

Toward the Summa Economica

by

Carmine Gorga

President, Polis-tics, Inc.
87 Middle Street, Gloucester, MA 01930
cgorga@jhu.edu

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Abstract

The good news that awaits to be told is that nearly every economist agrees there is an invaluable core of wisdom in the literature of nearly every school of economic thought. This core needs to be highlighted and presented in systematic form. If this project is brought to fruition, we will build nothing less than a Summa Economica.

1. *Introduction*

There is a crisis in economics. It is widely acknowledged. One of the pithiest expressions can be found in Burstein (1978): “The longer one studies economic theory, the less is one apt to be willing to conclude from it” (p. 138). The crisis eludes solution for a variety of reasons, the most important of which is the assumption that one’s own school of thought is superior to all other approaches. This paper proposes to open a new path. It suggests that each school of thought specializes in only a limited perspective of the economic system. Thus, rather than downgrading any of the schools, it recognizes that nearly all schools contain a core of invaluable knowledge and proceeds to assume that if this information were compiled into one systematic unit, the value and usefulness of the individual pieces would increase exponentially over time. If the procedure outlined below is followed, the resultant work will not be an eclectic hodgepodge, but a true synthesis of all that is living and vital in the economic literature of the present or the past. This compilation might be called the *Summa Economica*.

This project is made feasible by the development of Concordian economics as a systematic study of the many perspectives through which the economic system can be observed (Anon. 2002a; Anon. 2002b). Concordian economics is a seamless web that takes its lead from a fundamental change in the second equation of Keynes model of the economic system that was first announced in Gorga (1982) and step by step builds a new construction that ultimately unites theory to policy and practice. To achieve this aim, Concordian economic theory separates real wealth from money, stocks from flows, statics from dynamics and then unites these component elements into five mathematical models—or five perspectives—from which the system can be observed. The five models are given below. Concordian economic policy uses the ancient rudder of the theory of economic justice to direct the economic system toward desired goals. And

Concordian practice suggests the use of a coordinated set of four economic rights and responsibilities to reach agreed upon policy goals. Concordian economics, in other words, specifies that there are many legitimate perspectives from which the economic system can be observed and that they are all indispensable to the understanding of the system as a whole. More specifically still, this paper attempts to demonstrate that each extant school of economic thought looks at the system mostly from one exclusive point of view, and that only combining the wisdom of all the schools does one understand the system as a whole in a satisfactory manner.

The outline of Concordian economic theory as a view of the economic system at one instant in time is presented in Gorga (2002), while Gorga (1991a) presents a view of the economic system over time. This manuscript was found to contain a “new analytic engine” by a referee of the *Journal of Economic Theory* (Anon. 1991). The core of Concordian economic policy and the tools for the translation of policy into practice are presented in Gorga (1991b, 1994, and 1999) as well as Gorga and Kurland (1987) and Gorga and Weeks (1997). Additional volumes are at different stages of preparation. Alan Reynolds, M. L. Burstein, and Franco Modigliani have powerfully assisted in the development of this research framework for about thirty years.

This paper is divided into nine sections. Section 2 offers a brief review of the methodology of Concordian economics; Sections 3-7 offer a synthetic presentation of Concordian economics as a structure at three levels: one for theory, one for policy, and one for implementation. Section 8 outlines how the many schools relate to specific parts of Concordian economics and suggests that by casting, *mutatis mutandis*, what is living and vital in the various schools into the structure of Concordian economics will produce the *Summa Economica*. The assumption is that what the various schools will have to jettison belongs to a set that improperly

tends to interfere with the legitimate area of jurisdiction of other schools. A few concluding comments make it clear that this is not a project for one person or one school only, and that, if accomplished, the final product will not result into an eclectic hodgepodge but will bring to fruition a new synthesis that, if translated into practice, will free economics from its label of being a “dismal” science.

2. The Methodology of Concordian Economics

Concordian economics relies on standard mathematical procedures that are currently being used by scientists and engineers (cf. Thompson, 1986). It also relies on three ancient principles of logic: the principle of identity, which instructs us to give one meaning and one meaning only to each term of the discourse; the principle of non-contradiction, which instructs us to give one non-contradictory meaning to each term of the conversation, and the principle of equivalence, which allows us to escape the circularity of arguments inherent in only two terms of the conversation by extending the analysis to include a third term to which both terms have to be equivalent (e.g., Suppes, 1957 and esp. Allen, 1970, p. 748).

These three principles are strictly applied in mathematics, in which the first principle is recognized as $A = A$; the second as $A \neq B$; and the third can be symbolized either as $A = B = C$ or $A \leftrightarrow B \leftrightarrow C$, with the latter formulation to be preferred where possible because its symbols clearly suggest the requirements of equivalence: the terms have to be reflexive, namely, identical to themselves, symmetric, and transitive.

With this method of analysis, all terms are put in relation with each other; and, since each term has to pass each one of these tests for it to be an admissible term of the discussion, the entire chain of reasoning is placed on an objective and most reliable basis. The reasoning

eschews personal preferences and anyone can verify its validity. “Remorselessly” applying these principles (cf. Davidson 2003), Concordian economics obtains the following results.

3. *First Level—Concordian Economic Theory*

Friedrick A. Hayek (1994) said: “...one of the things I most regret is not having returned to a criticism of Keynes’s treatise....” (p. 145); and in ([1968]1995) he more fully explained:

When I look back to the early 1930s, they appear to me much the most exciting period in the development of economic theory during this century.... [T]he years about 1931,... and say 1936 or 1937, seem to me to mark a high point and the end of one period in the history of economic theory and the beginning of a new and very different one. And I will add at once that I am not at all sure that the change in approach which took place at the end of that period was all a gain and that we may not some day have to take up where we left off then” (p. 49).

Gorga (2002, p. 9-24) heeds this recommendation and makes four fundamental discoveries, which can be summarized as follows: First, that most modern economics is based, whether directly or indirectly, entirely or in part, on Keynes’ system of thought; second that, in turn, Keynes system of thought is uniquely based on Adam Smith’s definition of saving; third, that Keynes presented the substance of his thought in the *General Theory*; and fourth that, contrary to common opinion, Keynes presented the inner core of that thought, not as a system of equations, but as a syllogism. This is, in fact, what Keynes (1936) ingeniously wrote: “Provided it is agreed that....

Income = value of output = consumption + investment.

Saving = income – consumption.

Therefore saving = investment” (p. 63).

The recognition that this formulation is a syllogism, rather than a set of equations, fully explains Keynes’ (1939) reaction toward econometrics and invites the application of principles of logic to verify the validity of his reasoning. This verification allows us to penetrate the “black

box” of economics (e.g., Petrongolo and Pissarides, 2001) and reveals that neither the definition of individual terms of this syllogism nor the relationships among these terms respect the basic principles of logic mentioned above. It is not the critical function of this analysis that is of interest here, but its constructive outcome. The key result of a logico-mathematical procedure that is carried out in Gorga (2002, p. 25-181), and can be easily replicated by any economist, is to unravel the term saving from its two hundred year-old constricting nexus to investment. Thus freed of the saving/investment “quagmire”, economic analysis can start anew. Among all possible variations, Concordian economics chooses to frame the analysis through the lenses of investment, because this approach yields a new construction in which every aspect of the economic process is gradually exposed to light.

In order to respect the principle of identity and the principle of non-contradiction, in Concordian economics, saving—which in mainstream economics can literally assume 100,000 definitions (see, R. G. Goldsmith, 1955-1956, p. 69n)—is restricted to mean hoarding; and consumption—which in mainstream economics is arbitrarily¹ restricted to expenditure on consumer goods (see, Keynes, 1936, p. 61)—is expanded to mean expenditure to buy any real or monetary goods. Is not expenditure to purchase capital goods expenditure also? Then, with consumption encompassing the entire gamut of monetary instruments, Concordian economic theory separates real wealth from monetary wealth and assigns to each entity its own set of symbols. Real wealth (RW) is identified as the sum of the following consumer goods (CG), capital goods (KG), and goods hoarded (GH). M. L. Burstein defined goods hoarded as goods having zero use rate: they are goods that at the moment of observation, unless technological requirements rule otherwise, are used neither as consumer goods nor as capital goods.

¹ Lena Novello, mother and daughter of fishermen, knew that houses cannot be defined as investment, because "Boats build houses; houses do not build boats."

Monetary wealth (MW) is identified as the sum of the following categories of thought: money supply to buy consumer goods (MS_c), money supply to buy capital goods (MS_k), and money supply to buy goods to be hoarded (MS_h) as well as money supply for short (MS_s), medium (MS_m), and long term (MS_l) monetary commitments and, finally, uncommitted funds (U), i.e., money hoarded.

In order to respect the principle of equivalence, wealth in general and each one of these categories of thought in particular are then observed from the point of view of distribution of ownership rights (DO). Whenever necessary, this point of view is represented by adding the symbol “O” in front of each category of thought.

These distinctions are the result of relentless probing by Franco Modigliani. In Gorga (2002), these categories of real wealth and monetary wealth are then incorporated into their own transitional mathematical models of stocks (pp. 38ff) as well as flows (p. 153-58). These models adopt the same structure as Keynes’ model of the economic system, which has been observed above as a syllogism, but the various categories are in different relationships with each other. These transformations yield four fundamental and distinctive operations through which the economic system can be observed: the system as a whole (p. 161-81) and then its major component elements which are identified as the process of production of real wealth (p. 183-94), the process of consumption—or exchange—of all monetary wealth (p. 195-205), and the process of distribution of ownership rights over real and monetary wealth (p. 207-34). These processes can be respectively expressed in the three following mathematical models (p. 303-28).

The first equation of the Model of Production is: $P = CG + KG + GH$. Clearly, neither consumer goods nor goods hoarded contribute to the next cycle of production. Hence one isolates capital goods and writes the second equation as $KG = P - (CG + GH)$. Were there one

sole producer in the economic system, this equation would repeat itself ad infinitum: in the next cycle, capital goods create consumer goods, goods to be hoarded, and additional capital goods. Yet, the economic system is a complex system. Some producers might eventually want to sell their capital goods to other producers. Then the right of ownership (O) has to be ascertained (by lawyers), before one key precondition for an exchange is established. Thus, in the economy an intermingling of real goods and legal instruments occurs. These decisions are represented as follows:

The Model of Production

$$P = CG + KG + GH$$

$$KG = P - (CG + GH)$$

$$KG = OKG.$$

Once the link between the real and the legal economy is established, it needs to be taken into account systematically: ownership rights, in fact, blanket the entire economy, not capital goods alone. The ownership certification for each item of wealth is necessary because, while one might want to sell one's consumer goods only in exceptional circumstances, the readiness to sell goods hoarded at the right price is assumed to be almost constantly in existence. (Were the description of the economic process in this paper to start with the narrative of the exchange of money for goods, rather than goods for money, one would need to extend the analysis to include the ownership of all stocks of monetary instruments as well. This step is skipped in this paper.) Hence one writes the Model of Distribution (D), in which again the third equation asks for additional information. Here, as required by another major precondition for the exchange, it is the financial value of ownership rights that has to be determined (by accountants) before an

exchange can occur. The value of ownership rights can then be exchanged for financial—i.e., monetary—values. In this fashion

Model of Distribution

$$D = OCG + OKG + OGH$$

$$OKG = D - (OGH + OCG)$$

$$OKG = I.$$

Once again, monetary values are not confined to the value of capital goods—i.e., investment assets (I)—alone; rather, they blanket the entire economy. The need to obtain a model of the monetary economy is evident. The solution lies in the transformation of the equation of monetary stocks, namely $MW = MS_h + MS_k + MS_c + MS_s + MS_m + MS_l + U$, into the full equation of monetary flows. Thus:

$$E = EMS_h + EMS_k + EMS_c + EMS_s + EMS_m + EMS_l + E_h,$$

where E = Expenditure (or Consumption), EMS_h = Expenditure of the money supply to buy goods to be hoarded, EMS_k = Expenditure of the money supply to buy capital goods, EMS_c = Expenditure of the money supply to buy consumer goods, EMS_s = Expenditure of the money supply to buy short-term monetary instruments, EMS_m = Expenditure of the money supply to buy medium-term monetary instruments, EMS_l = Expenditure of the money supply to buy long-term monetary instruments, and E_h = uncommitted funds.

Simplifying, one obtains

The Model of Consumption

$$C = E + E_h$$

$$I = C - E_h$$

$$I = E.$$

These three models describe one cycle in the economic process from the act of production of real goods and services, the consequent automatic apportionment of (value of) ownership rights over these goods, to the exchange of the value of capital goods for monetary instruments. Until consumer goods and goods to be hoarded are sold, they are part of a producer's capital assets. Thus the analysis includes all—actual and potential—exchanges of capital goods, consumer goods, and goods hoarded for monetary instruments.

The three models describe how the three processes—complex entities in themselves—are related to each other to form the economic process as a whole. Stated differently, the three models describe how the economic system can be observed from three distinct perspectives, namely the point of view of production, distribution, and consumption. These relationships become more clearly evident when the process is observed in a diagrammatic form, as follows:

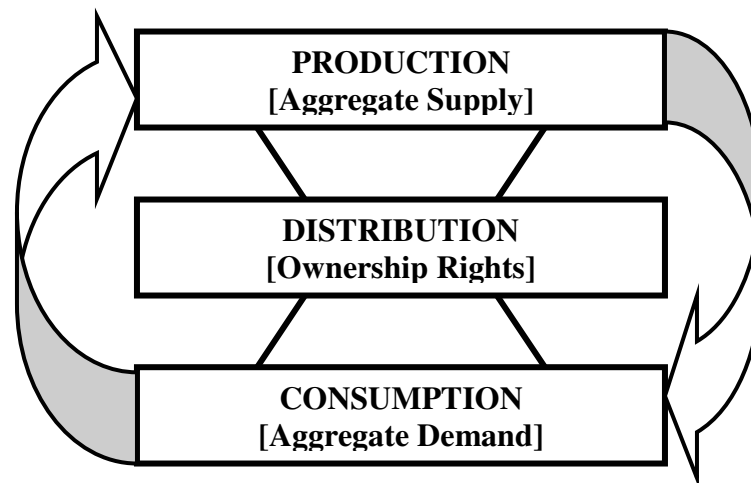


Figure 1. The Economic Process

Figure 1 represents the economic process at the moment of the exchange. The unit of account can be the world economy, the national economy, the local economy, or the economy of an individual firm or individual person. Figure 1 reads as follows. When goods and services pass from producers to consumers, monetary instruments of a corresponding value pass from

consumers to producers. For this transaction to occur producers must have legal title to the wealth they produce and money must have already been distributed among consumers.

Then, one cycle of the economic process is completed.

There are many theoretical consequences that spring up from this new construction. Only a few of them can be highlighted here. First, the gap between microeconomics and macroeconomics is closed. Second, by letting the laws of demand and supply control the new construction, the debilitating question raised by Schumpeter (1936) concerning macroeconomics is fully answered. Third, Concordian economics considers the moment of the exchange, not as the focal point of economic analysis, but as the resultant of the forces that prevail in the economic system as a whole. In particular, all issues traditionally raised by Institutionalists are now placed, not at the margin, but at the very core of economic analysis. For instance, the many issues raised in Galbraith (1956) concerning the relationships between publicly-owned and privately-owned goods can and must be taken into full account, and John Kenneth Galbraith might acquire as much stature among economists as he has among noneconomists (cf. Seligman, 2005). In summary, Concordian economics is not so much an expression of the linear reductionist analysis of rationalism as an expression of the organic and dynamic analysis of relationalism in which, at the core, the line is expanded into a sphere.

Hence, Concordian economics is particularly suited to answer two questions: How is the process set in motion? How is it kept moving? In Gorga (2002) there is an attempt to understand growth (p. 235-70), inflation (p. 271-302), and poverty (p. 329-53) as intertwined effects of the interplay of relative prices of investment and hoarding assets. The general proposition of Concordian economics is this: the lower the level of hoarding the higher that of investment. The link to poverty and growth is self-evident; the complex link to inflation—through the distinction

between costs and prices determined by the passage of time for one economic agent—reduced to its simplest possible terms is that the purchase of goods hoarded injects money into the system for which there is no additional corresponding real wealth available and hence will then tend to raise the price of consumer goods and capital goods. Quite properly, Broski (2003) saw these effects on growth, inflation, and poverty as “The Costs of Hoarding.” They impart specific movements to the production, distribution, and consumption process—as well as to the economic system as a whole. Analytically, one has to look at the trend in prices of consumer goods, capital goods, and goods hoarded, and then match them with the value of corresponding financial instruments and value of ownership rights.

To see these relationships synthetically, the reader has to mentally rotate the entire figure 1 as well as each rectangle within that figure about each geometric center; one then obtains the image of four overlapping circles; and what is a circle if not a two dimensional image of a sphere? Real goods, ownership rights, and money, in other words, operate as three concentric spheres—one into the other—in a non-Newtonian fashion , since both the value of money representing wealth and ownership rights are non-material entities that adhere to any item of real wealth all the time. Their integration forms the fourth sphere of the system as a whole.

The mathematics of the system as a whole follows models (cf. Thompson, 1986, p.228) that are well understood by engineers and physicists. Once he imbibed the following construction in no longer than half an hour, Dr. Damon Cummings, a former professor of hydrodynamics and control theory at MIT, exclaimed: “That is how I build submarines.” If the economic system ran completely free and smoothly, the three modules—namely, production, distribution, and consumption—would be represented by three interpenetrating spheres moving synchronously over time. In this case, as Gorga (1991a) points out, the following model would suffice:

The General Synthetic Model

$$p' = fp(p,d,c)$$

$$d' = fd(p,d,c)$$

$$c' = fc(p,d,c),$$

where p' = rate of change in value of total production, d' = rate of change in the value of distribution of ownership rights, and c' = rate of change in total expenditure.

But the three modules are not running completely free and completely smoothly. As Mandelbrot (1983, p. 1) is fond of saying, "Clouds are not spheres, mountains are not cones, coastlines are not circles, and bark is not smooth, nor does lightning travel in straight lines." Can economic systems be expected to be represented by perfect solids? It is necessary then to obtain an understanding of the inner elements of the system. To this purpose, one can use the following

General Analytic Model

$$p' = f(r,d,mec)$$

$$d' = f(YL,rW,R)$$

$$c' = f(w,d,m),$$

where r = the rate of interest, d = existing distribution of values of ownership rights, mec = marginal efficiency of capital, YL = labor income, rW = income from ownership of real and monetary wealth (capital income), R = rent from land and natural resources, w = value of real wealth, and m = value of monetary wealth. Most of Franco Modigliani's contributions to the reasoning outlined above were too fundamental, too continuous, and too subtle to be easily identified. However, the derivation of the distribution and consumption function in the present model from Modigliani's (1990) saving function is precisely documented in Gorga (1991a).

So far, we have observed the economic system from the point of view of four grand aggregates: production, distribution, consumption, and as one whole unit—all at one point in

time as if in a static fashion. But each model is inherently dynamic. Limiting our observation to the idealized trajectories of the system as a whole over time, through a longitudinal analysis it is possible to obtain one more different perspective. If the economic system were composed of and could be represented by three identical, synchronous, and compenetrating spheres, it would leave behind only one trajectory as an indication of its dynamics. This line—whatever its pattern—would indicate that the three spheres were in continuous equilibrium with each other. This is not the case in economics. To say the least, the trajectory of monetary wealth (MW) can be expected to soon leave the initial condition of equilibrium (0,0,0) and, spurred by the facility with which monetary instruments can be produced, grow at a faster rate than the trajectory of real wealth (RW). Also, the spheres representing the pattern of distribution of ownership rights over real and monetary wealth are known to remain rather static over time; in the simplest representation, therefore, their trajectories can be exhibited as two overlapping straight lines to be identified as DO. In brief, over time, eliminating all (short and long term, cyclical, random, or aperiodic) loops, breaks, and turns, the system as a whole can be expected to leave behind these idealized traces of motion:

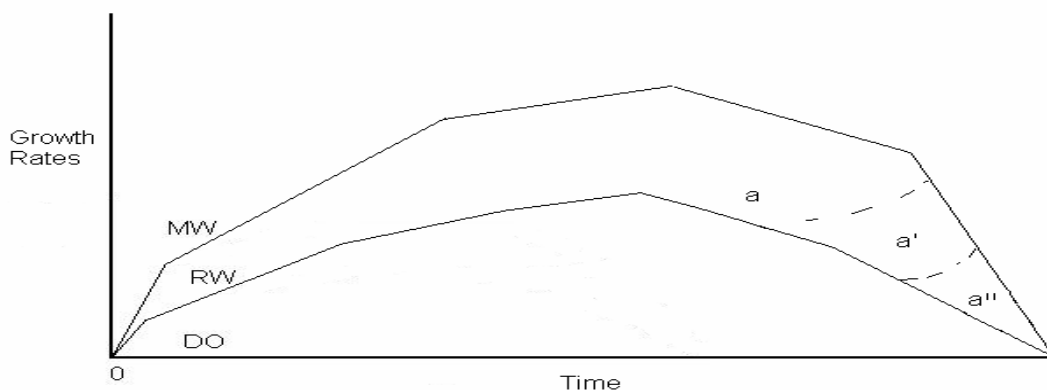


Figure 2. Trajectories of the System as a Whole

Area "a" of figure 2—with its alternative sub-areas a' and a"—attempts to describe the condition of disequilibrium (the measurable bubble) that eventually develops between monetary and real wealth and suggests that the smaller this area, the smaller the loss of real income over time. How to close the gap between the real and the monetary economy in the shortest possible time is clearly a problem of control, namely, a problem of economic policy—the problem of creating a just and sustainable economy. The goal of creating a just and sustainable economy is made very specific in Concordian economics first by defining what economic justice is and then by developing a set of just policies that will render the system stable.

4. *Making Visible the Structure of Economic Justice*

If one goes in search for what is meant by economic justice, one discovers that, astonishingly, there is no theory of economic justice in the extant literature of either economics or the law (see Gorga, 1999). The roots for this state of affairs revolve around the reasons why Adam Smith did not fulfill the promise of writing a Theory of Jurisprudence he issued at the end of the *Theory of Moral Sentiments* (1759). His *Lectures on Jurisprudence* (1766) is not an original work but is composed of notes taken by one of his students. One reason is that, having conflated saving and investment into the term “accumulation”, hoarding vanished from his—and his descendants—purview. Smith (1776) relegated hoarding to “that rude state of society which precedes the extension of commerce and the improvement of manufactures... [in which people] could not well, indeed, do anything else but hoard whatever money they saved” (B. V, Ch. 3.1). Thus relegated to the distant past, hoarding is mentioned again in the following paragraphs 3.2 and 3.9 and never heard of again. Without hoarding, and with saving nearly automatically transformed into capital as if by “an invisible hand” (B. IV, Ch. 2.9), there is not much room left

for individual choice—hence, no room for a theory of justice. The key words are: “Capitals are increased by parsimony, and diminished by prodigality and misconduct” (B. II, Ch. 3.14).

Worse. Since, as we shall shortly see, Adam Smith was well aware that the market has to be free in order to function properly, and since only the government can assure freedom for all, the focus of attention was inadvertently shifted from the choices of individual human beings to the choices of governments: ultimately, as the very title of his work states, the focus of Adam Smith was on the wealth of nations rather than the wealth and the behavior of individual human beings. Thus constricted, Adam Smith’s partial study of the economic process frustrated him from acquiring a clear view of the totality of the problem he was confronting.

Worse still for him, to meet the foundations of the theory of economic justice, one needs to go to the precursors of Adam Smith—a thought sequence with which, as a professor of logic and moral philosophy, he was deeply acquainted. There one encounters a train of thought that, astonishingly, grew in constant accretion from Aristotle to the Doctors of the Catholic Church—and it grew very complex and comprehensive. This long train of thought consistently elaborated two planks of economic justice: distributive justice and commutative justice (justice in the exchanges of wealth). Only four topics in this vast literature can be highlighted here. First, the Doctors of the Church institutionalized the Biblical injunction of not hoarding the corn stalks at the edge of the fields, so the poor could avail themselves of that surplus; they generalized that practice into a right of ownership for the poor to society’s surplus (e.g., Tierney, 1959). Second, in contrapuntal action the Doctors of the Church consolidated the acquisitions of Roman law in the field of property rights (cf. Aquinas, *Summa Theologica*, II-II q. 66). Third, the Doctors of the Church adapted the Biblical doctrine of the Jubilee to an operational condemnation of monopolies (e.g., de Roover, 1974, p. 273-366), a remnant of which still lives both in the Islamic

prohibition of usury and in the well-known Gresham's Law, in which it is implied that "good" coins are hoarded. Fourth, the Doctors of the Church developed the doctrine (cf. Schumpeter, 1954, p. 98-99) of *free market* price as the theory of the just price and thus gave impetus to the work that was done in the intervening centuries to establish that the engine of economic progress lies in economic freedom. Yet, with the passage of time cognizance was lost that these elaborations stood on two planks of justice: distributive justice and commutative justice.

To give a rudder to economic policy, it is essential to make these relationships evident again. In the present context, the solution is ready made. To the planks of distributive and commutative justice, Concordian economics adds the plank of participative justice.

The reasons for this addition are evident. In olden times one did not need to address the issue of participative justice explicitly, because the property classes had access to their own lands and the propertyless had access to the commons. With the enclosure of the commons, the tragedy of the enclosures, and the sweeping growth of the monetary and technological economy through structures whose control is concentrated in a few hands, new methods need to be developed to participate in the economic system. Today, it can be said that people will not be marginalized only if they participate in the economic process—and participate on the basis of just contracts. Only then will they be entitled, not to redistribution, but to a just distribution of the wealth they contribute to produce. Once the wealth is created and then distributed on the basis of just economic relationships, only then might the participants in the economic process be spurred to engage in the exchange (the "commutation") of wealth on the basis of the just price. Each plank in the structure of economic justice, in other words, favors the recognition and the practice of the requirements of the other planks. Once it is diagrammed as follows, the invisible structure of

economic justice is made visible; and, in its correspondence with Concordian economic theory, its nature is revealed to represent the mirror image of the economic system as a whole:

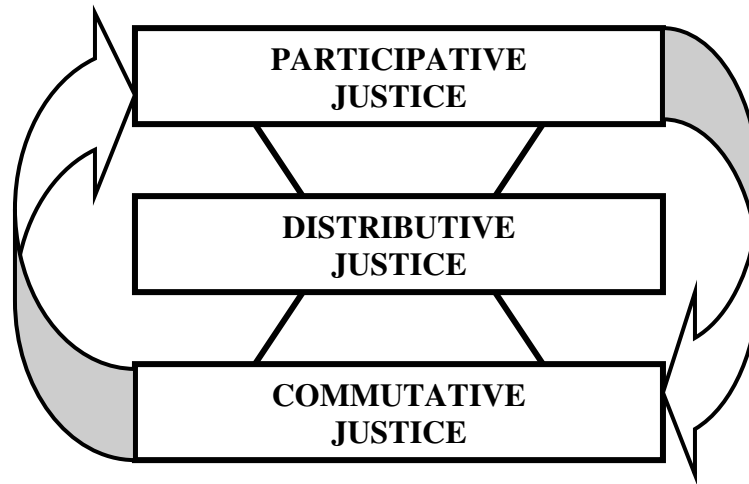


Figure 3. Economic Justice

This figure makes evident that economic justice is the invisible structure that silently replicates the economic process (for the kneading of economic justice, the shouts are heard, not in the markets, but in legislative halls and courts of justice). This figure makes evident that the active agent, who looks into the mirror, is indeed the link between the economic process and economic justice. This figure also makes evident how, as soon as created each item of real or monetary wealth—be it a consumer good, a good to be hoarded, a capital good, or, indeed, a financial instrument—its ownership is assigned to someone on earth, and then all the economic prerequisites for an exchange are in place. Without its prerequisites in the production process, the distribution process, and the consumption process, the exchange is an empty symbol.

Thus it is revealed that the economic process is run by a set of twin engines: economic freedom and economic justice. With one engine, the system does not work well for all; it does not work well for long; indeed, in the long run, it does not work well for the few either. The system becomes unjust and unstable. When the tipping point is reached, the pyramid is inverted: markets collapse; economic depressions occur; political revolutions occur.

5. *Second Level—Concordian Economic Policy*

Assuming that the first cycle of the economic process is run by implementing the dictates of participative, distributive, and commutative justice, how can the cycle be repeated over and over again in a way that the system becomes stable—while remaining just? Recognizing that the controller who directs the economic system is the entrepreneur, Concordian economic policy takes the lead from the analysis made by the Classics and addresses the four major needs of the economic enterprise: Land, Labor, Physical Capital, and Financial Capital. Accordingly, it yields the formulation of

- a. A Taxation Policy for Land and Natural Resources
- b. A Wealth-Creating Monetary Policy
- c. An Expanded Ownership Policy; and
- d. A Pro-Competition Policy.

Gorga (1991b, 1994, and 1999) as well as Gorga and Kurland (1987) and Gorga and Weeks (1997) offer introductory explanations of the import of these four policies. The roots of these policies can be found in a unification of the thought of four powerful American thinkers: Benjamin Franklin (1729), Henry George (1879), Louis D. Brandeis (1913, 1914, and 1934), and Louis O. Kelso (1957, see also Kelso and Adler 1958; Kelso and Hetter 1967).

Four coordinated marginal changes in existing practices that are required to implement the above policies can be expressed as follows:

1. Increase taxes on land and natural resources (while gradually reducing taxes on buildings and income);
2. Restrict access to national credit, the credit of a nation, solely for the creation of new wealth—rather than using it to buy consumer goods, goods to be hoarded, or paper instruments; issue credit at cost; and coordinate credit creation with expansion of ownership through individual proprietorships, employee stock ownership plans (ESOPs), and cooperatives;

3. Own what you create; and
4. Respect other peoples' wealth.

These four economic policies are made very concrete and very specific in Concordian economics. Their reasonably gradual translation into practice is entrusted to the transmission belt of four corresponding economic rights and responsibilities. These R&Rs are the conditions for economic freedom for all. Time should not wait. The sooner they are implemented, the better.

6. *Third Level—Implementation*

In order to translate the above policies into practice, Concordian economics advocates the adoption of the following four fundamental economic rights and responsibilities:

- ✓ **The Right of Access to Land and Natural Resources**, with the attendant *responsibility* to pay taxes on that portion of land and natural resources, which, through the medium of private property rights, is appropriated for the personal benefit of an individual human being;
- ✓ **The Right of Access to National Credit**, the credit of each nation, to be used exclusively for the creation of new wealth and expansion of private ownership, and to be transformed into loans at cost, with the attendant *responsibility* to repay the loan thus secured;
- ✓ **The Right to Own the Fruits of One's Labor**, with the attendant *responsibility*, if working with and for others, to offer services commensurate with the value of the reward received in form of stocks—eventually, no longer wages; and
- ✓ **The Right to Protect One's Wealth**, with the attendant *responsibility* to respect the wealth of others.

Preliminary analyses of these four economic rights and responsibilities are provided in Gorga (1991b, 1994, and 1999) as well as in Gorga and Kurland (1987) and Gorga and Weeks (1997). Undoubtedly, much more work needs to be done. Perhaps, this work will be done better if it is carried out, á la St. Thomas Aquinas, in accordance with the following distinction: Rights can be seen as the conditions for the exercise of economic freedom and responsibilities as the

conditions for the exercise of economic justice. *It is thus that the two engines of the economic system are joined at the hip.*

The implementation of these four economic rights and responsibilities will not only assure that we receive justice; it will also assure that we grant justice to others. Today, we all participate in the economic process on the basis of privileges—not rights. Hence, we are not secure of our own rights and the system is not stable. The exercise of the above responsibilities will gradually make it possible for everyone to have rights. And the exercise of responsibilities will have to come first. Thus economic freedom will be assured for all.

The reasons for this self-assurance can be found in a variety of partial past experiences. Practically, economic rights and responsibilities in their implementation will function as Gladwell's (2000) "tipping points"; intellectually, they will perform functions expected of mechanisms outlined in the conception of "general abstract rules" by Hayek (1960), the "original position" by Rawls (1971), or the "reverse theory" by Nozick (1974). Ultimately, the reason for this self-assurance lies in the reality of the intuition of Ferrini (2002), who caught the essence of Concordian economics when he said: "The Economic Process,' ... has the answers to universal poverty and the anxieties of the affluent."

7. The Work Ahead

The work ahead has to proceed along two parallel roads. One road involves the transformation of Concordian economics into Concordian econometrics. Two topics are especially challenging in this field, a method has to be developed to operationally separate monetary values from real values, and a method or methods have to be adopted to measure the value of real goods—especially goods hoarded. But let us keep in mind that physicists spend

much time in dark caverns these days measuring infinitely more complex and less palpable objects than goods hoarded. In brief, as a referee (Anon., 1991) for the *Journal of Economic Theory* pointed out, the analytical engine of Concordian economics has to be "put through its paces."

When that is done, it will be objectively demonstrated that a just economic system is a stable system.

The other road to travel is indeed to evaluate what is living and vital in the enormous economic literature that has been accumulated over the centuries in many cultures and determine whether it can indeed be poured into the structure of Concordian economics. This work can be briefly described as follows.

8. *Toward a Summa Economica*

Clearly, none of the econometric work that needs to be done will be done unless economists agree that Concordian economics does indeed have the potential of including all that is living and vital in the economics literature of the present as well as the distant past—and that writing the *Summa Economica* does indeed become a project for the economics profession as a whole. For this agreement to be reached, it will have to become clear that no school will lose anything of significance and that each will gain much of great value. In fact, the schools have to realize that for economics to become a science, a universal science, only minor adjustments in their respective theoretical positions need to take place. For instance, economists will agree that, *mutatis mutandis*, and a deep historical analysis reveals that the necessary changes are mostly formal in nature, the perspective of production is shared by Classical, neoclassical, Austrians, neo-neoclassical (especially those who are in search of the real business cycle), and—neglecting

their policy positions—supply-side economists; that the perspective of consumption—again, neglecting their respective policy positions as well as particular theoretical positions such as the different understanding of the function of interest rates—is shared by early (especially by economists like Antonio Serra [1613], the father of political economy in Italy, and Sir James Steuart [1767], the father of political economy in Britain) as well as modern monetarists, Keynesians, and post-Keynesians; and that the perspective of distribution is shared by all schools of old and new Institutional economics, especially all those that are concerned with issues of economic justice—and in Institutionalism, as well, there are many strands: “law and economics” (e.g., Coase, 1937), “choice theory” (e.g., Buchanan 2004), “behaviorism” (e.g., Rabin, 2000), and “new comparative economics” (Djankov et al, 2003) cannot not be mentioned here.

Once this work is done, each school will present a purified expression of its own will. What the various schools will have to jettison is that set of ideas that improperly tends to interfere with the legitimate area of jurisdiction of other schools. As a consequence, one will learn to stick to one’s expertise and to truly respect the expertise of others. Many disputes will lose their reason for existence. For example, just as it is well understood that all considerations about money were an afterthought for Classical writers, and that money was for them truly a “veil” that obscured the vision of the economic process, so conversely is the world of real goods and services mostly an afterthought for most modern monetarists and Keynesians—with disputes between these two schools of thought being related more to policy than to theory. And, does it not at times seem that the world of money and the world of real goods and services is an afterthought for Institutionalists? Yet, after all is said and done, after all the internecine battles are waged, after some battles are won and many are lost, is not the secret hope of every

economist to show to the world an ability to understand all three facets of the economic system at once?

When the search for wisdom is extended to every interstice of the vast field so inadequately outlined here, and when every ounce of wisdom is indeed mined, the resulting *Summa Economica* will not only present a unification of economics theory, it will also automatically offer a full recovery of the historical roots of the discipline as a whole (cf. Caldwell, 2004, p. 370-405). When that is done, it will be discovered that the resultant work is not an eclectic hodgepodge, but a true synthesis of all that is living and vital in the economic literature.

To write a *Summa Economica* is clearly a project that has to be undertaken by all the schools working in concert with each other. To do this work systematically is to recapture the economic wisdom of some of the most insightful thinkers of the past, the ancient, as well as the most recent past. And, indeed, in this venture one has to be open to include also writers of traditions different from the Western tradition. Indeed, one will also incorporate into the *Summa* all the wisdom that in ancient times was poured into the framework of political justice and economic justice—two terms that today, quite mischievously, are conflated into the expression “social justice”, a derivative form of linear thinking in which rights are mine but responsibilities belong to my father, my uncle, or the government.

Are not great benefits to be expected for all human beings once that wisdom is released from all the schools? With the purification of the language in full force, economists will say what they mean and mean what they say. Economics shall no longer be called the dismal science. And, with the recovery of their historical roots, economists will be more assured of where they came from and where they are going.

9. *Conclusions*

This paper has offered a schematic presentation of new tools of analysis, which establish a seamless web of Concordian economic theory, policy, and practice as a bare vessel into which the wisdom of the various schools of economic thought stands ready to be poured. In this new framework of analysis, economic theory is restructured, economic policy is enlarged, and a method is found to translate theory and policy into practice through the transmission belt of economic rights and responsibilities: nothing worthy of note is left out of its purview. Since much economics is already well known and what still needs to be learned will undoubtedly be learned, and therefore it can be translated into practice, the implementation strategy of Concordian economics assumes a special importance. The suggested rights and responsibilities will function as tipping points. Once they start to be adopted, most of the economic ills from which we most suffer today—e.g., urban sprawl, lack of money, poverty, and even greed—will gradually be reduced to manageable proportions. To charity will be left a possible task and economic serenity shall descend upon the land.

Where is the crisis in economics then? The crisis lies in the separation of the schools from one another. The crisis will not be overcome through the work of one person or one school only. If economists work together, and if they become ready to pour the wisdom of their respective schools into a vessel such as Concordian economics (or any offering better than Concordian economics), the current crisis will be overcome.

But words alone do not solve practical problems. Economists have also to become ready to work with the community to solve current practical problems, which are many. Then they will discover the great need that exists for them, not so much in Washington, D.C. or New York and

Cambridge, but in the downtown of many such hard working communities as Gloucester, Massachusetts, where we have already made a very good start (Otto and Struben, 2004).

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