

# CRUEL WORLD

Why? An Exploration...

Albert Ball

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Revision 2

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## *About the Author*

Albert Ball is a retired electrical engineer who began his career in 1964 after being accepted by British Railways for an engineering sandwich course, spending alternate six monthly periods training in industry and studying at university. After qualifying he worked for the railway in Derby for six years, mainly on control systems for electric traction supplies on new and existing electrified lines.

In 1975 he attained professional status as a Chartered Engineer, becoming a full member of the then Institution of Electrical Engineers, now the Institution of Engineering and Technology. Also in 1975 he joined the UKAEA near Warrington, specialising in nuclear reactor control and safety systems. In 1989 he joined the Nuclear Installations Inspectorate, a division of the Health and Safety Executive in Bootle, as a Principal Nuclear Inspector, specialising in the safety assessment of control, instrumentation and protection systems for power reactors and nuclear chemical plants.

He retired in 2012 at the age of 65, since then largely spending his time reading widely on economic matters and in writing this book.

His very minor claim to fame came from his fascination with computer programming, beginning in 1982 when he bought one of Clive Sinclair's Spectrum computers. He enjoyed some early success in writing Spectrum computer games, the most popular being *Jumping Jack*, published by Imagine Software in 1983, for which at only ten years old his son Stuart prepared all the graphics; followed by *Rapsallion*, published by Bug-Byte Software in 1984.

He is married, has three sons and one grandson, and lives in Southport, Merseyside, UK.



## *Preface*

Perhaps one has to reach a certain age to ask the question: What is it that humanity seeks to achieve? After seventy years I find myself repeatedly asking that question and not finding a satisfactory answer. Here we all are, busily going about our daily tasks, living our lives, interacting with others, eating, working, sleeping; then repeating it all the next day, and the next. But no-one is directing all this effort towards any commonly desired end. Does anyone think that the world we live in represents the goal that we have been striving for these past thousands of years? I sincerely hope not.

What kind of world have we created? Increasing numbers of us live in fear of losing our homes and jobs, many forced to rely on the charity of food banks to feed ourselves and our children. Many of us live on the streets in utter destitution, often with mental health problems, and no-one seems to care. Many more of us live in poor countries where for want of clean water and basic sanitation we must watch helplessly as our children and infants die in their millions every year. At the other end of the scale some of us have wealth that can't be consumed in a thousand lifetimes. Then there are the environmental dangers that we all face - scarcity of fresh water; widespread pollution of the air, sea and rivers; deforestation; loss of biodiversity; and above all climate change - and our governments, severely handicapped by those of us with vested interests, unable to take the decisive action that is necessary to combat them. Why is it that the world's abundant wealth is spread so lavishly for the very few and so thinly for the very many? Why is it that we understand so well the dire consequences awaiting us from environmental catastrophe yet seem unable to do more than a fraction of what is required?

This book presents the results of an exploration into these concerns by someone who feels deeply disturbed by them; who feels that people in great numbers are being squeezed beyond breaking point; who feels that we are racing headlong towards a cliff edge with people who claim to be in control but whose hands are tied.

And where did this exploration lead? To economics: that dull, boring, and so-called 'dismal' science.<sup>1</sup> Economics holds us all in its grip, for better or for worse - in the case of the current economic system better for the few and worse for the many. What I discovered is that the difference between happiness and misery, security and poverty, community and isolation, even life and death, lies in the economic system in which we find ourselves. John Maynard Keynes<sup>2</sup> understood this when he said:

The ideas of economists and political philosophers, both when they are right and when they are wrong are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct

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<sup>1</sup> [https://en.wikipedia.org/wiki/The\\_dismal\\_science](https://en.wikipedia.org/wiki/The_dismal_science)

<sup>2</sup> By the end of this book Keynes will have become a familiar figure.

economist. (Keynes 1936, Chapter 24<sup>3</sup>)

No subject is more important than economics. Economics is everyone's business. As Ha-Joon Chang maintains: "Economics is too important to leave to the experts."<sup>4</sup>

Economics is neither dull nor boring; it is no more and no less than a set of ideas, ideas that are often in direct conflict with other economic ideas. In powerful hands economic ideas become ideologies, ideologies become policy, and policy directly affects the lives and deaths of everyone. It is alarming to see the extent to which modern prevailing economic ideas permit and even promote practices that lead to exploitation of the many by the few for their own huge advantage. What is deeply chilling about all this is that not only do most of those exploited have little or no knowledge of the fact that they are being exploited, but also that many of the exploiters believe, quite sincerely, that their activities are beneficial to society when in fact they have done and are still doing harm on a massive scale.

All the time I had to keep reminding myself that we are living in the twenty first century; that we humans consider ourselves to be the pinnacle of evolution; and that we have the means to give every one of us a comfortable and secure life and a promising future for our children. Economics claims to be the branch of knowledge concerned with the production, consumption, and transfer of wealth<sup>5</sup>, so surely the service to which we put economics should be to drive towards that comfort and security and to achieve it as quickly as is humanly possible. If that is the purpose we intend economics to serve then we have failed tragically.

I discovered that most of the gross economic injustices that we see all around us emerge from two pillars of the modern establishment - embraced by major left and right wing political parties throughout the developed world:

- banking and associated financial trading services; and
- the prevailing economic ideology of unfettered free markets (which I shall refer to as 'neoliberalism'<sup>6</sup>).

Banking has been with us for hundreds of years, now a legitimised and expanded form of the fraudulent activities of early goldsmiths.

Neoliberalism is the mainstream economic ideology that largely holds sway throughout the developed world. This ideology claims that when people are free to trade as they wish and carry out financial transactions without government, regulatory or other

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<sup>3</sup> References to external works are given throughout the book. All are listed in detail in the bibliography.

<sup>4</sup> <https://www.theguardian.com/commentisfree/2014/apr/30/economics-experts-economists>

<sup>5</sup> <https://en.oxforddictionaries.com/definition/economics>

<sup>6</sup> There are many expressions that are used to denote modern dominant ideas in economics: Thatcherism; Reaganism; Reaganomics; economic rationalism; market fundamentalism; neoclassical economics; neoliberalism; market liberalism; free market economics; and unfettered free market economics. The one that seems to be most often used is neoliberalism so I shall use that. Classical economics emerged with the writings of Adam Smith (Smith 1776), which evolved into neoclassical economics, which evolved into neoliberalism. These three share many assumptions and beliefs, and represent variations on a similar theme.

external interference - apart from the rule of law that allows people to keep what they own - it brings prosperity to everyone because the free market itself has the miraculous power to ensure that it does so.

Let's just think about that belief. What is being claimed is that the best outcome for everyone emerges from unrestrained human behaviour in all forms of material transaction. It seems unlikely that unrestrained human behaviour in any respect will lead to good outcomes for everyone, let alone in matters of money which often bring out the very worst in people. It is surely common knowledge that people usually seek and press home any advantage they can find in matters that relate to money. Yet that is the mainstream view, founded on principles that are examined in detail later in the book. It is taught by universities and actively promoted by almost all governments and international organisations throughout the developed world, and all the more so since the fall of communism when the western world's economics was seen as unbeatable.

Another quotation of Keynes is again very apt:

Capitalism is the astonishing belief that the nastiest motives of the nastiest men somehow or other work for the best results in the best of all possible worlds. (Attributed by Sir George Schuster in 'Christianity and human relations in industry' (1951), p. 109.)<sup>7</sup>

Even more surprising is that neoliberal ideology still holds sway even after the Great Recession of 2008, also known as the Great Implosion, which was a direct result of that ideology, during which with great irony the banking sector went directly against the neoliberal creed and sought government help to save it from the plight it had got itself into. Neoliberal bankers temporarily overlooked their belief that governments should never interfere and governments obliged to the tune of billions of pounds and trillions of dollars. Notably there was no matching rescue for those who through no fault of their own lost their homes and jobs in the fallout from that catastrophe, the worldwide repercussions of which are still playing out and will continue to play out for many years to come. Very soon afterwards neoliberals reinstated their former beliefs and overlooked having asked for help, and even more surprisingly governments did the same. All seem now to be as confident as they ever were in the infallibility of neoliberalism. This is Roger Bootle's<sup>8</sup> view:

Academic economics has become a disaster and a disgrace. In a recent lecture

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<sup>7</sup> By 'capitalism' he was referring to the neoclassical economics of his day, from which neoliberalism is derived. Both suffer from the same false assumptions that Keynes exposed. In Keynes' day capitalism *was* neoclassical economics, but he showed us that capitalism could show a much kinder face, which thanks to him it did after the Second World War until the mid-1970s.

<sup>8</sup> Quotation from Capital Economics website: 'Roger Bootle is one of the City of London's best-known economists. As well as running Capital Economics, which he founded in 1999, Roger is also a Specialist Adviser to the House of Commons Treasury Committee and an Honorary Fellow of the Institute of Actuaries. He was formerly Group Chief Economist of HSBC and, under the previous Conservative Government, he was appointed one of the Chancellor's panel of Independent Economic Advisers, the so-called 'Wise Men'. In 2012, Roger and a team from Capital Economics won the Wolfson Prize, the second biggest prize in Economics after the Nobel.' See <https://www.capitaleconomics.com/about-us/our-team/roger-bootle/>

Nobel Laureate Paul Krugman said that much of the past 30 years of macroeconomics<sup>9</sup> was 'spectacularly useless at best, and positively harmful at worst'.<sup>10</sup> He is right. Not only did most academic economists fail to see the Great Implosion coming, but they weren't even looking in the right direction. (Boote 2009 pp232-233)

I am not an economist and have never taken a course in the subject. My curiosity was aroused by the 2008 crash, when a man-made crisis of that magnitude declared for all to see that there was something seriously wrong with the discipline of economics. Until then I had unconsciously assumed that economics provided the understanding necessary to keep economies functioning steadily and reliably. I set myself the task of trying to understand the subject sufficiently to see why practice had deviated so fundamentally from theory. Little did I realise then that many economists had been sounding warning bells for a long time, but they had been ignored by the mainstream neoliberal ideology that was blind and deaf to any dissenting view. Very many economics students and academics are also very dissatisfied with the way economics is applied in society and taught in the classroom. The website 'Rethinking Economics'<sup>11</sup> explains the organisation that they have established and the work that they do. They provide support to 51 groups in 24 countries around the world. An extract from the site states:

Economics in universities is narrow, uncritical and detached from the real world. It is dogmatically taught from one perspective as if it is the only legitimate way to study the economy. There is no room for the critical discussion and debate that is essential for any student to engage with real world economic problems. Seminars are focused on memorising and regurgitating academic theory, whilst exams test how well students can solve abstract equations<sup>12</sup>.

My discipline is engineering, which I initially saw as a disadvantage but have now come to believe that it provides a very good vantage point for a critical study of economics because there are very many parallels between economics and engineering as will be shown. Engineering is above all a practical discipline, firmly rooted in the real world. Unless an engineering solution to a problem works in the real world it is discarded, or developed until it does. Engineering is the application of scientific principles to achieve desired ends, and it is by those ends that engineering achievement is rightly judged. A bridge that is designed using the most elegant mathematical and engineering principles but falls down is useless, and all the design elegance in the world provides no consolation in the face of that harsh real-world judge. In my ignorance I had thought that economics was also a practical discipline, it certainly claims to provide solutions to real-world problems, but in its current form, according to Roger Boote, modern economics has turned itself into a religion.<sup>13</sup> Its basic concepts are articles of faith

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<sup>9</sup> Macroeconomics is the study of the economy as a whole as opposed to the study of individual people and companies. This book is largely concerned with macroeconomics.

<sup>10</sup> The Lionel Robbins Lectures at the LSE, 10 June 2009.

<sup>11</sup> <http://www.rethinkeconomics.org/>

<sup>12</sup> <http://www.rethinkeconomics.org/get-involved/why-rethink-economics/>

<sup>13</sup> Boote 2009 p234

rather than evidence-based principles, and its god is money. The pursuit of wealth is seen as something to admire, all other considerations must be subordinated to that end. Single-minded devotion to profit is expected and increasingly delivered, and there is but a single measure of personal and business success and that is the accumulation of wealth.

Attributes of good character - integrity, honesty, reliability, compassion, loyalty, responsibility, patience, tolerance, dependability, fairness, generosity, and above all kindness - count for less and less. In fact hardly anyone even asks about a person's character any more, so outdated has the concept become. In earlier times business reputations were also built on good character, and great pride was felt by both management and workforce in maintaining their reputations. Characteristics that matter today are efficiency, shareholder value, flexible working and above all making money. As a result we have banks that are prepared to cheat customers<sup>14</sup>, launder money<sup>15</sup> and manipulate interest rates<sup>16</sup>; we have pharmaceutical companies that withhold or distort dangerous product information from buyers and regulatory agencies<sup>17</sup>; we have car manufacturers prepared to damage people's health and the environment by cheating on exhaust emissions<sup>18</sup>; and many more.

It would be regrettable though understandable if economics had never been exposed to any other approach, but it has. Keynes, a true economic visionary, showed us the way in his great work known simply as 'The General Theory' (Keynes 1936). In it he overturned the prevailing neoclassical economics of the time, destroying the core assumptions on which it was based, and, as he must have thought, consigned it to history. Keynesian economics, or at least a version of it, took over after the Second World War and ushered in the 'Golden Age of Capitalism'<sup>19</sup>, a thirty-year period of unprecedented stability and increasing prosperity. Then came the horrors of the 1970s: high inflation coupled with high unemployment known as 'stagflation'; widespread and prolonged strikes; energy shortages; and governments at a loss to know how to deal with them because Keynes had been misunderstood - though that wasn't widely known at the time. Keynes would have known how to manage the situation but sadly both for him and for the rest of humanity he died in 1946 at the age of 62, exhausted after prolonged negotiations on behalf of the UK for a loan from the US after the war. The former neoclassical economists blamed all the mayhem on Keynes' ideas, and resurrected all the earlier flawed assumptions. Strongly backed by powerful leaders Margaret Thatcher and Ronald Reagan the old ideas evolved into neoliberalism, which became what proponents believed represented the final and 'correct' version of economics. Margaret Thatcher's

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<sup>14</sup> <http://www.telegraph.co.uk/business/2016/10/26/lloyds-bank-takes-another-ibn-hit-from-ppi-scandal/>

<sup>15</sup> <http://www.dailyleague.com.au/news/world/hsbc-to-pay-us19b-to-settle-money-laundering-case/news-story/aaf7fd3e3afa96151729cdfef5ff22e>

<sup>16</sup> <http://www.telegraph.co.uk/finance/financial-crime/11781091/What-is-Libor-and-how-is-it-manipulated.html>

<sup>17</sup> Goldacre 2012 and Angell 2005

<sup>18</sup> <http://www.bbc.co.uk/news/business-34324772>

<sup>19</sup> [https://en.wikipedia.org/wiki/Post%E2%80%93World\\_War\\_II\\_economic\\_expansion](https://en.wikipedia.org/wiki/Post%E2%80%93World_War_II_economic_expansion)

famous statement 'There is No Alternative'<sup>20</sup> sums up the prevailing belief perfectly.

I expected economics to be built on the same basis as engineering and science - that it must both describe and be judged on its compatibility with the real world - but I learned with some astonishment that it is not like that at all. In modern economics elegance is prized for its own sake. Neoliberalism has basic tenets that fly in the face of common sense and it even celebrates that fact.<sup>21</sup> It consists of elegant mathematical models that begin with assumptions that are known not to apply in the real world, it derives conclusions on the basis of those assumptions, and proposes policy on the basis of those conclusions. To an engineer that is both shocking and deeply disturbing, and I hope also to many others. Indeed there are very many non-mainstream economists and others who are shocked by it, and it is from them that I have learned with gratitude much of what I have come to understand. You will meet many of them as we progress. If the assumptions are invalid then the outcome from all subsequent mathematical modelling, however elegant, is also invalid. Computer engineers have a saying that captures well this situation - 'garbage in, garbage out'.<sup>22</sup> Indeed, not surprisingly given their credentials, none of the mainstream economic models (examined in chapter 8o) predicted even the possibility of the catastrophe that occurred in 2008. They predicted quite the opposite in fact, continued and increasing stability.

I am one of the very lucky ones. On the day I was born Clement Attlee was Prime Minister and Aneurin (Nye) Bevan was Minister for Health. William Beveridge had published his famous report known informally as the Beveridge Report (Beveridge 1942), and the newly elected Labour Government was determined to implement it. For a child born into a relatively poor working class family luck doesn't come any better than that! I was a baby-boomer, born immediately after the war into the newly expanded welfare state with all its wonderful benefits for ordinary working people and their families. Later in life I enjoyed free education - when education of the young was regarded as an investment in the country's future rather than a business opportunity. It was a time when jobs were plentiful and the maxim 'work hard and do well' had real meaning. It was a time of great optimism. The future would continue to get better and better for ordinary working people, and for quite a long time it did just that. It was a time when the economic ideas that had been dominant until after the First World War had been overturned by the penetrating insights of Keynes, one of the two greatest economists of all time, the other being Adam Smith, whose remarkable understanding pioneered the discipline.

Of course I took it all for granted at the time, but how very different now, when the economic ideas that Keynes overturned have returned to haunt us with renewed vigour. I fear especially for the young who live in the worst of all worlds. They are forced to take on massive debts if they want a degree-level education - what kind of a start in life is that? Many still can't get jobs even with university degrees, and if they do get a job they can't afford to buy property because it's too expensive so they are forced either to rent at very high rates or to live with parents until well into their late twenties and thirties or even

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<sup>20</sup> Press Conference for American correspondents in London, June 1980

<sup>21</sup> See chapter 8o.

<sup>22</sup> [https://en.wikipedia.org/wiki/Garbage\\_in,\\_garbage\\_out](https://en.wikipedia.org/wiki/Garbage_in,_garbage_out)



longer. How utterly dispiriting at a time when they should find life exciting and full of hope for the future. This situation strikes me as very dangerous indeed. As a country we have stopped investing in our young. Yet without a thriving younger generation what kind of future lies ahead? We should certainly pay for our education, but not by repaying those who provided it. We pay by providing it for those who follow us. As our forefathers invested in us, so we must invest in our children.

As this book nears completion there is political turmoil in the UK. The snap election on 8 June 2017 severely weakened the government and strengthened the opposition. There are two particularly encouraging outcomes. Firstly young people were inspired to turn out in great numbers in the hope of making their political views count, and count they did, very visibly. Young people have a voice that must be heard. In June 2017 they used it and it was heard resoundingly. That will surely ignite in them the conviction that they can make a real difference. This is their world and they can and must shape its future. Now they know their power and that knowledge bodes well for the future. Secondly there was strong evidence that people are sick of austerity and welfare cutbacks. A major objective of this book is to show that these things are not only unnecessary, they are completely counterproductive. The sooner that is recognised the better for us all.

The book began as a series of notes purely for my own benefit, because for me nothing helps cement understanding better than trying to explain to myself in writing what has been learned. The process exposes many flaws in reasoning and forces me to face up to all the uncomfortable 'Yes but what about....?' type questions that are so easily overlooked in a more casual study. As I progressed I thought that it might be helpful to expose my thinking to others, both to invite challenge so as to allow correction or refinement where necessary, and hopefully also to help others who find themselves similarly perplexed. Unfortunately it turned out to be a long book, but after several attempts to cut it down, each time I came to the conclusion that more would be lost than gained. However it need not be read from cover to cover. It can be 'dipped into' so as to focus on topics of particular interest, and to help in this respect I have presented a detailed list of contents at the end, cross references within each chapter to relevant material in other chapters, and highlighted in bold points that I consider to be of particular significance. I ought to apologise in advance to readers who do read it from cover to cover as they will find some repetition of the fundamental elements that lie at the heart of the book's main arguments. It's only a small apology however as I believe they deserve repetition in order to promote a full appreciation of their significance and to highlight their relevance in differing circumstances.

You won't agree with everything I say, indeed I may well have got some things wrong, and in those cases I hope that readers will be kind enough to explain what the errors are and where the flaws in my reasoning lie. I welcome constructive criticism and corrections but I won't thank people who just tell me I'm wrong without allowing me to understand, acknowledge, and correct the errors. Having said that I shall take a lot of convincing that my views about neoliberalism are wrong, they are shared by too many others around the world, even by some within the bastion of neoliberalism itself - the International Monetary Fund (IMF).<sup>23</sup> Interestingly, because of the very visible failures of neoliberalism, the label 'neoliberal' has become discredited, to the extent that very few

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<sup>23</sup> <http://foreignpolicy.com/2016/07/06/the-imf-confronts-its-n-word-neoliberalism/>

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