

The Talking Economics Project

BRINGING AN ASSOCIATIVE PERSPECTIVE TO ECONOMIC LIFE

TALKING ECONOMICS MONTHLY

News, views, reports, analysis and comment from the perspective of associative economics. Edited by Arthur Edwards (main) and Christopher Houghton Budd (contributing), it is available in both hard and electronic editions. (See adjacent sample first page and overleaf for more details about contents.)

EVENING CONVERSATIONS IN LONDON AND THE UK

Open to all and based on brief introductory presentations, these gatherings provide a medium for public discussion on a wide range of topics.

WEEKEND WORKSHOPS

Weekend workshops and one-day seminars on a range of subjects, such as money, the economics of farming and the financing of schools.

PUBLICATIONS

In addition to **Talking Economics Monthly** (produced in hard and electronic editions), a free electronic bulletin **Talking Economics Mailing** features updates, news and reflections.

WEBSITE

Articles, reviews, bulletin board, forums, imagery, and information about publications and events.
www.talkingeconomics.com

TE-EXCHANGE

An ongoing virtual conversation bringing consciousness to the fundamental questions of economics faced by humanity today.
<http://finance.groups.yahoo.com/group/te-exchange/>

A collaboration between *Arthur Edwards* and *Christopher Houghton Budd*, the **Talking Economics Project** provides a vehicle for associative economics to contribute to current debates in a way that has both substance and is accessible to the everyday person. Through a combination of publications, workshops and other events, **Talking Economics** seeks a shift in the language of economics such that the condition of global economy, in which 21st humanity finds itself, can be better understood.

Talking Economics Monthly

AN ASSOCIATIVE PERSPECTIVE ON ECONOMIC LIFE

JANUARY 2005

Associative Economics is based on the idea that economic life is the shared responsibility of every human being.

Talking Economics makes this responsibility conscious and gives it practical effect.

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A TO Z OF ECONOMICS

A : Aristotle

Each month in this section a specific topic will be chosen with the aim of building a glossary about economic life from an associative point of view. As an example, consider Aristotle. Modern economics really begins with Aristotle and thus pre-dates the subsequent development of market theory. While understandable, the idea of a marketised world in which human beings have only ever functioned in terms of supply and demand is not true. The market is a late and relatively unsophisticated view. Moreover, it places the human being outside economic events, suggesting that he should not interfere with the 'objectivity' of market forces. How different is the gesture in the wonderful phrase from Aristotle in which he describes as free the one who gives "in the right way to the right persons to the right amount at the right time..." (Nicomachean Ethics, Book IV, Chapter 1.) Freedom here does not mean laissez-faire, but a matter of sensing what is right. Thus, the human being is seen as the central agent for introducing moral content into economic activity. A slave to the market he is not!

A Pound for the World

Speculation in the financial markets itself is sometimes matched by that of journalists attempting to determine the market's mood. The dollar's situation and its future as a key currency is presently exercising the mind of many a columnist.

For example: William Rees-Mogg, a British elder-journalist, somewhat dramatically warns that the 'avalanche is coming' in the title of his piece in *The Times*, London, Monday November 22nd 2004. Taking as his starting point the cyclic relationship between gold, which is at its highest for 16 years, and the dollar, which has been 'at its lowest level in the lifetime of the euro', he goes on to underline why he thinks we should be worried by this essential weakness of the dollar and expect an avalanche of cheap dollars. Stating that the Federal Reserve is becoming extremely anxious, he cites Alan Greenspan's warning that the US current account deficit is unsustainable.

Anatole Kaletsky, by contrast, also writing in *The Times* (Tuesday November 30th) is altogether more sanguine. Teasingly, he opens his piece by asking 'How far will the dollar fall and how much damage will it do to the world economy?' He admits that 'nobody who matters in Washington cares about the deficit' and 'taxes will probably be cut yet again under the pretext of social security reform'. He then goes on to declare that 'There is no good economic reason for US policymakers to worry about either budget or trade deficit, as long as there is no sign of the nasty consequences that these supposedly produce, namely high-interest rates and rising inflation. According to Kaletsky, 'President Bush is doing the US citizens a favour by borrowing as much as he can at 4% from gullible foreign investors and then devaluing the dollar before he repays these debts.' Kaletsky thinks there is also something in it for the rest of the world who can 'enjoy the devaluing dollar by taking cheap holidays to Disney World.'

Yet while Kaletsky feels that this is simply a situation that needs to be sensibly managed - by the European Central Bank because he believes that policy changes in the US and China are out of the question - Rees-Mogg thinks that there is an underlying structural question at issue. Focusing on what it means to be a key currency and how it may entail structural weaknesses, he reminds us that the problem is not a new one: in 1920s Britain the pound sterling was the key currency and 'London was still the centre of the world exchange system.' One might indeed add that much of today's debate is reminiscent of the time when British drawing rooms were full of nothing other than talk of the gold standard and how to manage the currency situation.

Rees Mogg identifies the ability of the government of a key currency to borrow without limit and apparently without penalty as one major issue, because unlike governments of other currencies it is not subject to 'the discipline of the market.' Lack of self-discipline causes a currency to weaken and become in Rees Mogg's terms 'cumulatively less competitive.' Added to this is the fact that since 1971, the dollar has been inconvertible - it is not backed by anything tangible - a situation which he says makes the dollar 'unusual and vulnerable'. It is an interesting paradox, one might think of a key currency as the leading actor who is simultaneously holding up the stage while other actors climb on: such a responsibility is bound to make the strong man vulnerable.

From an associative point of view, one cannot realistically understand the global currency situation without being able to take a perspective on the 20th/21st century as a whole, without having an image of before and after, where we came from and where we intend to go. Economists cannot afford to be ahistorical; still now in the 21st century one must be able to appreciate the role of sterling in the past, because of its role in the way the world's economy has unfolded. Equally, it is of concern if the currency debate is conducted in terms of a heavyweight boxing match in which the dollar has a showdown with the euro, in order to decide who gets to face the yuan. The role of sterling should be understood not in a political or a geo-political sense but in a purely economic one. Clearly sterling does not now exert a force of the kind that the US has exerted through the dollar. Therein lies a lesson - sterling could not maintain its role as key currency, partly for the reasons that Rees Mogg outlined, but primarily because to play such a role in a global economy is no longer a realistic economic thing to do. The age of the key

CONTINUED OVERLEAF

LEAD ARTICLE

Opening with a main article as a springboard, each edition centres on a theme that is reflected in the other contributions.

A TO Z OF ECONOMICS

Taking a new topic each month, this column serves both to build up a glossary of associative economics and to identify the terms used with an associative meaning.

EDITORIAL

The editorial provides an overview of the edition as a whole. Scanning the current economic landscape, it aims to make connections, highlight issues and offer missing thoughts.

THE VIEW FROM RARE ALBION

A regular column written by Christopher Houghton Budd, an economic historian with a focus on banking and finance, and author of the book of the same name.

SIGNS OF THE TIMES

The deeper significance of economic events can easily pass us by. This section focuses on items gleaned from a range of sources, and puts them in a context that can help us understand the changing nature of modern economic life.

FEATURE

Occupying the centre pages, this section offers in - depth treatment of a theme in the form of an interview, project profile or article.

REVIEWS AND REPORTS

Based on an on-going survey of economic events, *Reviews and Reports* draws attention to books and events that illustrate or promote the emergence - whether explicit or implicit - of an associative approach to economic life.

ARCHIVE

A column that reproduces bygone material where to do so seems useful to understanding current developments.

FORUM

A place for readers' contributions, but also for extracts from ongoing dialogues from a variety of sources such as e-exchanges, and bulletin boards.

DIARY

Dates and details of happenings past, present and future.

POSTSCRIPT

Contemplative and provocative, this section looks back on the edition as a whole and comments generally on the prospects for tomorrow.

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