry human life is limited and hence the need for responsibility in reproduction rights.

Synthetically, sustainable development has to do with: meeting of the needs of the present; meeting of the needs of posterity; an improvement in the quality of life for present and future generations; living within the carrying capacity of supporting ecosystems; and the preservation or protection of supporting ecosystems. The meeting of the material needs of present and future generations is a matter of scarcity. That is to say, from the standpoint of economics, it has everything to do with the allocation of scarce resources. All that the model stresses or adds is the notion of social and environmental responsibility which should go hand in hand with the development process.

Claude Martin, director general of World Wide Fund for Nature (WWF), gives broad outlines of the philosophy of sustainable development in his preface to John Yeld’s book *Caring for the earth – South Africa: A guide to sustainable living* (1997:7). He observes that sustainable development is about “how the needs of development can be – indeed must be – reconciled with the necessity to properly conserve the environment” (*Ibid:7*). Development and environmental conservation need each other as each is “doomed by failure without the other” (*Ibid:7*). It follows that needs of development such as housing, education, health and employment need to be supported by the capacity of the natural environment both for now and for the future (*Ibid:7*). It is a kind of development process

which provides “real improvement in the quality of life and at the same time conserves the vitality and diversity of the natural world” (*Ibid*:7). That is to say that the development process ought to simultaneously improve the quality of life and conserve the natural world. Therefore, the philosophical basis of sustainable development is simple and straight forward (at least in theory): *reconcile simultaneously the needs of development with the necessity to properly conserve the environment*.

The environment should not wait until development needs are taken care of⁴⁰.

Following this philosophical bias, there is every need to care for the earth (our environment). *Inter alia*, human beings totally depend on the “earth’s capacity to sustain them with its natural life-support systems: air, water and soil” (Yeld 1997:11). The survival of humans depend on the guaranteeing of “the fertility and productivity of the planet” (*Ibid*:11). The same is true for other species.

Current statistics about the global environmental situation are very alarming. In spite of the United Nations Conference in human environment which took place in Stockholm in 1972 and tried to raise environmental awareness, the deterioration of the ecological health of the planet continued in the 1970s unabated, emanating from the 1960s (*Ibid*:13). Also between 1972 and 1992, there were a trail of environmental crises including: the shrinking of the world’s forests by 200 million hectares; the expansion of deserts by 120 million hectares; the loss of billions of tons of valuable topsoil; the extinction of hundreds of plants and animals; the steady increase and concentration of greenhouse gases in the atmosphere; and the rapid depletion of the stratospheric ozone layer (*Ibid*:14). Further, between 1977 and 1997, human population increased by more than 1,6 billion humans, an occurrence which was followed by depletion of key natural resources (*Ibid*:14). It is for this reason that men and women of good will started to popularise the concept of

⁴⁰ See The World Bank document *Can the Environment Wait? Priorities for East Asia* (Washington D C: World Bank, 1997) which, *inter alia*, concludes that the environment should not wait because the cost of cleaning up the environment afterwards is very high. The so-called South East Asian miracle has left a trail of environmental chaos and degradation which have become costly to rectify.

sustainable development⁴¹ on an increased level beginning in the 1980s, in order to correct the situation. In fact, it was the World Commission on Environment and Development (The Brundtland Commission) of 1987, through their publication of the document “Our Common Future” which brought the term “sustainable development” into common use (Serageldin and Steer, editors, 1994:2). As already noted, the commission called for development that “meets the needs of the present generation without compromising the needs of future generations” (*Ibid*:2). In spite of this environmental awareness campaign, global environmental deterioration went on unabated. There was need for action. Three of the bodies which responded were the World Conservation Union, the World Wide Fund for Nature and the United Nations Environment Programme who met in 1991 and produced a joint document “caring for the earth: a guide to sustainable living” (Yeld 1997:14). It was essentially a “blueprint for a new way of life to break the existing pattern that was causing environmental chaos throughout the world” (*Ibid*:14). The 1992 Earth summit which met at Rio de Janeiro further underscored a similar point when it “alerted the conscience of the world to the urgency of achieving sustainable development” (Serageldin and Steer, editors, 1994:1). Its main message was that “without better environmental stewardship, development will be undermined, and without accelerated development in poor countries, environmental policies will fail” (*Ibid*:1). At the threshold of a new beginning and a new millennium, environmental degradation is still an agenda item on both the local and global scale (cf Yeld 1997).

In search of rapid economic growth, humanity has created disastrous and fatalistic effects on life-supporting ecosystems of the world. Humanity is a victim as well as a perpetrator of environmental degradation. They have not executed their role in the ecosystem responsibly (Hugo *et al.* 1997:72ff). They have failed to live in “total harmony with nature” and to consider themselves “an integral part of the ecological system” as was the case in antiquity (*Ibid*:72). Their superior mental ability, in spite of its contribution to

⁴¹ “Sustainable development” as a term originates from German forest management practices in the 19th Century (*Ibid*: 12).

modernity, has been a cause of the destruction of the environment (*Ibid:73-77*).

Because of the foregoing, humanity has to rise to the occasion and arrest the deteriorating environmental situation. They can re-orient their intellectual capacity to begin to conserve the environment. The point is, as already noted, that in spite of technological advancement, humans depend on nature for their survival (*Ibid:103*). This is why “the conservation of the environment is of the utmost importance” (*Ibid:103*). The main issue here is not so much a shortage of resources or energy, but “that the technology to utilise the available resources without degrading the environment is inadequate” (*Ibid: 103-104*). In other words, there needs to be environment-friendly technology which does not contribute to the degradation of the environment. This requires a kind of change of the mindset. Humanity must begin to move away from the basic problem of human selfishness which “motivates them to only look after that which is their own” (*Ibid:104*) to a pragmatic approach which cares for that which is not their own and uses resources responsibly. It is this inner change of perception and attitude which will enable us to conserve both renewable (e.g. water) and non-renewable (e.g. minerals) natural resources (*Ibid:104ff*). The key issue here is conservation. According to the International Union for the Conservation of Nature, conservation means:

the responsible management of (people's) use of the natural environment in such a way that it retains the largest, permanent, advantages for the present generation. At the same time it should retain the potential to supply the needs and gratify the expectations of future generations (Hugo *et al.* 1997:153).

There need not to be opposition “sustainable development” and “conservation”. They both stress “responsible utilisation of resources” (*Ibid:153*) for the sake of humans. The value of conservation is priceless and includes the following: economic, ecological, nutritional, medicinal, aesthetic-psychological, and educational benefits (*Ibid: 153ff*).

Conservation, apart from its emphasis on natural resources, also emphasises the need to recognise the value of biodiversity (*Ibid*:158). That is to say “the total habitat of the species” (*Ibid*:158). Hugo *et al.* warn that: “If, through human or any other external influence, there is a disturbance in the ecological balance, this could lead to the damage or even destruction of the ecosystem” (*Ibid*:158). Loss of biodiversity “could result in as yet unknown risks or damage to the quality of human life” (*Ibid*:158). The world “is an interdependent whole made up of natural and human communities” (*Ibid*:158). The point is that “the well-being of any one part depends on the well-being and health of all the other parts” (*Ibid*:158). Humanity cannot just use natural resources without restraint. They must work within specific ecological limits: “The ecological limits within which humans must work are not limits to human endeavour; instead they give direction and guidance as to how we can sustain environmental stability” (*Ibid*:158).

The ball is in the court of humans. There needs to be a broad-based approach to the issue of sustainable development. This approach should go beyond Serageldin’s suggestion that seem to say that only voices of economists, ecologists, and sociologists should be taken into consideration when it comes to the question of understanding sustainable development (Serageldin in Serageldin and Steer, editors, 1994:1-2). All humans – uneducated and educated, small and big, unprofessional and professional, poor and rich – ought to be included in the quest for sustainable development.

Society’s concerted efforts at sustainable development will help humanity realise a “sustainable economy” (Yeld 1997:15). It is a kind of economy which breaks away from “the old pattern of economic growth, through the ever-increasing consumption of natural resources” one which develops “through improvements in human knowledge, better organisation, less waste, improved technical efficiency and the application of wise investment decisions” (*Ibid*:15). Our economic vision ought to be: a movement from destruction to construction, from spoilage to preservation, from irresponsible development to responsible development. A “sustainable economy” is indeed a moral economy which sustains humanity within the carrying capacity of the life-supporting ecosystems.

The ultimate goal, therefore, of sustainable living is a sustainable society. The kind of society which “grows and prospers while living within the carrying capacity of its supporting systems and which is underpinned by the philosophy of caring for all living creatures” (*Ibid*: 1997:15). As Yeld has observed, following the tradition of the 1991 “Caring for the Earth” joint document, such a society can be achieved when human communities apply the following nine principles, namely: respecting and caring for the community of life; improving the quality of life; conserving Earth’s vitality and diversity; minimising the depletion of non-renewable resources; keeping within Earth’s carrying capacity; changing personal attitudes and practices, enabling communities to care for their own environments; providing a national framework for integrating development and conservation; and creating a global alliance (*Ibid*:15).

Society has to say “no” to irresponsible economic development by whatever system. Society has to reconcile the needs of development with the need to properly conserve society’s precious environment so that both the present and the future generations do not suffer from the ramifications of irresponsible utilisation of natural resources and destruction of biodiversity. Sustainable development is the way forward for the human quest for material progress and prosperity – including their quest for growth to full potential.

Nevertheless, it ought to be stated that in spite of the high sounding and grand objectives of sustainable development, the model underpinned by the notion of scarcity, does not fully solve the problem of scarcity. In this regard, due to the reasons alluded to in the previous sections, the model also needs to move away from scarcity as its “point of departure” to a new “point of departure”, which will be discussed later. By this recognition, sustainable development will proceed from a position of strength which recognises that natural resources and economic goods are enough to do around for every human being around the world (Goudzwaard and De Lange 1997; c.f. Meeks 1988). This is possible if only justice, fairness, responsibility, accountability, and other ethical values are allowed to permeate economic systems (*Ibid*). This paradigm shift will all the more

re-beautify and revitalise "sustainable development" which already thrives on internationally acclaimed values of social protection and environmental care.

2.7 SUMMARY AND CONCLUSION

This chapter has critically reviewed some of the definitions and perspectives under the science of economics. It is these definitions and perspectives which have given a firmer grasp of the fundamental issues in economics.

Firstly, it has explored the etymological background of the word "economics" and has established that modern economics has departed from its original meaning – *oikonomia* (stewardship) – to money-making (*chrematistics*). In addition to this, it has shown that one needs to understand the various levels of meaning in which economics occurs: that "political economy" refers more to the involvement of political authorities in the economic process; and that "modern" or "traditional economics" refers more to economics as seen and interpreted by modern economists. At the core of these definitions is the problem of scarcity. Further, in seeking to draw on both secular and religious definitions of the term "economics", one has to take into consideration other important aspects such as the environment, the human community, and spirituality, other than the material and the mechanical only. This is in order to arrive at what one may call "an adequate definition of economics". There is no difference between secular and Christian definitions. In one way or the other, they deal with scarcity as a fundamental issue in economics.

Secondly, it has distinguished "economic development" from "political economy" and "traditional economics". It has hinted that economic development, just like its parent (economics) ought to seek balanced satisfaction of the material and the spiritual, and should be oriented towards harmonious living between the human community, the environment, and the supernatural. That is to say that "economic development" will be failing in its duty if it only aims at one aspect of humanity – that is, the material. It ought to be a movement towards the satisfaction of all human needs so that human beings can grow to

their full potential. Nonetheless, even though economic development aims at balanced improvement in the quality of life, it is founded on scarcity – an issue which needs to be addressed.

Thirdly, the chapter has pointed that, in economics, the fundamental economic problem is scarcity which is solved from the standpoint of the notion of scarcity. It is scarcity which sets rules of the economic game. It is its “point of departure”. Without scarcity, the science of economics becomes irrelevant. However, it has raised a challenge that in spite of the fact that scarcity is a necessary concept which has helped humanity to explain the allocation of resources, it is an insufficient “point of departure” mainly due to moral concerns which it raises (Goudzwaard and De Lange 1997). There is indeed enough to go around for every person (*Ibid*; c.f. Meeks 1988). In the following chapters, it will be argued that there is a need to replace scarcity with an adequate “point of departure”

Fourthly, this chapter has established that the problem of scarcity is traditionally solved by two economic systems namely: capitalism and socialism. Traditional systems, like the barter system, have been taken over by the two systems. Both of them have inherent operational difficulties which need to be rectified so that both *individual* and *collective* humanity can improve their life and grow to their highest potential. Further, as already observed, in both cases, the “point of departure” need not be scarcity, but a more sufficient one.

Fifthly, sustainable development underscores the point that needs of development – by whatever system – should be reconciled with the need for the preservation of ecosystems. Human life is wholly dependent on other life-systems which need to be preserved. This calls for sustainable living aimed at the creation of a sustainable society whose members are able to sustain and improve the quality of their lives within the earth’s capacity to support this. In spite of the high-sounding objectives of sustainable development, it too has scarcity as its fundamental “point of departure”. In fact as a model, it does not fully

solve the problem of scarcity. Consequently, there needs to be a new “point of departure” (*Ibid*).

In conclusion, it should be stated firstly that economics should move beyond the material satisfaction of human needs to include all other needs. Secondly, it has to employ an economic system that does not trample under foot humanity, does not destroy the environment, and does not make humanity aspiritual and irreligious. Thirdly and most crucially, there is an urgent and timely need to replace scarcity with a more sufficient “point of departure” (*Ibid*). From a theological-ethical standpoint, there is indeed every need to “come up” with a new point of departure which is rooted and grounded on what one may call “life-giving, life-affirming, and life-sustaining principles” which are in tune with the Biblical witness. In chapters five and six, this new “point of departure” will be developed and critically discussed.