

Humanity's collision with planetary boundaries requires a radical rethink of economic theory and practice. Economics as taught, and used by politicians, is littered with myths and half-truths. This is not a failure unique to economics as a discipline. But the power of economics compels politicians and many other economic actors to base their decision-making on these 'half-baked' theories. As Milton Keynes, one of the most famous economists, stated, "Practical men who believe themselves exempt from any intellectual influences are usually the slaves of some defunct economist." The myths and half-truths to which politicians frequently fall prey include the beliefs that: we can have infinite growth on a finite planet; markets are fair; prices tell the truth; salaries reflect value; and more income equals more happiness. These are particularly acute in neoliberalism, but pervade all of conventional economics, where they contribute significantly to the malfunctioning of the current economic system.

[Dr. Robert Nadeau](#) makes clear the extent to which the current economic narrative is not only unsuited to our needs, it is based on fantasy:

Neoclassical economic theory is predicated on unscientific assumptions that massively frustrate or effectively undermine efforts to implement scientifically viable economic policies and solutions....The strategy used by the creators of neoclassical economics was as simple as it was absurd—the economists copied the physics equations and changed the names of the variables. In the resulting mathematical formalism, utility becomes synonymous with the amorphous field of energy described in the equations taken from the physics, and the sum of utility and expenditure, like the sum of potential and kinetic energy in the physical equations, is conserved. Forces associated with the field of utility (or, in physics, energy) allegedly determine prices, and spatial coordinates correspond with quantities of goods.

Thomas Piketty, author of *Capital In the 21<sup>st</sup> Century* agrees that such "physics envy" by the economics profession had driven its "immoderate use of mathematical models, which are frequently no more than an excuse for occupying the terrain and masking the vacuity of the content."

Even Piketty underestimates the magnitude of the failing. Nowhere in the production functions and prices of the mathematical models relied on by conventional economists is the value of ecological resources and human well-being counted. Infinite growth is assumed to be possible even when based on non-renewable resources. Economists routinely assign what they call a "discount rate" to their calculations of the future worth of a project, to reflect their belief that you would rather have a reward today than tomorrow. But under this highly questionable practice, the future becomes worthless.

Stewart Wallis, in his chapter in the recently published [Why Love Matters—Values in Governance](#) agrees:

These problems are exacerbated by the fact that economics is now treated as a science where outcomes are predicted mathematically. Just some of the reasons why this is not the case are: the fact that most economists don't recognise that the economy is a

subset of the eco-system; economic theory is not based on explicit values, it mixes means and ends (GDP is a means and not an end); it is not focused on meeting human needs (physical and psychological); the theory is insufficiently focused on economic inequality, and there is a lack of an explicit power analysis. In addition, neoclassical economics is based on a number of dangerously simplistic assumptions that distort reality. These include: that humans are rational utility maximising actors; that markets tend toward equilibrium and market failures are exceptional; and that sufficient money is always provided when there is demand. I could go on, but I believe that neo-classical and neo-liberal economics, in many ways, are practically, intellectually and morally bankrupt.

The brilliant scholar, Dr. Elinor Ostrom, became the [first woman to win the Economics Nobel](#), in part because she so adroitly debunked the shortcomings of the dismal discipline. The fact that her doctorate is in political science may have enabled her to become such an effective critic of economics. Her friend, David Sloan Wilson described the [profound nature of her challenge](#):

The mathematical empire [of economics] was founded on the assumption that self-interest automatically leads to collective wellbeing. Lin's work was founded upon a stubborn fact of life: self-interest often leads to the overexploitation of resources and other problems that make life worse for everyone, not better. When everyone was allowed to suck as much water out of the ground as they pleased, there was no invisible hand to rescue the situation.... the import of the Nobel Prize going to Lin Ostrom...signaled that something was rotten about the mathematical empire and that a new paradigm needs to begin from a different starting point. But what would the new paradigm look like and what would be its theoretical foundation?

If we are to frame a new narrative it must tell us how to:

1. Achieve a flourishing life within ecological limits
2. Deliver universal well-being as we meet the basic needs of all humans; and
3. Deliver sufficient equality to maintain social stability and provide the basis for genuine security.

Can we frame such a narrative? It remains to be seen. But that is the work of the Regenerative Development Institute, as well as the Wellbeing Alliance (WE-All), a team of business leaders, scholars and activists from around the world.

In the coming year, we will meet at such gatherings as the [Regenerative Organizations Summit](#) to give it a go. Stay tuned to this site to be a part of this exciting work.