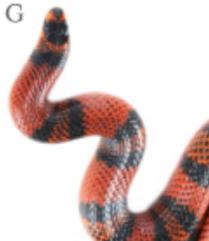


TOMAS
SEDLACEK



ECONOMICS OF
GOOD AND EVIL

THE QUEST FOR
ECONOMIC MEANING
FROM GILGAMESH
TO WALL STREET



**ABSTRACT
AND GENERAL INFORMATION**

National bestseller by a promising economist
Tomas Sedlacek is to be published by **Oxford University Press** in spring 2011, with a foreword by **Vaclav Havel**.



As the virtues of economics have come under attack in the aftermath of the global financial crisis, new perspectives have been explored. Tomas Sedlacek, named as one of the “5 Hot Minds in Economics” by the Yale Economic Review in 2006, quickly captured the stage with a book, which has become a best-selling phenomenon in his home country, the Czech Republic.

His debut has sold over 50,000 copies since its launch in May 2009 in a country with 10 million people and became the first ever non-fiction title to top the Czech annual list of best-selling books. Sedlacek, a member of Czech Government’s National Economic Council, outperformed big names such as Paulo Coelho and Dan Brown, but also well-established local literature icons in terms of both the number of books sold and subsequent buzz.

“Tomas Sedlacek has shaken the study of economics as few ever have ... How has he done it? By arguing a simple, almost heretical proposition: economics is ultimately about good and evil,” OUP says in its upcoming catalogue, which labels the Economics of Good and Evil as a “major rethinking of the nature of

economics and a **stunning tour de force of intellectual inquiry”**. The book will be **launched in the U.K. and the U.S. this spring**. As of now, the book has been contracted to be translated and published also in Germany, China, Taiwan and Poland.

Sedlacek’s potential to spread his provocative view on economics has been enhanced this year, as his book has been adapted on a theater stage. It has had over 80 reprises, including **five sold-out shows in the Czech National Theater**. An international tour in English is being prepared under the auspices of Czech Ministry of Foreign Affairs.

Economics of Good and Evil tracks the development of mankind’s values from as far back as literature allows us to go, including the Epic of Gilgamesh, the Bible and classical Greek philosophy. It aims to reveal the virtues of ancient generations lost as Newton’s mechanical approach was adopted by classical economies in recent centuries. Sedlacek recalls 18th century philosophers, including Adam Smith, who urged the exploration of economics as a science of social well-being with greater respect to ethics. He completes his journey with an analysis of the current global economic calamity, which provides a range of reasons to reinvent what has been suppressed.

Deirdre McCloskey, distinguished Professor of Economics at the University of Illinois and one of the first readers of the book, **praised Sedlacek’s innovative way of thinking**: “Sedlacek proposes no less than a ‘humanomics’, a view of our fate in this world of scarcity that takes account of human stories and philosophies. Economists have crippled themselves by their lack of scholarly breadth, and their ‘scientific’ disdain for human words. Sedlacek cannot be accused of that. What is most impressive, though, is his depth, drilling down into the soul of economics.”



Vaclav Havel

*Foreword to the English edition of **The Economics of Good and Evil***

I had the opportunity to read Tomas Sedlacek's book before it was published, which came out in the Czech Republic in 2009 under the same title, and it was obvious that it was an unconventional view on a scientific discipline which – as the general belief has it – is exceptionally dull. Of course I was taken with the book, and I was curious about the kind of interest it would provoke in other readers. To the surprise of both the author and publisher, it immediately drew so much attention in the Czech Republic that it became a **bestseller within a few weeks**, and both experts and the general public were talking about it.

By coincidence, Tomas Sedlacek was at that time also a member of the Czech government's National Economic Council, which, in its behaviour as well as its views on long-term goals, stood in sharp contrast to the quarrelsome political environment, which usually doesn't think further than the next election.

Instead of self-confident and self-centred answers, the author humbly asks fundamental questions: **What is economics? What is its meaning?** Where does this new religion, as it is sometimes called, come from? What are its possibilities and its limitations and borders, if there are any? Why are we so dependent on constant growth-growth and growth-growth-growth? Where did the idea of progress come from, and where is it leading us? Why are so many economic debates accompanied by obsession and fanaticism? All of this must occur to a thoughtful person, but only rarely do the answers come from economists themselves.

The majority of our political parties act with a narrow materialistic focus when, in their programmes, they present the economy and finance first; only then, somewhere at the end, do we find culture as something pasted on or as a libation for a couple of madmen. Whether they are on the right or left, most of them – consciously or unconsciously – accept and spread the Marxist thesis of the economic base and the spiritual superstructure.

It may all be related to how economics as a scientific discipline frequently tends to be mistaken for mere accounting. But what good is accounting

when much of what jointly shapes our lives is difficult to calculate or is completely incalculable? I wonder what such an economist-accountant would do if given the task to optimise the work of a symphony orchestra. Most likely he would **eliminate all the pauses from Beethoven concerts**. After all, they're good for nothing. They just hold things up, and orchestra members cannot be paid for not playing.

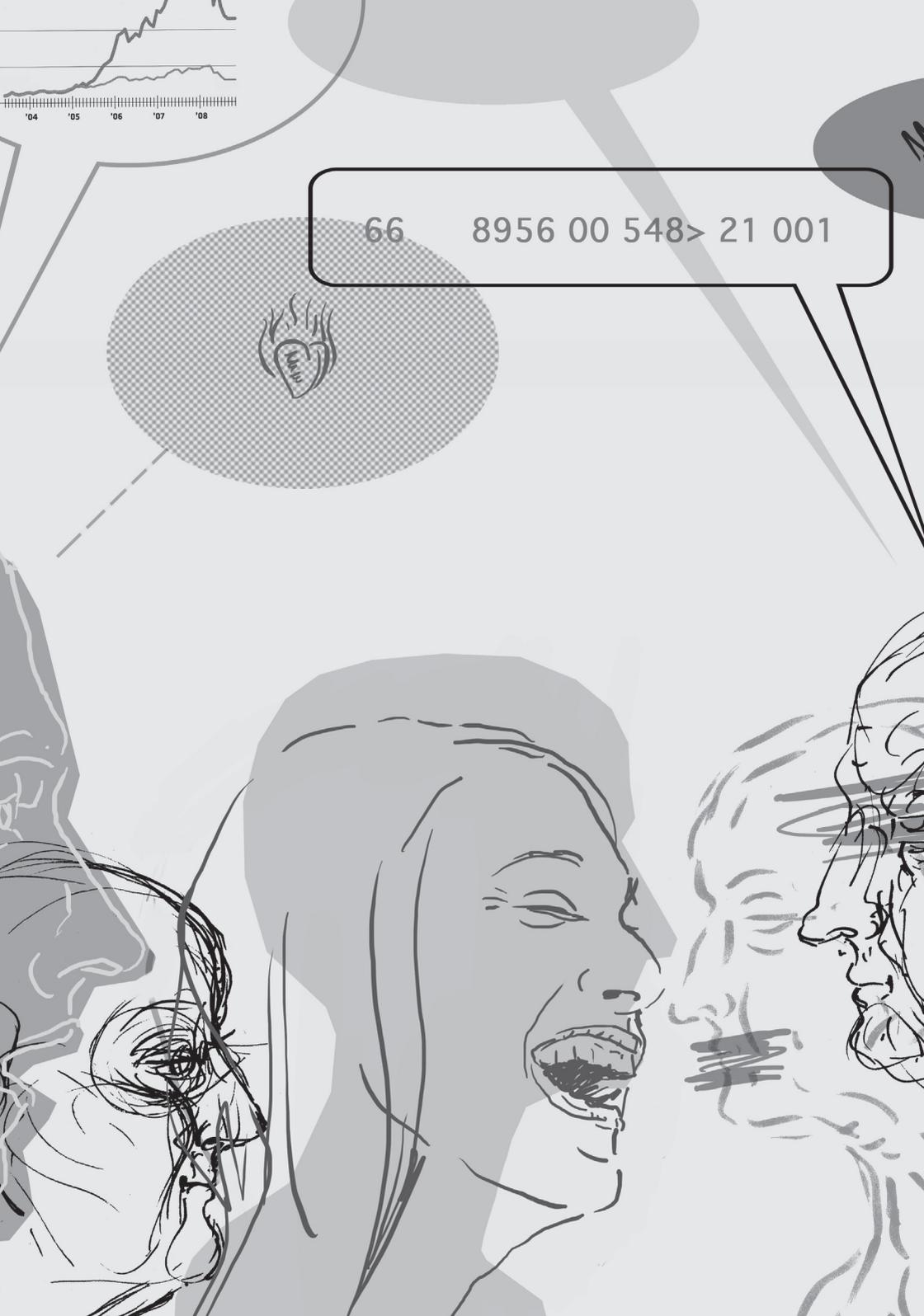
The author's questioning breaks down stereotypes. He tries to break free of narrow specialisation and cross the boundaries between scientific disciplines. Expeditions **beyond economics' borders** and its connection to history, philosophy, psychology and ancient myths are not only refreshing, but necessary for understanding the world of the 21st century. At the same time, this is a readable book which is also accessible to laymen, in which economics becomes a path to adventure. We do not always find an exact answer to the permanent search for its end, only more reasons for even deeper considerations of the world and man's role in it.

In my presidential office, Tomas Sedlacek belonged to the generation of young colleagues who promised a new view on the problems of the contemporary world, one unburdened by four decades of the totalitarian Communist regime. I have the feeling that my expectations were fulfilled, and I believe you, too, will **appreciate his book**.



Vaclav Havel

Czech ex-president



The Secret Power of Story, or All Colors of Economics

Man has always striven to understand the world around him. To this end he was helped by stories that he made to make sense of his reality. From today's standpoint, the old stories seem quaint – much as ours will appear to the generations that follow – but the secret power of what people believe in is profound.

One such story is the story of economics. Once upon a time it was the doctrine of managing a household, but little by little it seems to have lost that magic and grandeur. We may sometimes feel that economics has gradually lost all of its colors and shades, helping to create a world where black and white rule. But the story of economics was once far more colorful.

At first myths and religion explained the world to people: Today science plays that role. It would be foolish to assume that economic inquiry began with the Scientific Age. To understand the economic thought of our early ancestors we must dive into their myths and philosophy in order to better understand where our modern myths have come from. That is the reason for this book.

The Epic of Gilgamesh: unproductive love and a power of friendship

The Epic of Gilgamesh deals with an age almost 5000 years old and is the oldest written story that exists. It inspired many stories that in various forms dominate mythology to this day. This poem introduced such themes as the flood and the search for immortality. Even in this primordial work questions that we today consider to be economic play an important role.

The story begins with the construction of a perfect immortal wall without parallel that Gilgamesh, the ruler of Uruk, is building around his city. He tries to raise the productivity of his vassals at all costs, going so far as to keep them from seeing their wives and children. Therefore his people complain to the gods:

*Gilgamesh does not allow the son to go with his father...
Gilgamesh does not let the young woman go to her mother,
the girl to the warrior, the bride to the young groom.*¹

¹ *Epic of Gilgamesh*, First tablet, ll. 10–17. Trans. Gardner and Maier

How remote, yet how familiar, is this principle. Today we also live under Gilgamesh's notion that human relationships – and our humanity itself – is at odds with occupational efficiency, that people would be more productive if they did not waste their time on un-productive matters, such as relationships, love, friendship, art, etc... The only exception is reproduction, which to the letter is (re)productive.

This attempt to maximize efficiency at any cost, this suppression of humanity for the sake of the economics reduces the vastness of man's humanity to the simple aspect of his production. When man is compelled to simply work like a machine, he becomes nothing more than a machine.²

How useful this epic would have been to Karl Marx who easily could have used it as the first historical record of man's reduction to drudge. A prehistoric example of exploitation and one's estrangement from his family, even from himself.

The attempt to reduce man into a mere unit of production and consumption (which is actually all that economics needs) is evident in a variety of alarming social utopias. In novels such as Huxley's *Brave New World* or Orwell's *1984*, personal relations, emotions, and any demonstrations of one's personality at all are forbidden and severely punished. Friendship and love are not only useless and unproductive, but potentially destructive to totalitarian regimes, as *1984* nicely shows.

Gilgamesh too – like every despot – sees family and friendship as competition for efficiency. However, in the course of the epic he learns this new dimension of humanity. Wild Enkidu, whom the gods sent to Gilgamesh as punishment, becomes his inseparable friend, and together they set out to battle the gods. Alone Gilgamesh would never have found the courage for such a thing – nor would have Enkidu. Having discovered a new emotion of friendship, Gilgamesh forgets about building his protective wall. He thus relinquishes his highest goal (immortality) and on the contrary departs from the city, leaving the safety of its wall for the wilderness of the forest in order to restore order to the world – to kill Humbaba, evil personified.

² The Czech word *robot* captures this perfectly. First used in the Karel Čapek play *R.U.R.*, robot is simply the word for laborer, robotnik, with the –nik suffix that denotes a human removed.

*In the cedar forest fierce Humbaba lives.
Let us kill him, you and me,
and drive evil out of the land.*³

With this the gods unwittingly accomplish their plan to have Gilgamesh renounce the construction of the wall. And through his own experience Gilgamesh unknowingly proves his theory that relationships actually do stand in the way of building his glorious wall. He leaves the wall unfinished, and with his friend he leaves it behind. He no longer sees immortality in its construction, but in heroic deeds performed with his friend for life (and death). Friendship changes both friends. From a hated tyrant, Gilgamesh becomes a man with feelings – he leaves his pride behind the perfect walls of Uruk and ventures into the wilderness, revelling in his *animal spirit*, as perhaps J. M. Keynes would put it.⁴

And Enkidu's transformation? If at the beginning of the epic Gilgamesh symbolizes civilization, urbanism, and tyranny – a ruler who would prefer machines to subjects, then Enkidu originally stands as the polar opposite. He personifies all that is bestial, wild, and savage. In the case of Enkidu, his friendship with Gilgamesh symbolizes the climax of the process in which he becomes human. Friendship transforms both heroes – starting at their opposite poles – into men.

Taming of natural evil and the invisible hand

The humanizing of the wild, savage Enkidu allows something important to occur. Enkidu had been the invincible scourge of hunters, he destroyed their traps and stood in the way of their hunts and their cultivation of nature. One of the anguished hunters says:

³ *Epic of Gilgamesh*, Second tablet, III.5 Trans. Gardner and Maier

⁴ *Animal Spirit* is a term mentioned by an economist J. M. Keynes as an expression for a spontaneous urge, which gives a reason and energy to man's acts: "...our positive activities depend on spontaneous optimism rather than mathematical expectations, whether moral or hedonistic or economic. Most, probably, of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as the result of animal spirits – a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities." Keynes J. M.: *The General Theory of Employment Interest and Money*, p.161–162

*For terror I cannot go near him.
He fill up the pits I dig;
he tears out the traps I set;
he allows the beast to slip through my hands, the hurrying creatures
of the abandon;
in the wilderness he does not let me work.*⁵

Nevertheless, a reversal occurs after he is humanized, civilized:

*He caught wolves,
Captured lions.
Now strong shepherds could lie down;
Enkidu would guard them,
powerful man
hero like no one else.*⁶

By civilizing, “domesticating” Enkidu, mankind tamed an uncontrollably savage and chaotic evil, which vehemently harmed and undermined the good of the city. At the beginning, Enkidu stood *against* civilization. But now he has been harnessed and fights at the side of civilization *against* nature, against natural state of things. This event has an interpretation very important to economists. Enkidu rampaged and there was no way to fight him. This evil, however, was trapped and turned into something that greatly benefits civilization. This can be seen as a parallel to a larger picture of humanity dealing with its uncivilised nature and the beast in us. We talk here of the “negative aspects of human nature” (eg egoism), which we cannot defeat, but which we *can* harness to the service of good.

A similar motif appears thousands of years later with the expression familiar even to non-economists as the cardinal rule of economics: the invisible hand of the market. It is sometimes better to harness the devil to the plow than to fight against it. Instead of expending tremendous energy to fight against evil, it is better to use the energy of evil to achieve the goals we desire: to build a mill on a wild river instead of hopelessly battling

the current. Saint Prokop took this approach in Czech legends – he forced the demon that maliciously broke his wagon to curl himself up into a wheel and push the wagon along. Prokop understood well that it is wiser and more pragmatic to appropriately utilize wild and chaotic power than to try hopelessly like Sisyphus to suppress it, shut it out, or destroy it. To a certain extent he knew about the curse of evil that Mephistopheles speaks of in Goethe’s play *Faust*,⁷ when the devil reveals himself to be:

*Part of that Power which would
Do evil constantly, and constantly does good.*⁸

The energy of chaos, which is self-sustaining and formed on the spinning wheel of causality may only be slightly guided and directed to serve our ends. It is not necessary to crack the whip or hold it by force. Michael Novak discusses this problem in his book *The Spirit of Democratic Capitalism*. He contends that only democratic capitalism – unlike all the alternatives, which are often utopias – grasped how deeply rooted evil is in the human soul, and realized that it is beyond the capability of any system to unroot our “sinful” nature. Democratic capitalism can defeat the “power of sin – i.e. transform its energy into creative power (and best extract revenge on Satan.)”⁹

Joseph, Pharaoh and Bastard Keynesianism

The economy moves in cycles since time unknown. The first historically recorded story of business cycle we perhaps still remember from our Sunday school. About 4000 years ago, Pharaoh of Egypt had a dream, in which he saw a macroeconomic prediction 14 years ahead of time, seven fat cows and seven poor cows, seven years of abundance, seven of despair. There are really no reasons for this explained in the Bible: the cycle (the abundance and the famine) was neither a punishment nor a reward for a deed. It was more of a test. A test of wisdom of how to deal with this propensity of reality.

⁵ *Epic of Gilgamesh*, First tablet, III. pages 35–39 .

⁶ *Epic of Gilgamesh*, Second tablet, III. pages 30–36.

⁷ Neubauer, Z.: *Advocate of the Postmodern*, pages 37–36, 53–55.

⁸ Goethe: *Faust* Part 1. Trans. David Luke, page 42.

⁹ Novak, M.: *The Spirit of Democratic Capitalism*, pages 77–78.

The advice Pharaoh got from Joseph, who interpreted the dream for him, was Keynesian. Build surpluses during the good times, don't consume all that grows in the years that it grows but save it for the seven bad years. This approach helped Egypt prosper and actually enslave many surrounding nations (including the descendants of Joseph), at least according to the story from Genesis.

The beauty of the story is that it is so simple that a small child understands. The scary part is how far we have wandered from the basic storyline. Our age has built beautiful mathematical models to treat the details, but we have overlooked the basic line. The economic policy we are used to today is not by the least Keynesian, the best term I can think of to describe our current fiscal philosophy is Bastard Keynesianism. We took only one part of the teaching (deficits are allowed) but forgot the latter (surpluses must be built), and we allow and accept deficits even during surplus times. Compared to today's perspective, we are far left of Keynes. Today not only do we not build store-houses for storing grain for worse times, but the only thing they are full of is IOUs, not grain.

The leading (and only, albeit dead) rule adopted by the European Monetary Union is not allowing deficits larger than 3 % of GDP. This rule is unfortunate. Firstly, the rule "3% is max" soon became the rule "3% is OK". Many countries, especially if their monetary policy hands were tied with the common currency, have aimed not for balanced budgets, but at 3 %. We psychologically treated 3 % deficits "as if" balanced. Anything that was less than 3% was applauded as a success. The Slovak Republic, which had GDP growth of 10 % in 2007, had a deficit of 1.9 % of GDP and was highly praised for such a responsible fiscal policy. How strong growth must we have to allow for a budget surplus? Secondly, it is procyclical – it is too benevolent for growth years (overheating) and too strict for recession periods (recessions would be deeper if the rule was kept). As we can see, few if any countries will be able to keep the rule in the aftermath of the most severe economic crises since 1930's. Thirdly, if your economy is used to 3 % deficits in growth periods, it needs much more in times of recession. Curbing the deficit from 3% to balanced thus has the same effect on the economy as restrictive fiscal policy, although the deficit is technically expansionary.

This Maastricht criterion is dead. And what we need is not a more lax or more strict rule. What we need is the same principle that Joseph suggested: have surpluses so that you can have deficits, if you have deficits, pay them back quickly. This crisis has not destroyed us (although some countries in our civilization broke), but if we enter the next one as debt-burdened as we now as a civilization are, the next one, which may come in a generation or two, could be truly deadly.

An easy suggestion would be GDP growth plus general budget deficit must be no larger than, say, 4 %. In other words, if your economy grows by 6 %, you must have a budget surplus of at least 2 %. If your economy shrinks by 3 %, you can have deficits as large as 7 % GDP. It is fine to create deficits during the bad years, but they must be compensated for during good ones. So far, there is no rule that forces anyone to create surpluses during good years. This could be a first step. Keeping this rule will not make us avoid recessions (nothing will!) but it will create room for solutions. This room is what we are slowly running low on.

We have gained unimaginable riches during the last growth period from 2001 (almost 7 years!) and yet, we put very little or none aside to cover old debts or make room for worse times. On the contrary, many countries generated further debt. A civilization like this needs to change itself or it must not be surprised that it deserves seven years of thin cows.

Adam Smith, Blacksmith of the Economics

Adam Smith is generally considered to be the spiritual father of the modern economics. It is as if his name predestined him for the role. In English, Smith is short for blacksmith, and in Old Testament Hebrew, a blacksmith is translated as Cain. On the other hand, Abel in Hebrew means a blowing, breath or vanity. Cain, the blacksmith and farmer, takes the roaming shepherd's "breath of life". In Hebrew, Adam means nothing other than the name of the first human (Adam means person in Hebrew). In his name, Adam Smith, the human blacksmith, unwittingly etymologically joins a rare combination of meanings.

It is a great irony that Smith is written into the history of economics due to the principle of the invisible hand, even if he did not invent this thought,

did not popularise it and, in his own way, distanced himself from it. For a typical consumer of economic theories, many of which today consider self-love to be the only driving force of human actions, such information could be surprising.¹⁰ And the Canadian satirist Stephen Leacock would most likely be rather surprised; he jokingly summarized Smith's (supposed) legacy in a short rhyme.

*Adam, Adam, Adam Smith,
Listen what I charge you with!
Didn't you say
In the class one day
The selfishness was bound to pay?
Of all doctrines that was the Pith,
Wasn't it, wasn't it, wasn't it, Smith?*¹¹

It's true that Adam Smith was made famous especially through the book *The Wealth of Nations*, in which he is the first to name the basic theses of a modern liberal economy. But he never expressed what Leacock and the mainstream economic belief attribute to him. In his other book, *The Theory of Moral Sentiments*, Smith immediately distances himself in the introduction both from the concept of the invisible hand and from any other attempts to transfer all human actions to a (more or less hidden) egoism.

*How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it.*¹²

Smith's two concepts are so different, so incongruous and difficult to reconcile, that because of them a schizophrenic confrontation was created in

economics, which exists to this day under the term *Das Adam Smith Problem*. With a certain amount of exaggeration, it could be said that the dispute has pulled itself into today's era and in many cases it divides current economic schools. For example, the dispute between methodological individualism and collectivism relates, to a certain extent, to the unclear definition of the problem of the "two Smiths". In the *The Wealth of Nations*, man appears as an individualist whose motives are set by self interest. The famous quote with the butcher¹³ teaches us about the invisible hand which directs everything harmonically, elegantly and nonviolently, and it would appear that no helping hand is necessary. Compared to this, human beings in the *The Theory of Moral Sentiments* look completely different. In it, Smith considers mutual benevolence to be society's main thread; it is the driving principle of human behaviour, the finest and most beautiful principle. In it, man is not a rational actor, but is primarily led by emotion, and is therefore not an individual actor out of touch with society; on the contrary, he is an integral part.

Blasphemous Thoughts

Myths, faith and religion were for a long time the defining key for explaining the outside world, including its economic phenomena. Changes came only with the advent of the scientific era. Its goal is to find methods of researching the world that would be free of any subjective, impugnable dimension. The scientific era tried to demystify the world around us, present it in mechanical and rational garb and get rid of axioms that cannot be empirically verified, such as faith and religion.

Because economics is one of the social sciences and counts the most on a world that is mechanical, mathematical, deterministic and rational, it is important to devote appropriate attention to this maneuver in perceiving the world, because "economics is the most advanced descendant of the Cartesian ego. Here lie the roots of homo economicus, the narrowest definition of a person we can imagine. The economic position, then, is Cartesian."¹⁴

¹⁰ Czech-born author Milan Kundera, in his novel *Immortality*, examines the bitter fates of great figures whose immortal legends have completely missed their main message and concentrate on frequently erroneous petty details. Famous astronomer Tycho de Brahe, who worked in Prague at the end of the 16th century and was famous in his time as one of the most precise observers of the sky, is remembered by every Czech only in connection with his bladder. It allegedly burst because he could not leave a banquet earlier than the emperor; history has shown this to be false, but it only serves to besmirch his real legacy.

¹¹ Leacock S.: *Hellements of Hickonomics*, New York: Dodd, Mead & Co., 1936, p. 75

¹² Smith A.: *The Theory of Moral Sentiments*

¹³ It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their self-love, and never talk to them of our own necessities but of their advantages. Smith, A.: *An Inquiry into the Nature and Causes of the Wealth of Nations*, str. 266.

¹⁴ Mini P.: *Philosophy and Economics*, p.10

Through Descartes, mathematics became the personification of reason, and, what's more, perfect truth. *Laws* become the *truth* of nature. The perfectly exact formulas would be valid everywhere, they are divinely independent of time, space, our emotions or any other loopholes. They are fixed. Any models that cannot be mathematised are considered imperfect and insufficiently scientific.

It holds even in today's economics that models of society must be woven with the thread of mathematics. An economical person is a module that constantly calculates marginal profits and costs, evaluates the profits lost during rest and pays attention to the optimal allocation of his resources. This mathematical understanding not only finds a home in the preserve of economics, but it can be said without hesitation that in the area of social sciences, economics is one of the most faithful students of mathematics. In this world, Heidegger's "Poetically Man Dwells" has long been untrue (although Mandeville's first economic work was written as a poem).

Man today lives mathematically. A desire for exact security can unambiguously be seen behind mathematisation. It has always been among mathematics' virtues that one is always precisely one (and therefore neither 0.9999 nor 1.00001). Mathematics is unambiguous – it is not *fuzzy*. Its proclaimed advantage lies in its provision of unambiguous results; it is not weighed down by differences of opinion. It is consistent and universal. Mathematics can walk through abstract areas of thought where our senses are not enough. Because it is strictly exact, it refines our thought. An implicit conviction reigns that the more mathematical a given issue is, the more exact, real and "better" on some pedestal of understanding – and therefore "truer".

Double trouble of economics

In economics, two difficulties reign: In theory, an economist must ignore the vast majority of real life; in practical economic life, he must ignore the vast majority of theory. Economics lives in its own state of schizophrenia. A theorising economist must forget about the real world (he must dream, just as Descartes), otherwise he will not get very far in his models. His reward tends to be conclusions that are just as abstract and inapplicable

in the real world as the model itself.¹⁵ But when an economist has to speak about practical economics, on economic policy, for example, he forgets about models (in practice, they are often worthless to him), he throws out unnecessary sophisticated theoretical apparatus and speaks from experience. He uses a logic that even an (experienced) farmer gets.

An economist should be humble – we must be aware that we do not think up economies, nor did we build them. The economy itself existed long before the teachings about it. It is something as archetypal as humanity itself. Just as we get to know a very old and imposing city that he did not build himself, we must understand that economics is as archetypal as humanity itself. The economy existed and lived its own life long before economics as a discipline was born. We are not architects of the economy. We are merely (more or less traveled and experienced) tourists.

We are in the same situation as if we were to observe a clock face and try to reveal the principle of the functioning of the clockworks hidden inside. Over time, we would be able to predict where the hands would be at a given time in the future (although here we must ignore the clock's possible inaccuracy, or even its stopping, even if both occur in real life). If such a clock were to be seen by an alien or a human who did not know how they work, he could create an arbitrary number of theories to explain the hands' movement. Of these, on the basis of given methods and academic disputes, the best would be chosen, whether according to the criteria of mathematic elegance, simplicity, believability, political expediency, on the basis of innate imaginings about how such a device should work, etc. (At the same time, it can be doubted that a theory proposing to explain it through the use of a complex relationship between springs and many various wheels would win this contest.)

The truth would be known only at the moment when the clock would break down and need to be fixed. To this day it is not certain among economists what ends or causes economic crises (take, for example, the discussions that have not ended to this day about whether the Great Depression was

¹⁵ Wassily W. Leontief: "We move from completely improbable but truly random assumptions to elegant and bold conclusions, but ones which are completely irrelevant."
Viz Mini, P.: *Philosophy and Economics*, str. 61.

ended by the application of Keynesian economics or by the arms buildup in connection with World War II). It is not just that economists do not know how to repair a mechanism that has stopped working according to their notions, but even after 80 years they cannot agree on what returned it to regular operation.

The Crises of Good and the Crises of Evil

From an objective standpoint, we live in a fortunate time and on the right side of the globe. We have a large selection of everything and have much more money than is necessary to satisfy existential needs. Our budget limitations have in many areas shifted in such a way that they really don't limit us any more. But that isn't enough for happiness.

Picking one of seven cakes in a sweet shop when you have the mood and money for all of them can be psychologically painful. At the moment you decide on one of them, you give up the other six, although what torches you is that you could well have them. The best would be to taste them all, and so you leave the sweet shop in a quandary – or with a stuffed belly, provided you were unable to resist your temptation.

For economists, such a situation is hard to grasp. Economics predominantly counts on situations when a person is unsaturated and would like to consume more (and also make more money). Among the basic assumptions of economic science is that human needs are unlimited, while resources are not. Every optimisation theory rests on this principle. This has long not been the only option, of course. Our means have grown so much that we can allow ourselves much more than full saturation. Our saturation, our *bliss point* is somewhere inside a system of sets of what we can allow ourselves; it is within our budgetary limits. If a person does not have strong internal discipline, material excess can easily lead to oversaturation and depression. Neither is a cheerful state. And it easily happens that we curse under the weight of our own purchases, because, in our civilisation, it seems, there is no place for gratitude.

Tyler Durden, the main hero of the novel *Fight Club*, portrays the *modus vivendi* of consumer society thusly: “*A person works all day in a job he hates to buy things he doesn't need.*” The postwar period saw a characteristically

rapid growth in wealth, one which started the first wave of criticism of the consumer lifestyle in the 1960s. But the hope the hippie generation clinged to turned out to be false. American society became dependent not only on its wealth, but also on debt. Sociologist Ronald Inglehart, after many years of research into the phenomenon of happiness in many countries came to the conclusion that the feeling of prosperity rises with growing wealth, but the growth is smaller and smaller – the function of prosperity is concave. In the wealthy world, happiness rises only minimally with growing wealth. There's nowhere else to rise to.

A quotation from Beckett's *Waiting for Godot* is also eloquent:

Vladimir: Say you are, even if it's not true.

Estragon: What am I to say?

Vladimir: Say, I am happy.

Estragon: I am happy.

Vladimir: So am I.

Estragon: So am I.

Vladimir: We are happy. (Silence.) What do we do now, now that we are happy?

*Estragon: Wait for Godot.*¹⁶

Even if we were to find the imaginary point of happiness, would we know how to repose in it and not toil away again? How do we actually recognize such a point? And aren't you on it, perhaps, right now, as you read these lines? It would appear that there are two ways to be happy in consumption: Constantly escalate consumption (we need more and more consumer materials to reach the next unit of happiness), or to realise that we have enough. The second is a very basic contemplative exercise in which most people *realize* they actually are not suffering from deprivation. The only thing we have a shortage of is shortage itself.

The modern economy is concerned with growth. As smooth and large as possible. It is not concerned with where such growth is going; nor does it philosophise over its meaning. But it would appear that the well of consumption happiness has already run dry, and that we will not be

¹⁶ Beckett, S.: *Waiting for Godot*, p. 39 from Bell, D.: *The Cultural Contradictions of Capitalism*, p. 22

happier with further increases in riches. Gone is the time when only a few interesting albums came out per year. Today trillions of gigabytes of music are on the internet at a fraction of the price, but only a few in this inflation of quantity manage to get us excited.

So we tend to artificially create shortages. Only in shortage is there adventure, and therefore also entertainment, life. It is symptomatic that an entire branch of industry has been created for this purpose: The entertainment industry – factories creating entertainment and diversion, one which frequently consists of simulations of shortage. Why? Because the real one does not occur in ordinary life. And it occurs that, oversaturated in the warmth of our homes, we watch television adventures in which the heroes suffer from hunger and cold. It is a paradox: The more we become sated and in safety, the more we demand artificial entertainment and plastic danger. And the second paradox: We can only watch filmed situations of suffering from cold and hunger from a position of surplus, from the warmth of home and with popcorn in hand. Watching such a film during our own shortages would be hard to imagine. We consider a growth in surplus to be a matter of course and we only appreciate shortage on television.

The Beautiful Economy

One song states that rules and laws are made by lawyers and poets. Poets (in the broad sense of the word) give sense and spirit to the law; lawyers give it shape and the letter. Similarly we might say that a good economist could be either a good mathematician or an outstanding philosopher. It seems to me that we have given too great a role to the lawyers and mathematicians, at the expense of the poets and philosophers. We have traded far too much wisdom for exactness, too much humanity for the mathematical. It resembles the meticulously constructed ivory tower that stands upon a base of shifting sand. There is a reason why one parable says that the wise architect focuses more on the foundation than the baroque spires so that when the rain comes, the cathedral will not dissolve like a house made from sugar cubes.

Whoever skates on the edge must not be surprised that he will cut himself on it. Whoever flies too high and too close to the sun, like the legendary

Icarus, must not be surprised that he occasionally burns his wings and falls farther. For too long we have skated on an edge that is razor sharp. We have lost our sense of the edge and our judgement, since with each millimeter that we neared it, with each beat of our wings, nothing happened... until our wings caught fire. Although skating and flying haven't left us fulfilled, now is the time to move back to a secure place.

Similarly we should return to the origins of economics, the ages when it could vividly engage people. I am not disparaging the progress that science has achieved in the meantime, but it's alarming that it can no longer speak to us. As economists we must always repeat to ourselves what we do and do not know. We know a great deal, but there is no doubt that there is even more that we do not know and perhaps never will.

Too eagerly we have fled from the moral principles upon which economics should stand. Economic policy separated itself from them. The debit psychosis in the form of monolithic debt is the result. Before we set out for new horizons, it's time for economics to go retro. After all, when a mathematician discovers mistakes in a formula, he does not continue with it. By continuing he would neither cover up the mistakes nor solve them. He must return to the point where the mistake was made, correct it, and only then continue on.

The moral we take from this crisis seems to be our only hope. The good times are not the right time for introspection and reflection, never mind a change of direction in the spirit of repentance. Crises reveal the truth, often in its unattractive nakedness, but also in all its fervor.

This crisis is not only economic. It goes much deeper. Our age lacks temperance; we must go through rehabilitation for the drug of consumerism, just like addicts. Without a doubt this will not be easy.

We are so rich and so strong that we have no external limits. We have exceeded almost all of them, and for so long have been able to do what we please. It comes as a sad realization that we failed to use this freedom to do much good. We must control ourselves without any material, political, or ethical directive. And the Old Testament says: "Better he that ruleth his spirit than he that taketh a city."¹⁷

¹⁷ Proverbs 16:32

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