Concordian Economics: Beyond Micro and Macroeconomics

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Abstract

In Concordian economics there is no distinction between micro and macro economics, because the economic process is the same for the individual person, the city, the nation, or the world, What changes is the scale, but not the structure of the process. When micro and macro economics are seen as one, it makes no sense to add monetary wealth to real wealth. It becomes then evident that monetary wealth is not wealth; monetary wealth is a legal representation of real wealth.

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Through the study of the economic process (Gorga 2002), there is not micro and macroeconomics; there is economics *tout court.* Hence, there is only one economic system; in it one measures the economics of a single transaction, or the economics of a single person, a family, a city, a nation, or the world. What changes is the scale, not the structure of the process.

Correspondingly, in Concordian economics there is only synthetic model of the economic system (Gorga 2009). The system ad a whole is described by these equations:

$$p^{\cdot} = fp(p,d,c)$$
$$d^{\cdot} = fd(p,d,c)$$
$$c^{\cdot} = fc(p,d,c),$$

where $p^{\cdot}$ = rate of change in value of total production, $d^{\cdot}$ = rate of change in the value of distribution of ownership rights, and $c^{\cdot}$ = rate of change in total expenditure.

The statics of the economic system is represented by this figure:

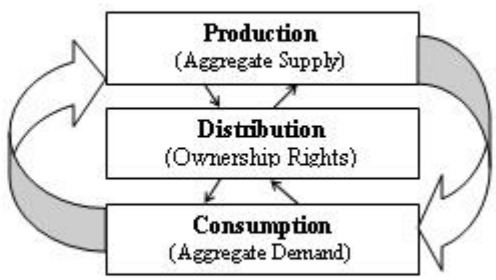

Figure 1 – The Economic Process

This figure describes the process through which **Production** of real wealth passes from producers to consumers, in exchange for the **Consumption** or expenditure of monetary wealth that passes from consumers to producers. For the transaction to occur in a civilized manner, both producers and consumers have to be the legal owners of the wealth they exchange; the process of **Distribution** of ownership rights, made visible in this figure, is generally an invisible, but indispensable component of the economic process.

The dynamics of the economic system (Gorga 2008) is represented by this idealized figure:

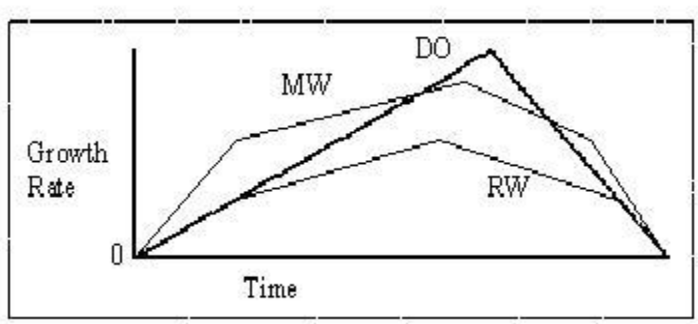

Figure 2 – The economic process over time

Figure 2 describes an idealized economic process over time. It describes a process whereby the creation of Monetary Wealth (MW), for the ease with which financial assets can be created, tends to grow faster than the production of Real Wealth (RW). And the Distribution of Ownership Rights (DO) tends to be concentrated in a few hands, whereby the system collapses over time.

A Description of the Economic Process

Even in the purchase of a chocolate bar, one finds three elements: 1. The chocolate bar, which is the result of the Production of real wealth; 2. The money used in the purchase of the chocolate bar; and, 3. The sales slip, which is the legal proof of purchase of the chocolate bar. Possession of the cash in the cashier's register is presumptive proof of ownerships by the seller of the chocolate bar of the cash used in the transaction.

For the assessment of the wealth of an individual person or a family or the city, one needs to measure the value of all real wealth plus the value of all monetary wealth—as in traditional microeconomics. The monetary wealth of the individual person or the family corresponds to the real wealth that exists somewhere in the community.

However, for the assessment of the wealth of an aggregate societal unit such as the nation or the world to add the value of real wealth to the value of monetary wealth would constitute double counting—or the accounting of a fictional entity. One cannot go outside the nation and the world to find (additional) real wealth. All the wealth that exists is all within the geographic confines of the nation and the world. There is no "somewhere else" that holds additional real wealth. All the real wealth of a nation or the world has already been counted; there is no additional real wealth to be found.

Conclusion

In Concordian economics, one studies the economics of nations and the economics of the world as a whole. For these aggregate units, to add the value of monetary wealth to the value of real wealth would constitute double counting. Monetary wealth is not real wealth; monetary wealth is a legal representation of real wealth.

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About the Author

Carmine Gorga is president of The Somist Institute. The mission of the institute is to foster sensible moral leadership. He is a former Fulbright scholar and the recipient of a Council of Europe Scholarship for his dissertation on "The Political Thought of Louis D. Brandeis." Using age-old principles of logic and epistemology, in a book and a series of papers Dr. Gorga has transformed the linear world of economic theory into a relational discipline in which everything is related to everything else—internally as well as externally. He was assisted in this endeavor by many people, notably for 27 years by Professor Franco Modigliani, a Nobel laureate in economics at MIT. The resulting work, The Economic Process: An Instantaneous Non-Newtonian Picture, was published in 2002 and being reissued in a third edition in 2016. For reviews, click here. During the last few years, Dr. Gorga has concentrated his attention on the requirements for the unification of economic theory, policy, and practice calling this unity Concordian economics. He is also integrating this work into political science, which he calls Somism, and culture in general, which he calls Relationalism.