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Financing the Doubling of GDP in One Year at Constant Price

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Abstract

If the heading has drawn your attention then it has achieved the second objective of this paper, its first objective being to lead the reader through a discussion of how economic scarcity is a reversible problem. This paper examines reasons why scarcity may remain unresolved by economics as a result of how history and the machinations of business have evolved, especially in relation to the circular flow of income, price, value and the exchange of goods and services. The hypothesis is that an economy has sufficient latent financial resources with which to finance the doubling of its GDP in one year at constant price and is used to first anchor the idea resources are available so that a greater emphasis is placed on the burden of proof. The reader is asked, as a warm up exercise, to take a moment to meditate and reflect on the hypothesis; then suspend disbelief briefly in order to be able to follow the arguments unhindered by conventional wisdom. This aids in grasping how important thinking outside traditional views in economics can open new vistas in how the problem of scarcity is addressed. The gist is to grapple with ideas taken for granted in economics pertaining to enterprise, observe their evolution and attempt to mould them toward a construct that better exposes the latent potential within economic thought to change the economic landscape. It explores the view that even practices taken for granted in economics and business such as those used to understand cost, revenue, and the significance of money may harbour hidden factors that can affect how money transfers value between transactions. Further, it discusses how the tension between pessimistic and optimistic views can influence outcomes in economics.

Introduction

There has been much said and written about economic growth and development. This very moment there is a government or country somewhere in the world grappling with one kind of economic problem or another, regardless of how complex, for which the underlying cause is scarce financial resources within the circular flow of income.

Stanlake (1983:11) explains “Goods and services [in the circular flow of income] are produced by the combined efforts of the factors of production (land, labour and capital) organized into units of production known as firms or enterprises [businesses].” The circular flow of income can be referred to as the “operating level of economics”¹ whereas the basic resource level is the level at which resources limited in supply are allocated to factors of production²; this paper attempts to examine whether scarcity exists as a result of an inadequate understanding of how economies function at the operating level rather than simply the basic resource level and puts forward the argument that every economy has the latent financial resources with which to finance the doubling of its GDP in one year at constant price.³ If this hypothesis is true, as will be discussed, due to the immense but latent and untapped financial resources proposed to exist; poverty, underdevelopment, unemployment and recessions that characterize the contemporary economy should not in reality remain beyond the ability of policy makers to prevent or resolve today.

Let us first address the hypothesis that “*Every economy has the latent financial resources with which to finance the doubling of its GDP in one year at constant price.*” What exactly does this mean? Basically it means every economy in relation to its current size and productivity has the untapped domestic monetary resources with which to facilitate transactions to the extent that they are sufficient to pay for the generation of growth equivalent to an economy’s Gross Domestic Product *in one year and at constant price*. In order to explain how this is possible within the laws of economic theory concerning growth, money supply and inflation it is important to first identify *where* in the economy these financial resources are and *why* they are presently invisible to planners and national budgets.

Scarcity and poverty could be an extension of the rationalized limitations modern society accommodates in its processes concerning the use of money and its application in trade and the financial system. Interestingly, in order for a loss to be a *real loss* the rational mind must be able to identify something missing from the diverse array of benefits or resources it believes it deserves or is entitled to. In other words human psychology may not identify a loss unless that loss can be logically quantified. To put this simply lets use an illustration; a person, lets refer to him as Mr. Aardvark, who is driving from home to work and back everyday has fuel injectors

¹ The inferences and arguments of this paper are drawn from: Punabantu, Siize. (2010). “The Greater Poverty & Wealth of Nations: An Introduction to Operating Level Economics. *How every economy has the latent financial resources with which to finance the doubling of its GDP in one year at constant price.* ASG Advisory Services Group: Lusaka, [ISBN: 978-9982-22-076-7]

² Ibid.,p.VIII.

³ Ibid.,p.11.

incompatible with his car that are wasting as much as 30% of the vehicle's fuel. He may be unaware of this loss unless he is conversant with the dynamics of a vehicle's fuel system and consumption. He may be used to the fact that fuel prices are high and that the monthly fuel bill is often a source of distress, however, as long as he is unable to rationalize he is losing fuel he will believe he pays for fuel and in return for his money gains the capacity to drive from home to work and back; he may on occasion even be thankful he is able to afford to drive and pity the tired pedestrians he sees on the road every day. The distress experienced as a result of managing his household's fuel consumption would be likened to the distress humanity experiences as a result of scarcity, yet as long as the fact the ongoing loss exists is not rationalized and identified Mr. Aardvark will have no urgency or capacity to correct the situation to experience some kind of economic relief as he may consider the inconvenience a norm pertaining to the natural value of fuel and how it affects his life and his vehicles performance. The levels of distress will be increased or decreased by the psychological disposition of a driver or drivers of the same car in the same income level, however, the fact will remain this loss exists irrespective of driver earnings and 'feelings'. This brings us back to GDP, which in this context can be likened to an economy's annual earnings. Unlike the illustration of Mr. Aardvark's vehicle and its fuel, the case of the contemporary economy is much worse as the argument in this paper is that the operating system (circular flow of income) has a setting that withdraws as much as 100% of an economy's annual productive financial resources. Now, a vehicle, let alone an economy, losing 100% of its fuel shouldn't be able to move. How is it then that contemporary economies are able to grow at all? Secondly, in the same way Mr. Aardvark is unaware of the losses in fuel his vehicle incurs why are modern economists unaware of the losses incurred by the contemporary economy? Let us first identify why economies are imploding financial resources (experiencing unidentified financial waste in the circular flow of income) and why.

Invisible losses & the Evolution of Equity in Transactions

At this point to emphasise the direction the argument is going let's introduce the 'case of the destitute woman'. The case is as follows:

A woman and her six children [the economy] live in a shack; she is destitute. When a social worker checks the woman's bank account [money supply] she has a billion dollars in her account. In her report she must draw two conclusions, either, the woman has a mental health problem or the bank is doing something wrong [causing scarcity or unnecessary recessions]. After a psychiatrist interviews the woman it is found she wants a better life and is aware she has one billion dollars in the bank, but does not understand why she can neither draw any money from her account nor get any loans from the bank; the woman is found to be sane and has no history of mental health problems, except depression caused by the difficulty she faces having to find the means to feed her six children. Suspecting foul play a financial adviser is dispatched to the bank and interviews the bank manager. The bank manager is aware of the woman's living conditions and of the billion dollars she has in her account. He explains; as far as the bank is concerned the money is hers and she can withdraw it from her account whenever she feels the need, however, pulling out a file from a drawer he shows the financial adviser a clause in the country's laws that does not allow her to have the money. Consequently, explains the bank manager, the bank cannot give her the money in her account and accordingly cannot lend her money as this situation makes her uncreditworthy. Bewildered the social worker goes to the ministry of finance [source of the economic operating system] to confront the chief economist. The chief economist says he is aware of the woman's plight and has had

ongoing conferences, seminars and discussions about it. The social worker demands to know why then the destitute woman is not being given her money. The chief economist explains, though the woman does indeed have a billion dollars in the bank it actually has no real value in the economy as the money is sterile. In order for her to withdraw her billion dollars she needs a billion dollars to guarantee it [financing the doubling of GDP in year at constant price]; in other words to withdraw a billion dollars she needs to have the equivalent of two billion dollars in her account. Well then, the social worker says, can she not at least withdraw one hundred dollars from her billion dollar account? The chief economist says, for her to even withdraw one dollar she needs another dollar to guarantee it and we don't yet have a system to do that. The social worker responds, but that would mean all the money you have in circulation is worthless. The chief economist replies: well, you see; that's the dilemma we're in.

The 'case of the destitute woman' simply illustrates money supply and how an economy can have money within it yet remain plagued by poverty and scarcity. To propose in economics that economies contain latent financial resources with which to finance the doubling of GDP in one year at constant price is no more far fetched than physics proposing matter contains within it tremendous amounts of latent atomic energy proportional to mass. The characters in the 'case' all act rationally; however, they function in an imperfect economic operating system unable to deliver what they really need. The fact that contemporary economic thought may have little or no knowledge of implosion warrants a look into the psychology of economics in human development to understand why this may be the case; it is intriguing to analyse the idea that human society may face poverty and resource scarcity as a result of habitual economic behaviour which acts as a decoy away from clear observations in economics and the consequences of monetary transactions. The progression of primitive economies from the barter system to the eventual invention of money as a means of exchange allowed the circular flow of income to come into its own as a payment system. Even today the modern economy relies on a circular flow of income as a natural payment system and a process through which to finance and facilitate productivity and trade. It is an operating system through which financial resources are distributed. Financing occurs primarily at the core level where firms distribute their earnings to two fundamental factors, namely labour and capital. For the sake of illustration let us assume a company called Aardwolf Motors, a vehicle manufacturer, basically spends 60% of its earnings on capital⁴ and 40% on labour. Though Aardwolf Motors faces financial constraints its annual earnings allow it to allocate resources in the 60:40 split mentioned. Unknown to Aardwolf Motors is the fact that when it spends 60% of its annual earnings on capital this represents an automatic loss of the same value of financial resources to labour and when it spends 40% on labour this represents an automatic loss of the same value of financial resources to capital. Combined (60%+40%) this entails Aardwolf Motors is losing or *imploding* 100% of its financial resources per annum. This in the profit and loss business sense is not an imaginary loss, but a *real* loss with financial and socio-economic consequences. It is caused by the underlying design of the economy of which Aardwolf Motors, like all businesses operating today, is unaware as it believes, like Mr. Aardvark receiving fuel after paying for it, that labour and capital are received in exchange for expenditure and the frustrations rendered by scarce resources are an acceptable norm in doing business. Here the first reason why economists cannot see the loss becomes evident. Money is exchanged for capital and capital is

⁴ Land being a non-human factor is grouped with capital

received; money is exchanged for labour and labour is received in return in what should be described as an expenditure fallacy⁵ since the benefits in the exchange that transactors experience and see are not necessarily correctly perceived. The exchange process would fulfil the underlying psychology of transactors that nothing is lost since an equal exchange has taken place when in fact at the operating level the value of money in this transaction has cancelled itself out. It is also possible to demonstrate how this is a real loss to businesses, even if they cannot see it, by identifying the zero profit condition as a form of inertia experienced where total cost is equal to total revenue. If this still does not strike home, let's simplify it further. When two people in a barter system exchange five oranges for five apples consider this a balanced or equitable exchange. When money is introduced to this system the person could produce US\$5 for five oranges and the trade would take place due to the concept that US\$5 like five apples is equal to five oranges, after all, the person who exchanges the oranges for US\$5 can go to another trader and buy 5 apples with this money. What may not be realized at this stage and in the present day is that what is being exchanged is the psychological value rather than the real value of money. In this balanced system the money is actually worth zero or is worthless. The proof of this in an equitable system where it costs US\$5 to produce either 5 apples or five oranges is where total revenue (TR) = total cost (TC), TC being the cost of factors of production (capital and labour) firms believe they are paying for (thus reinforcing the expenditure fallacy) and found in the end value derived from a simple cost equation; $TR-TC=0$. Zero growth at the microeconomic level is observed in a business at its break-even point. To overcome zero growth or inertia a surplus must be induced in the contemporary economic (CE) system otherwise it remains in a limiting vice like $TC=TR$ equilibrium. To oppose the inertia created by this equilibrium businesses 'mark-up' their products. They do this to make TR exceed TC.⁶ In doing so firms believe they are paying for capital and labour when in fact they are compensating for the loss of productive financial resources in the economy (i.e. Implosion : TC). This loss is invisible as they receive capital and labour in exchange for their money effectively sealing them inside the expenditure fallacy, a psychological financial trap. The fact that businesses experience no profits in this position is indicative of a 100% ($TR-TC=0$) loss of useful financial resources by economic design, it is therefore, as this simple explanation and equation predicts, a demonstrable *real* loss; this will be explored in more detail later in this paper. At this point a possible *psychological* reason why economists and businesses have been unable to see implosion and the loss of useful financial resources has been identified through the expenditure fallacy. With this in mind let us at this point, to be able to follow the teleology of this argument, accept that as a result businesses operate in a contemporary economy designed to push them towards zero profits consistent with what has been derived from the cost equation. If this is true, how do businesses and economies manage to experience annual growth?

It cannot be disputed that economies are capable of annual growth, but how can they do so in an environment where the real value of financial resources is being completely eroded by the economic operating system? Since we have *identified* and in order to follow the argument thus

⁵ Punabantu, Siize. (2010:225)

⁶ *Ibid.*,p.93.

far have *agreed* for now to accept where and how economies lose 100% of their productive financial resources let us try to understand how they grow in an economic environment that is hostile to growth and stability such as this. An economy is generally made up of many firms. If at the microeconomic level each firm were to operate in the manner stipulated by the design of the contemporary economic operating system (every country in the world presently functions under this circular flow model) they would be required to sell products for exactly what it cost to produce them. For this to be true it is likely that at some point in the evolution of economics people did not exchange products over and above what they were worth, that is, what it cost to produce them and a remnant of this practice persisted into the modern economy. The earliest economies therefore would tend to be self sufficient with no inherent need for the excesses gained from profit. These economies would begin at the level of a gift economy where products were sometimes given out of custom according to Cheal (1988: 1-9) "without any explicit agreement for immediate or future rewards." If someone was in need it may have been customary for the community to step in and provide through economic gifting. However, as communities grew and came into contact with their peers distinctive products within them could have enabled each community to identify something another community produced that they would like to have and vice versa. In order to share these groups coming from a gifting background may have begun by gifting their best products with the other community doing the same; neither group, in these initial stages may have been doing this as a method of exchange and may not have expected anything in return. This practice of reciprocal gifting may have been habit forming and persisted until it became expected in some societies that when a gift was given a gift of equal stature or value would be given in return. From this point onward expectations would be triggered and exchanging goods equitably through barter⁷ may have become entrenched. Each person or community giving gifts would now expect to have their gesture returned equally to the extent that according to Mauss (1925:69) "The gift not yet repaid debases the man who accepts it." Exchanging gifts of equal value would be considered honourable, customary and respectful. As barter grew it began to include precious metals or minerals (commodity money) as the main medium of exchange since they were smaller, more portable yet could hold significant value. The system may have remained equitable in that profit was not a part of transactions until risk began to gnaw away at the long term value that could be obtained from these exchanges. At some point in the history of economics entrepreneurs may have realized they could not survive if they sold their products for exactly what it cost to produce them (what they were really worth), the system was indeed balanced but in terms of trade must have seemed unfair. If in the modern world Aardwolf Motors (as would any other firm) sold its products at cost price it would experience a 100% annual loss of financial resources to implosion and consistently fail to break even.⁸ Consequently firms or entrepreneurs at some critical point in economic history had to act *counter intuitively* to the contemporary economic system or basically, to rebel against its erosion of the real value of financial resources by using mark ups or cost plus pricing as this allowed them to escape the condition in which the economy would force them to make zero

⁷ Kranton, Rachel. (1996:830-851)

⁸ Punabantu, Siize. (2010:186).

profits.⁹ They may, in the primal stages of economic development, have asked the market to buy what they were selling for exactly what it cost them to produce which might at the time have seemed the honourable and logical thing to do for people evolving from a barter system since the objective was not profit but equitable exchange through a more expedient invention called commodity money. However, it may have dawned that if they did not ask for more than cost price the security provided by holding commodity money from exchanges was easily compromised by poor weather, a bad crop, fate or misadventure and their effort translated into precious metals, minerals or other forms of commodity money would be unable to keep them secure despite the effort invested in productivity. In other words the commodity money they held in periods of misfortune either could not purchase the same value of goods and services when times were better or proved insufficient to solve a problem and simultaneously pay for the next cycle of productivity. To avoid this situation they may have rebelled against the system or economy's erosion of financial value and started charging more for a product than what it cost to produce it as a means of survival and as a kind of insurance against the probability of experiencing misfortune in the future; hence using profit initially as a form of insurance. At this point though precious metals and minerals were being used as money the fact that they had intrinsic value could have created a strain at various levels. It is probable that the need to push price margins by cost plus pricing was a strong driving force for the move from commodity money to fiat money as it is more difficult to negotiate mark-ups using a form of money with intrinsic value since the transactors are more easily aware of the real value of precious metals and minerals thus placing a constraint on the ability of people to negotiate for better margins. With fiat money the psychological value of goods and services may be much easier to manipulate thus making it easier to gain profits. Paradoxically money may be a good measure of value, but it can also be considered a better medium for manipulating the psychological value of goods and services since these may tend to be subjective.¹⁰ Where money is representative rather than commodity based people will tend to value goods and services in terms of money rather than other goods and services. Hence, the next step to increasing the negotiating power of sellers over buyers may have been the invention of fiat money linked to a precious metal such as gold. However, this innovation would still interfere with the capacity of traders to mark-up their products as the volume of gold would be unable to support increases in money supply demanded by cost plus pricing given that there would arrive a stage at which trading would cause a condition in which more money was needed in the economy to support mark ups than the gold in store to back it. To break free of this constraint and further liberate charging more than cost price the issuance of fiat money on its own merit with nothing except confidence to back it created the ideal ground for commerce as it gave the seller a superior means with which to ask more for a product than it cost to produce it. Buyers in the market were more likely to compare prices than commodities when discerning the purchase value of a product. A characteristic of money essential to commerce is it's a tool for

⁹ Punabantu, Siize. (2010:94).

¹⁰ It becomes a more accurate instrument for measuring less accurate observations such as arbitrary or subjective values for goods and services

exploiting the psychological rather than the real price of goods and services through the relativity of value.

Cost plus pricing should not be underestimated; it rivals any financial innovation or invention to date. It is genuinely important to understand that charging more for a product than what it cost to produce must in itself have been a milestone and represented an important paradigm shift in primitive economic thought emerging from barter related systems; it may have required a significant amount of courage to introduce. Hyde (1983:8-9) acknowledges the moral undertones of a requirement for exchanges to be equal in stating of a gift economy “the obligation to give, the obligation to accept, and the obligation to reciprocate, it being, at once economic, juridical, moral, aesthetic, religious, and mythological” to exchange gifts of equal value. Engaging in charging more than it cost to produce a product would require the entrepreneur to suffer the dilemma of having to break with tradition, reconcile the change in process with what judgments society would make in the court of public opinion and the internal moral struggle of the seller concerning whether the practice was right or wrong. This kind of “undesirable” behaviour might be compared today to the proverbial Monetarist wagging a finger at a Keynesian for printing money to finance growth in the economy. Hyde goes so far as to propose that this transition (and its moral arguments) had the potential to destroy the social fabric of groups.¹¹ It could have essentially broken the honourable barter code of traders exchanging products of equal value; charging more for a product than it was worth could easily have been regarded as unscrupulous, a form of theft or moral vice. However, it is also possible marking up in the early stages of barter is likely to have begun to occur without the knowledge of a recipient where sellers had superior information concerning the cost of production, utility value or intrinsic value of the products being exchanged allowing the shrewd barterer to gain a surplus on the exchange society might at the time have viewed as equal; a primitive tribesman and sailor from overseas in an early century might barter a mirror for an emerald with each thinking internally according to their respective societies they have gained more than they gave away. The relativity of value allows the potential for covert surplus gains in barter to take place within the rules of equitable exchange. Overtly breaking a natural bartering code based on equity could have been moralized and eventually considered socially acceptable when the practice became accepted as a means for mitigating against unknown future risk; the sale value would have been calculated as cost of production plus future risk. If the fear of poor harvests and death as a result of drought or other pestilences were sufficient to inspire the Aztecs to sacrifice people atop pyramids as way of placating their gods and mitigating against these risks it is not too far fetched to assume early groups facing similar fears would have sacrificed their moral views to charge more for a product than it was worth in order to survive. Basically people would have to face life determining decisions; they may have had to choose between the fear of marking up or starving to death after a bad season and it is possible choosing to survive eventually seemed the honourable choice until there was a shift in the societal mind set that

¹¹ Hyde, Lewis. (1983:5).

made this practice acceptable. Even today the public accepts businesses have to mark up products in order to survive. Marking up products in difficult times may have allowed groups to endure. However, as money evolved the practice of marking up prices when followed by a good season or good crop would unexpectedly allow traders to enjoy a surplus and the greater economic liberties it created may have led to early stages in the evolution of capitalism where the gains from marking up were motivated by the realization that seeking a surplus and being diligent with resources helped maximize wealth. This may have led to the first flirtations with the phenomenon of growth driven by surpluses from trade over and above the culture of simply trying to survive by mitigating against risk. However, having now discovered the propensity for progress growth could provide through surpluses it may soon have become apparent that trade was not materially and psychologically worthwhile and could not survive *without it*. This progress could have given sellers satisfaction or just reward from investment while buyers who became conversant with the practice, though accepting the role of risk management in justifying the process, may have often seen it as greed, especially where the mark-ups and high prices seemed exorbitant. Buyers and sellers may have regarded one another warily in a love hate relationship we see drive demand and supply in the market. Charging more than cost price would eventually become a normal practice even though wealth gained from any kind of practice that may be construed as exploitative can forever remain a source of moral debate. Watching entrepreneurs become wealthier and begin to enjoy a better living standard may have eventually encouraged more people to seek opportunity and try to do the same increasing competition. Today it is commonplace to see the proliferation of businesses seeking profits and motivated by gains, however, it should not be assumed there were no psychological and psychosocial hurdles crossed to get there.

Reconciling Profit

Businesses generally do not trade for nothing, they trade for profit. In a barter system a cattle herder may agree to exchange one cow for five sheep, the equity being derived primarily on the approximate similarity of the weight of the animals being exchanged and the need or mutual satisfaction of the transactors. However, with the invention of money several ancestors down the line the herder in monetary terms may now have been asking for five and half sheep for one cow and the shepherd a cow and calf for five sheep and in seeking profit by doing so may unknowingly have joined the tide asking for more than the cost price of what was on sale. The environment for achieving equal exchange for equal value would have become fraught with new potential risks related to price determination in order to acquire the lucrative substance known in business as growth. A new dilemma was to emerge; exchanges through mark ups may have been more advanced, for instance, five and a half sheep for a cow and a calf was considered an equitable exchange, however, beneath this 'equity' the 'inequity' is that more was being charged for the product than what it was worth, that is, its cost price. These were clearly two opposing systems trying to function simultaneously in the same space; the economy was trying to drink and breathe at the same time. This change marks the loss of innocence in economics since the underlying system was one of overt equity as would be expected of an early barter system; exchange even today relies on how "precisely" transactors can swap

money for a product, however, equity in this structure does not exclude marking up for profit incorporated in the value of products which can in some transactions be as close to equitable as it gets, in others it can be subjective and sometimes a dubious process where even products equal in “price” are seemingly “soiled” by the indelible stain of not being traded at their real value, that is, at cost price. It may at first appear as though this is a harmless incongruity concerning trade, yet it requires a closer examination. In a stable process balanced by equity (exchanged goods of equal value being worth the same) an inflated price (cost plus pricing) introduced an imbalance or wobble as sellers abandoned equity required in the exchange process in order to accommodate profit. The reward was growth, however, the imbalance it introduced could have brought with it an unwavering tide of economic instability; Pandora’s head bobbed out of the proverbial economic box and said *hello* to economics; the consequences of the imbalance may continue to haunt economics to this day. This inherent systemic conflict has eluded economic thought. It would not be improper for the word “pricing” used in the process of marking up to be used interchangeably with “inflating” in relation to price inflation. To this day the firms in aggregate destabilizing the economy and creating a “wobble effect”¹² as a result of charging more for a product than it cost to produce it, performed by firms as means of survival coupled with scarcity caused by implosion, can be what leads to the phenomenon of creeping inflation, economic instability, periodic recession or economic depression, higher levels of risk in stock markets whilst contributing paltry annual increases in levels of GDP most economists are conversant with today often averaging between 0% to 6%; consequently many governments would consider a 6% increase in GDP a pleasant achievement. Like Mr. Aardvark these gains take place without any knowledge of economic implosion, inertia and losses caused by opposing, incompatible processes or systems working against one another (balanced equitable exchange of products and imbalanced circulation of mark ups facilitated and accelerated by money) being forced together. Contemporary economics exhibits very little concern about this problem and in a business as usual manner seems practically unaware it exists. Businesses in an economy use this incompatibility to shake free of the losses and inertia caused by implosion that are equivalent to 100% of a previous year’s GDP. They do this to the present day. The danger is that ‘microeconomic’ inflation takes place the moment more is charged for goods and services than it cost to produce them not just when this is exhibited as change in the general price level; business therefore immediately induce instability by causing a wobble effect from the onset. Paradoxically, and to the consternation of monetary theory, if products in an economy are persistently marked up through the various levels of the supply chain this could lead to inflation even under the monetarist constraints of money supply remaining constant or even falling. Businesses do not realize it but the economic ground they stand on may be virtually quaking as the two systems oppose one another and aggravate curve tectonics¹³ (economic instability caused by aggregate demand and supply moving freely against one another). An engineer will know the instability and potential for catastrophe a spinning device with imbalanced weight distribution can cause yet there seems to be an air of nonchalance in economics concerning the potential havoc a

¹² Punabantu, Siize. (2010:93)

¹³ Ibid.,p.184.

wobbling economy can have on long term stability. When productivity accelerates as would be expected in a boom the same would be expected of the wobble effect. The average 0%-6% growth wrestled from the economy by businesses in aggregate struggling to make a living out of a current year's GDP is like a school of out of breath fish trapped desperately in shallow water as the economy they believe is their friend tries to suffocate them. Were the economic system reconciled and redesigned to re-capture the 100% loss caused by implosion described earlier it would effectively be able to have sufficient income to naturally finance the doubling of GDP in one year at constant price. Furthermore, these gains made by businesses and doubling could be gained without businesses having to charge more for goods and services than it cost to produce or supply them hence straddling inflation and restoring long term financial system stability by preventing wobbling from being induced in the economy.¹⁴ This is possible as these financial resources though neutralized and rendered worthless (thus causing businesses to previously ask more for a product than what it cost to produce it) are already present in an economy; they have only to be adjusted from being latent or sterile to being active. Consequently, it is possible for an economy to finance the doubling of its GDP in one year at constant price given that it already has the financial resources dormant within transactions to do so.

In the history of economics scarcity and financial resource constraints may not have gone unnoticed. As more people sought the advantages of growth through cost plus pricing the problem of insufficient access to finance with which to invest in growth would persist as the needs of groups expanded. Furthermore, aggregate profits from this process can often be minimal as can be observed in paltry annual percentage increases in GDP (0%-6%) experienced by contemporary economies. An economy can be worth billions of dollars, however, the real value of all its money in circulation is lost to implosion and hence equal only to the percentage by which its GDP has actually grown at year end. Consequently there may appear to be a lot of money or wealth in the economy, but scarcity is still the order of the day calling to mind the adage; *water, water everywhere, but not a drop to drink*. It is possible that this persistent financial drought lead people in the market to ask themselves; where is all the money, we know its there, we can see it exchanging hands, but how is it we can't get hold of it? Businesses smitten by scarcity would obviously respond; *well it's with the households they aren't spending it* and households feeling the similar financial constraints would quip *its in the hands of businesses and landowners, they are not sharing their wealth by creating jobs, increasing salaries and improving conditions of service*. Turn on the TV or radio, listen to the news, wait long enough and it is likely a rendition of this argument is still raging on. The rallying response to this crisis of persistent scarcity and inadequate financial resources was thought to have been reconciled by the next historic innovation to bravely step up and take it on; the entry of banking into the circular flow of income.

¹⁴ Punabantu, Siize. (2010:202)

Credit Creation & the Availability of Financial Resources

Ancient banking is thought to have emerged in the 3rd Century AD with the Persian Sassanid Empire issuing Sakks as letters of credit. Traders from the Middle East are known to have been able to cash cheques in China from deposits made in Baghdad.¹⁵ Once again it is critical to appreciate how revolutionary banking was to earlier economic systems. Banking may rank close in innovation to the invention of money itself. Though ancient banking evolved as a convenient way of storing and moving money and wealth as well as facilitating trade it is likely that these early groups were equity based and charging interest may have been considered undesirable. It is probably not until the industrial revolution when ideas on commerce were taking off and economic thought rapidly becoming mainstream that the capacity of credit creation to change the resource landscape in the new world and beyond begun to be recognized. Money and its ability to facilitate credit creation as a product and new innovation is likely to have emerged as a solution to the constraints scarcity placed on the industrial revolution in the midst of great anticipation about the role banking could play in the economy. Industry was ready, all it needed was sufficient finance and it seemed there would no longer be frontiers it could not cross. This was a brave new world with the necessary ambition, brains and brawn. It had the enthusiasm needed to bring about a new order in which prosperity and justice would be forthcoming. It may be no surprise that it is during this era the foundations of economics begin to rise through early proponents such as Adam Smith and John Maynard Keynes. In the midst of the excitement, anticipation could have been heavy in the air and there may have been but one problem; where to raise the finances to get industry moving. There was money in the economy, entrepreneurs flourished with plans and households looked forward to the certainty of finding work, yet businesses didn't seem to find sufficient finances with which to grow and workers felt they were being exploited. The tension may have been spurred on by a suspicion held by firms money was being held back from them by households and a suspicion held by households businesses were not letting money in the economy reach workers. Banking with interest as an incentive to save and lend may have been seen as a means of solving this problem. It could rectify a shortage of financial resources created when money implodes as it moves between capital and labour. The finances capital cannot access would be acquired through household savings and funds households cannot access as a result of being held by capital could be accessed by households through capital contributions to savings in the banking sector. It may have been thought that through banking either factor could now borrow from itself or its complement and perhaps by freeing idle financial resources in this manner a new unprecedented abundance and prosperity could be created. Banking is taken for granted today and after a recent global crunch regarded with a certain sense of disillusionment about how useful banks really are, however, it is possible it was expected by the early pioneers of modern finance and money that credit creation could neutralize implosion bringing an end to scarcity possibly marking a new era of prosperity for mankind. Schumpeter (1986:1081) notes that "moreover many economists of the seventeenth and eighteenth century had had clear if sometimes exaggerated ideas about credit creation and its importance for industrial

¹⁵ Valley, Paul. (11 March 2006). "How Islamic inventors changed the world", Independent.

development". Though Schumpeter did not identify implosion he was one of the notable scholars on the usefulness of credit creation. It may be easy today, after a long and difficult song and dance with credit creation to dismiss the expectations of the era as one with an exaggerated view of its own importance, yet looking at how credit creation works it is not hard to see why expectations were high. Hock notes of early banking "Enterprising goldsmiths soon took notice that the bulk of the gold coins remained in their strongboxes most of the time. This allowed them to issue receipts in excess of the deposits they stocked, on the logic that depositors would never retrieve all of their coins at the very same time. The goldsmiths could thereby increase their incomes without having to increase their gold reserves."¹⁶ It is not difficult to surmise the possibility conjured in the ability to replicate this process to fully service an entire nation by banks storing gold and issuing cheques or what it could do in the hands of a government able to store a nation's gold and *print money*. The potential to do this would have created great anticipation within the circles of those educated in economics of the seventeenth and eighteenth century who in these early stages understood the role credit creation could play in financing industrial growth. Although the pessimistic view dominates economic thought today, possibly encouraged by modern day poverty, strife, financial system instability and the belief scarcity, if not difficult, is impossible to overcome, it is folly to believe this is the sole view there is. History shows that economic thought has at times been driven by an optimistic view that believes a solution to scarcity will one day be found leading to a better and brighter future. Freeing up financial resources through credit creation seemed to have the potential to create a world with much less scarcity and therefore possibly a world without strife in a period overflowing with possibility. It could have been with these sincere thoughts on credit creation and the economic advancements being made in the industrial revolution that inspired the use of the Eye of Providence in the Great Seal of the United States associated with expectations of a better world to come. Later in 1935 it became part of the Great Seal visible on the North American dollar bill demonstrating the possible undercurrents concerning the evolution of positive economic thought from hope into an actual financial instrument with which to achieve that hope or dream. This hope seemed to have been rekindled in Roosevelt's time. "According to Henry A. Wallace (then the Secretary of Agriculture in President Franklin D. Roosevelt's cabinet), in 1934 he saw a 1909 pamphlet on the Great Seal by Gaillard Hunt. The pamphlet included a full-colour copy of the reverse of the Great Seal, which Wallace had never seen. He especially liked the motto *Novus Ordo Seclorum* ("New Order of the Ages"), likening it to Roosevelt's New Deal (i.e., "New Deal of the Ages")."¹⁷ The decision to place this Seal on an instrument of finance such as the one dollar bill may show a consistent belief in economic thought held by some circles that the solution to scarcity lay in innovations that could be made in finance. Economists contemporary to that period such as Albert Hahn in his work *Volkswirtschaftliche Theorie des Bankkredits* (3rd Edition, 1930) believed credit creation could create permanent prosperity, however, as pointed out by Schumpeter his optimistic views discredited his work in the eyes of other economists of that period¹⁸ showing the resistance

¹⁶ Hock, Dee. (n.d:3)

¹⁷ US Dept. of State publication (2003).

¹⁸ Schumpeter, Joseph, Alois. (1986:1082)

between optimistic and pessimistic views. The economists opposed to Hahn's optimism had good reason to be pessimistic having seen the ravages finance wrought on the US economy in the Great Depression of the 1920s. In addition the general nature of modern economics is to work its ideas and solutions within the 'safe' and 'practical' limitations of scarcity. The optimism and high expectations of economists such as Hahn concerning the importance of credit creation may have been justified; unfortunately these ideas may have been up against the formidable hidden inner workings of the economy itself of which economists in Hahn's period and today may be unaware. They themselves are unlikely to have been and continue to be unaware of economic losses from implosion, the wobble effect and firms railing against zero profit inertia raging beneath the surface of the economy identified and elaborated on in the Greater Poverty & Wealth of Nations (GPWN) (2010). This was uncharted territory in economics credit creation did not resolve that could have fuelled the Keynesian Vs Monetarist debates around the L shaped Keynesian curve. Though the Monetarist and Keynesian Schools continue to hold different views on the impact of money supply on economic growth and inflation the two schools of thought were possibly at odds only for the reason that they were interpreting the behaviour of money supply from different vantage points. When these two opposing views are seen at the operating level it is possible that "despite two approaches and interpretations the same condition is being described by both Keynesians and Monetarists."¹⁹ Cochrane's article *How Did Paul Krugman Get it So Wrong* written in response to Krugman's New York Times article *How Did Economists Get it So Wrong* momentarily identifies the notion that " 'new Keynesians' putting Keynes inspired price-stickiness into logically coherent models, ended up with something that looked a lot more like monetarism."²⁰ The Cochrane Vs Krugman duel of crossed pens (like crossed swords) and linguistic swordsmanship (with pens) in the corridors of the New York Times demonstrates the psychological problems harboured within contemporary economic thought in the sense that a puzzled journalist or bystander emerging from an office might ask why two soldiers wearing the same uniform are stabbing at one another with deadly looking pointy "thingamajigs." Here the effects of the missing elements in economics at the operating level demonstrate how blank spaces in between letters have left economic thought to fill in the gaps and come up with different meanings. This duelling appears to stem from a planning dilemma and paradoxes; the planning dilemma from Punabantu (2010:24) being; "*No amount of scarce or abundant resources will take the place of the planning [economic thought] required to put those resources to good and sustainable use.* While the first planning paradox in Punabantu (2010:100) is that, "*No amount of planning [economic thought] will take the place of the resources or financing required for the implementation of what has been planned.*" and the second planning paradox being, "*No amount of implementation [of ideas from economic thought] will take the place of the resources or financing environment required for what is implemented to become sustainable.*" And the third planning paradox from Punabantu (2010:103) being, "*Any economic approach, system, argument or school of thought that does not equate growth with financing, in its diverse forms, will be unable to provide a complete solution to the problem of sustainable growth and development. It will simply create a new*

¹⁹ Punabantu, Siize. (2010:233)

²⁰ Cochrane, John. (September 11, 2009). "How Did Paul Krugman Get It So Wrong?", Model Behaviour.

opposing argument and a new approach or dispensation that is itself confined to the same operating system's resource constraints, except in an alternate more fashionable position of discomfort and resource limitation." The Cochrane Vs Krugman duel may be an indication of the need in Punabantu (2010:102) to note that "With a greater understanding of operating level economics the role resources and financing plays in growth with development can be identified and measures that satisfy diverse arguments satisfied by appreciating that nothing works if the problem of adverse scarcity created at the operating level isn't rectified." Banks don't rectify this problem; even to this day they remain fragile institutions and since the advent of credit creation it seems economic scarcity has become more glaring. There is a reason for this. Credit creation did not then and does not today remove the scarcity bottleneck as may have been supposed by economists like Hahn who may have hoped it would free up financial resources and create a 'permanent prosperity'. It is not improbable to conclude that banking and contemporary economic thought still assumes this 'freeing up' of financial resources is performed by banks when in fact it isn't. This is surely theory and practice concerning the role of the banking sector rendered inaccurate since unused funds remain idle and funds withdrawn from banks as loans for capital use implode when they are once again allocated to labour and capital, funds withdrawn from banks as loans by households implode when households buy products and firms allocate these earnings from sales to households and capital once again perpetually generating scarcity²¹ in a continuous cycle of give and take back, in the case of Aardwolf Motors using a 60:40 split. To this day problems related to industrial action plague the relationship between businesses and workers, and the prime reason may be the failure of credit creation to settle the resource vacuum that exists between labour and capital. Nevertheless, returning to the *case of the destitute woman* shows banks are not entirely to blame for this problem; since money is worthless they cannot lend more money than that which can be repaid by gains per annum observed in GDP and this limit dictates there will persistently be insufficient levels of credit to satisfy an economy's needs. To attempt to lend more than this leads to the kind of risks that produced the recent global recession. Dangerously, credit creation does not reconcile systemic implosion and economies begin to heat up ominously when they deliberately attempt to push hard for growth, against the natural resistance of the economy, with loans, government spending, grants and other funding. In doing so not only are they being repelled by zero profit inertia, they also may aggravate the friction caused by the incompatibility of two systemic forces resisting one another, namely; equitable exchange and charging above cost price for goods and services. Economies attempting to grow in this way may invariably succeed to a marginal degree, but face an uphill battle since the underlying fundamentals of the economic operating system will work against the growth measures they induce in the economy. This condition, where governments seeking to improve their economies through public expenditure and pro-growth policies are forced back by inertia could be described as one of the most sinister characteristics of contemporary economies. China in the present day has experienced this problem; in pursuing growth it has had to deal with an overheating economy and on occasion has even had to take its foot off the economic growth pedal. Murchie (11th March 2010) writes, "last month it was revealed that

²¹ Ibid.,p.292.

China's economy, which is the world's third largest, expanded at an annualised rate of 11.9% in the first three months of the year. However, despite the strong growth, economists have cautioned that the economy is expanding too quickly. Many economists believe higher interest rates and a moderate appreciation in the currency would help the economy avoid inflationary pressures."²² Here once again is a likely example of how contemporary economics and the wobble effect make inflation a seemingly insurmountable nuisance when economies attempt to foster growth with which to improve living standards. The woes of the Icelandic banking industry and seemingly internally insurmountable financial problems faced by economies like Greece recently only lend credence to a persistent lack of knowledge about disequilibria in the contemporary economy. The banking sector *to this day*, by providing credit creation, fundamentally does not solve the problem of economic scarcity and financial system instability; in fact it is likely it contributes to it and in this sense is simply a vulnerable cog in the wheel. A process or financial service said to have the potential to neutralize implosion through the banking industry and generate financial system stability has been distinguished from credit creation by being referred to by the term "resource creation".²³ Resource creation could possibly be a rare financial service that would allow an inverse relationship between price and expenditure in that it purports to demonstrate how prices can remain the same or fall despite increases in expenditure and money supply.²⁴ It is possible that the inability of credit creation to resolve the problem of implosion has had a significant negative impact on the stability of banking and worsened the operational environment of the banking industry. This renders it fragile, accident prone and a danger to the economy at large until this problem is resolved through financial innovation. Furthermore, there being little or no knowledge that credit creation has failed to resolve implosion has turned the fragility of banks into a mystery and dilemma for which there seem to be few plausible answers. Hock writes, "banks are, and have always been, accident-prone just looking at more recent decades, there is the Savings and Loans debacle in the US and the rescue of Scandinavian banks in the 1990's, the thrice-threatened Japanese banks, with the Less Developed Countries crisis (1980's), a real-estate crunch (1990's) and the South-East Asian meltdown (1997); the Latin American troubles in the 1980's and again this last year, most notably in Argentina. ..Why banks have remained so fragile is a dilemma that has never been fully resolved."²⁵ The global crunch and its extensive reach is only the most recent crisis to unfold. The reason these problems exist may be as a result of credit creation not fully achieving what its adherents may think it does. Credit creation has spawned a plethora of innovative investment products from easily understood bonds and treasury bills to more complex derivatives and hedge funds. However, credit creation relies heavily on growth to compensate for interest charged on loans and other similar products hence a lower risk product (deposits) is being paid off by a higher risk product (loans). Frustratingly, unlike resource creation, credit creation can still cause inflation when it fuels expenditure despite the fact that savings and withdrawals entail money supply remains constant; the same applies to withdrawals as a result of taxation when they are returned

²² Murchie, Kay. (May 11 2010) "Risk of China's Economy Overheating as Inflation Surges", Finance Markets.

²³ Punabantu, Siize. (2010:267)

²⁴ Ibid.,p.201.

²⁵ Hock, Dee. (n.d: 6)

through government expenditure. Implosion sucking productivity out of useful financial resources renders almost any kind of expenditure inflation prone whether or not money supply remains constant making monetary policies lose dexterity. The fact that Inflation and implosion erode the earning potential of businesses interferes with the capacity of the economy to repay loans making banks fragile and further complicating problems concerning scarcity and the accessibility of finance. Technically, banks are fragile in view of the fact that they do not neutralize implosion and hence have not done what it is that it is thought they were introduced into the economy to execute; frustrating to both banks and the economy in general, this problem is not public knowledge and is therefore unlikely to be addressed any time soon. This is coupled with the fact banks themselves have to fend off failure caused by inherent systemic incompatibility in the economy pushing them, as well as the rest of industry, toward zero profits. Worse still by cost plus pricing *money itself* which banks, by using interest to charge more for borrowing money than it cost to acquire it through deposits, may contribute to the problems modern economies face; they, as any other business, are struggling to survive the economy by rising against its zero profit position. The solution to reversing this situation and transforming economies may be for central banks and commercial banks to introduce a new innovative product alongside credit creation, namely, resource creation.²⁶ Without resource creation banks are basically redistributing money for a fee. They issue credit with the expectation that economic growth or enhanced productivity will facilitate repayment despite the additional burden of interest weighing economic activity down.²⁷ Businesses in aggregate fending off the inertia imposed upon them by the economy may recover as little as 6% of the financial resources the economy cuts off; even rates of growth amazing to contemporary economics such as the 11.9% gained by China²⁸ are likely to be lacklustre in comparison to the capacity to tap into a reserve worth as much as 100% of an economy's GDP. Governments, the public, firms and economies in general still struggle for resources despite the diverse products offered by the banking sector based on credit creation. They may periodically be seen to flounder as would any swimmer forced to swim continually against the tide. Maybe at this point the extent of the malfunctioning behemoth called the contemporary economy transversing and straddling the globe begins to lumber into view; people go to work in it every day unwittingly believing it is an economic system working for them. The likely result of economic scarcity remaining unresolved by credit creation is that poverty persists in the world. Scarcity is a product of economic history, the financial system, contemporary economics and habitual business practices.

Pessimism Vs Optimism

Pessimism and optimism in economic thought are useful in the sense that by acting as counterbalances for one another they allow economics to navigate through the sometimes difficult choices planners and people in general have to make in an environment where resources are life nurturing, considered scarce and thus there is little room for mistakes. When

²⁶ Punabantu, Siize. (2010:192)

²⁷ Ibid.,p.65.

²⁸ Op.cit. Murchie (May 11 2010)

Francoise Quesnay limited the capacity for growth to how much firms could supply, Adam Smith countered by stating growth would instead rely on markets and the demand for goods and services within them. Punabantu (2010:13) points out “Adam Smith’s liberal market theory and the success of markets were to be forestalled by one preposterous problem – rapid population growth. Robert Malthus in his book *An Essay on the Principle of Population* (1798) illustrated with penetrating clarity the negative impact of population growth in an environment of limited resources. Though few realized it human consumption was turned on its head and became the bane not the salvation of economic development. From here on consumer demand was regarded with suspicion. Unbridled population growth would lead to over-consumption, over-consumption to scarcity and scarcity to inevitable social and economic collapse. Though correct in his assessment of limited resources and population growth Malthus could not have predicted how his theory would alter economic policy and become a self fulfilling prophecy.”²⁹ Investment in agricultural technology inevitably solved Malthus’ food crisis ‘end game’ scenario. The hallways and lecture theatres of economic thought continue to echo with the proclamation that *economic resources are limited and human wants are infinite*. With problems such as poverty, business failure, foreclosures, unemployment, great depressions, recessions, inflation and the countless variations of strife economies experience raging to this day and waiting like unwanted presents to be unwrapped in future economic Halloweens it is no surprise optimistic economists who once may have overtly believed innovation and a change in economic thought can transform the human experience and bring about a ‘permanent prosperity’ are almost extinct or hidden beneath a rock away from the shrivelling gaze of the pragmatic pessimistic economist who for sport may have over hunted the optimists with scarcity as a decoy and perpetual economic problems as a bludgeon. Pessimistic economic thought owns government policy today and it seems indeed economics wears the undisputed title of the ‘dismal science’ with a garish if not tragic internal Machiavellian turmoil, it resembles a dreadful picture of triumph wracked by despair, exquisiteness of a lily placed delicately on a putrid pile of odorous filth, of bellies growling with hunger as gourmet cooking wafts over noses from a meal that cannot be found; unfashionable and heathen, it seems, when it comes to the belief more can be done and that a permanent prosperity is achievable. From the infamous high of the label ‘dismal science’ it seems economics, as champion of the disillusioned, devolves to the rather less electrifying but warily respectful title of *bowl of soggy vegetables* Mama’s watchful econometric eye ensures will be eaten by planners. Nobel Prize laureate Paul Krugman (2009) writes, “As I see it, the economics profession went astray because economists, as a group, mistook beauty, clad in impressive-looking mathematics, for truth. Until the Great Depression, most economists clung to a vision of capitalism as a perfect or nearly perfect system. That vision wasn’t sustainable in the face of mass unemployment, but as memories of the Depression faded, economists fell back in love with the old, idealized vision of an economy in which rational individuals interact in perfect markets, this time gussied up with fancy equations.”³⁰ Cochrane (2009) responds to Krugman’s New York Times article stating, “Krugman hints at dark conspiracies, claiming “dissenters are marginalized.” Most of the article

²⁹ Punabantu, Siize. (2010:13)

³⁰ Krugman, Paul. (September 2, 2009). “How Did Economists Get it So Wrong?”, New York Times.

is just a calumnious personal attack on an ever-growing enemies list.”³¹ And narrows Krugman’s article to, “Krugman’s attack has two goals. First, he thinks financial markets are “inefficient,” fundamentally due to “irrational” investors, and thus prey to excessive volatility which needs government control. Second, he likes the huge “fiscal stimulus” provided by multi-trillion dollar deficits.”³² In the dizzying duel of men and women clad in the same uniforms lunging with hazardous ‘pointy things’ there appears to be a loss of the kind of optimistic clarity and intent with which some pioneers of economic thought sought to tame the wild and barren landscape of scarcity as all that eventually becomes visible seems to be the frenetic dust kicked up by the uninhibited duelling within economic thought and the occasional fist or foot hoping to find its mark pumping in and out the foray.

One must wonder with a little nostalgia where those pioneers of early economic thought who, even before being confused with Free Masons and mistakenly associated with devilry by a few belonging to an overzealous religious creed, undertook to change the world; who though misunderstood by many, even today post Dan Brown’s commercially motivated *Davinci Code*, innocently inspired intense glory and rallied together a world in which providence would be part of the new order (*Novus Ordo Seclorum*), who warily chose to close quivering ranks around scarcity, brazen enough to engage God in their economic thought boldly stating “God has approved our undertakings” (*Annuit Coeptis*) emblazoned around an iconic eye evoking a coming economic providence. Is bravery of this nature politically incorrect in the economic thought of the 21st Century? Or has this brand of economic thought been misplaced and forgotten somewhere in the misty intrigues and demands of contemporary politics? Where have the optimists who, seeking a better life, with the odds stacked against them, successfully liberated, unified diversity and built nations gone? And will they ever rise once again to plough through the ignorance, diffidence, uncertainty, unemployment and poverty to continue their cause and champion a new campaign to shamelessly fight for a better world for humankind with innovative economic thought as their shield and technology their spear; fearless of there lurking somewhere in the shadows a grinning nemesis armed with a shady decoy and heavy club? Ultimately the reality of everyday economic experience will reveal the answer to this query.

Conclusion

At the beginning of this article, in the abstract, the reader was asked to momentarily suspend disbelief as a “warm up” exercise. Though amusing there is a sombre and practical reason for this request. Economics is a subject of laws and rules therefore from its first engagement it requires thought in economics to work within confining borders and boundaries. The thought processes in this subject are required to often apply rationality to abstract ideas in order to develop a palatable flow of logic. The ability to suspend disbelief in economics requires the capacity to think rationally about irrational propositions or juxtapositions; it is more difficult to do in this subject as its laws and rules are often misrepresented as *rational thought*, hence to

³¹ Op. cit., Cochrane

³² Ibid

think outside these rules and laws may sometimes evoke feelings economics is being trespassed by irrationality when in fact there are no laws and rules in creative thought. This is what it entails to be able to think outside the box in economics. Its tendency to prefer rules persist within abstractness can stifle the very stuff of creative thought able to encourage new breakthroughs. Since irrational thought evokes 'feelings' of trespass in economics, for which the fraternity may have little tolerance, even when no laws and rules are being violated in the final outcomes of creative thinking, requires the use of emotional intelligence to suspend disbelief to in turn toy with the extraordinary, unexpected and unusual, as well as escape a businesses as usual syndrome where economic problems to do with scarcity are never solved. Without the ability to consciously suspend disbelief to develop or follow the teleology of an argument it is improbable a person in this subject can successfully think outside the box.

Is it really infrastructure-wise possible for an economy to actually double in size in one year? Firstly, this may be the wrong question to ask. This paper proposes that every economy has latent finances equivalent to its GDP to spend, and can carry out this expenditure without the economy overheating, that is, without inflation. Whether the economy can actually physically double in size in one year by doubling aggregate expenditure at constant price is a topic for another discussion; however, it likely to depend on how successfully firms are able to translate this additional funding into goods, services and jobs. The rate at which an economy is able to do this can be referred to as its absorption capacity.³³ Having enough money to buy an elephant, does not necessarily mean the intention is to buy an elephant; in other words even if governments were able to annually tap into latent financial resources of a value equivalent to GDP would they even want or need the economy to spend them all in one year? A person can have enough money to pay for his child's entire college education. This does not necessarily mean his child will get a college education even if he pays for it all at once; however, in this context, what this paper is discussing for now is not whether the child graduated, but whether the parent would be able to pay the funds. The argument here is that these financial resources can be made available with a better understanding of how the economic operating system³⁴ works; how they will be used is outside its scope and can be discussed when this alternate topic is revisited in another paper from the author. Furthermore this paper challenges the tendency of economic thought and analysis to constrain itself to working within the marginal gains in GDP economies eek out each year that, it appears, will never be sufficient to address resource problems the majority of countries face, be they more or less developed. It sets the objective of financing the doubling of GDP in one year as the extreme flip side of practically no growth observed in the marginal annual percentage gains of economies planned around contemporary approaches in economics. It does this despite the potential fallout for the sheer incredulity of its proposal, with the expectation it will promote thinking outside the box and further stimulate economic thought.

³³ Punabantu, Siize. (2010:204)

³⁴ Basically, the circular flow of income

Some early pioneers of finance may not have been wrong in their belief that inherent in the financial system are immense resources capable of permanently meeting mankind's needs. The fact that this paper proposes every economy has the latent financial resources with which to finance the doubling of GDP in one year at constant price, though easily mistaken for a form of extreme economics, examines the capacity for unprecedented prosperity all economies may have if, genuinely, a greater understanding of the underlying principles that govern scarcity and resource creation can be found. There is a possibility, what the early pioneers and optimists hoped to achieve could still be attained. In terms of the evolution of economic thought economists, governments, non-governmental organisations and entrepreneurs today can be considered to live in a before-implosion period of thought where the economic waste caused by implosion explained earlier as being *invisible* is unseen in the sense that it is not presently identified or understood. Firms appear not to understand the underlying reason why they charge more for a product than its cost price. They may believe, as a result of history and circumstance, they engage this practice to be able to experience growth and mitigate against future risk, however, they are unaware they could in fact be doing this to escape being shut down by implosion and consequently do so as a result of being unaware 100% of their productive financial capacity is rendered useless or 'neutral' by the economy for no reason useful to them. When it is realized how implosion generates scarcity (and how credit creation, as a financial service, does not resolve this problem) such that there is a shift in economic thought which now acts to adjust the economic operating system to recover loss from this hidden implosion of financial resources they can be said to have moved into an after-implosion period of thought where, by gaining new genuine knowledge, scarcity is no longer as difficult to manage as it has been in the past. But why is this shift in thought so important? Firstly, dwelling on scarcity pessimistically without recourse may lead to a self fulfilling prophecy in which being unable to look and think outside "Pandora's box" renders contemporary economics incapable of creating prosperity it already has the technological means to achieve. Secondly, possible relief for economies through better payment systems and economic operating systems should not ideally be overlooked. Think of it in this way; in a world facing persistent drought where people, livestock and plants die of thirst what is the value of the ability to convert salt water into fresh water at little cost? In this vein it is like opening up a tremendous new resource, inaccessible before, the size of the oceans and seas in an environment of great need. The purse strings and wallets of governments today groan under the weight of scarcity yet through a shift in economic thought they may have at the disposal of their economies substantial wealth with which to attempt to solve the world's current and future resource related problems. Even the world's wealthiest nations, cannot ignore the difference the simple idea of being able to access financial resources equivalent to GDP at *constant price*³⁵ would be able to make to the employment and welfare of people, the success of businesses and the general stability of the economy. If a change in economic thought can do this for the wealthiest what greater things can it do for the impoverished? Governments the world over simply cannot ignore the potential a new approach in economic thought may have to transform the lives of their people for the better and even pessimistic economic thought needs new ideas and material around which to

³⁵ Punabantu, Siize. (2010:247-254)

shape views. The potential and possibility inherent in an optimistic shift in economic thought makes it important to study what pragmatic merits may exist within it and keep the wheel of innovation turning.

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