

TESTING VALIDITY

*'If we do not test the validity of what we teach
then education is a pageant passing by and the
emperor has no clothes!'* Gilchrist 1994

The General Theory of Value was developed in response to what the author was taught as an undergraduate in Economics. He found it to be a totally inadequate way to learn to understand the nature of value and that is what he believed economics should be.

The General Theory of Value was presented in draft from a non-participant in the 2020 Summit (Submission 8018). A more detailed presentation is available on request. Nominators for the authors application for selection as a participant were surprised that they were not contacted and disappointed that no criteria for selection as participants was ever published: assurances that the process was objective and independent area not criteria, The theory follows on from publication of a radical curriculum structure in Economic Realism (Gilchrist 1994).

The theory can be delivered as a post-graduate unit or as a stand-alone conference topic. The presentation could be available as an undergraduate course but lends itself as an activity for a group with employment and wider academic experiences. It is presented through an education cycle described in The Training Cycle (TAFE 1987) an in-house TAFE production, that is now only available from manuscripts held by the author. The principles are outlined below.

The Curriculum has three components: Content, Languages and Method.

Content is presented as an hierarchy of propositions that is developed and tested as understanding increases. Each participant will be encouraged to develop a unique hierarchy and the consensus will constitute current wisdom. Some examples are publishes in Economic Realism.

The languages used in Economic are: Everyday Language, Jargon, Geometry, Algebra, Accounts, Statistics and Computer Language. Today 'spin' should probably be added. Each has peculiar strengths and weaknesses that are exposed and more clearly understood as the study proceeds.

Method is concerned with how each proposition is developed and tested. There are three basic methods of testing: empirical, rational and ethical imperative.

At the beginning of the course an outline of the method is presented along with an introductory set of propositions are presented and discussed commences. From that discussion, propositions are deleted, accepted or amended. The cycle continues with the end point of one discussion being the beginning of the next.

The outcome is an understanding of both economic and epistemological theory and thus searches for answers to the question. 'How can we search for economic truth and value in a rational way?'

From: Peter Gilchrist

ORIGINS OF THE GENERAL THEORY OF VALUE

How we see things is a product of what we are looking for and what we are looking for is a product of what we learnt to look for.

Usually in economics we are looking for some measure of goods made available and services provided over a period of time in a particular area. It is usually an annual, national measure. We then look for growth in what is measured over the same period.

This conceptual framework has persisted since the subject had its origins in post-war reconstruction when it closely reflected the desperate needs for all products. Students of Piaget will see its development as an example of genetic epistemology with the development of economies going hand in hand with development of the understanding of how they function.

There is no doubting the economic post-war miracle has been accompanied by an increasing understanding of how economies can be influenced to produce the desired results. From John Maynard Keynes came the acceptance of a role of Government in manipulating total demand to a level of full employment. Both fiscal and monetary policies were to be used. Later economists have successfully argued the case to deregulate markets in order to expand innovative economic activities.

However it seems that economic theory is no longer reflecting economic realities.

Over time the role of markets has come to dominate economic theory so much that the subject could have been renamed the Market Theory of Value.

Today, however, there is increasing pressure to incorporate ecological, social and cultural values into those market-dominated theories of economics.

There is some urgency in the task because the gap between economic theory and economic, social and ecological reality is such that the current wisdom on economic problems often states the problem as if it were the solution.

Three examples are:

1. We need economic growth to survive
2. Markets are the fundamental source of value
3. Global markets must be limitless.

This paper explores these problems and in doing so the concept of a General Theory of Economics is introduced.

But first a further comment on economic epistemology. Fundamental to economic epistemology are statements of purpose and field. In this area two statements have dominated the subject like catechisms. One is that the economic problem is to 'satisfy unlimited wants with limited resources' and the second is that 'value is competitive market price'.

The General Theory of Value is concerned with developing the purpose and field of Economics by broadening both statements through discussion to encompass more realistic notions of purpose in economic activity and the nature of value.

Economics is not a science but it has elements that are at least quasi-scientific. Econometric studies that seek to predict levels of production, unemployment and inflation have a role in developing policy advice but they do not get to the substance of value. Similarly markets have an aura of objective management of distribution but in the end their process is circular. Market price is market price is market price.

The General Theory of Value expresses the nature of value and the economic problem in very general terms and believes they should be the subject of ongoing public debate and not be confined to educational institutions with restrictive traditions of narrow text based scholarship.

As a starting point, The General Theory of Value postulates:

1. Value is the product of the sensible interaction of people with each other and the environment
2. Market price is often distorted by factors such as unequal power of buyers and sellers, incomplete information, external consequences and irrational expectations as well as the quality of goods and services offered.
3. Sustainable economic activity cannot exist at a global level unless it exists at national and local levels.
4. Economic diversity rather than global specialisation is the better safeguard against vulnerability.

A starting point for the General Theory of Value has been the identification of distinct landscapes, each with characteristic economic dynamic and ends. This is a critical to broadening the general dimension of economics. It unashamedly and inescapably presents moral axioms of which the only test is that they make sense. They are open to discussion in the hope that a broad consensus can be found. That should be the substance of the study of economics.

The three dominant landscape types are: productive land, urban land and natural land. The names are chosen to distinguish them and their core qualities are more important than delineating them.

Productive land is essentially agricultural and industrial land. The classification is, as suggested, arbitrary but once made its particular use should best be left to the market to determine within determined parameters of acceptable behaviour. Interference in most open markets should be avoided but is justified where production is in competition with urban or natural land for instance the urban sprawl over quality agricultural land that is common around many cities is a far from optimal use of land.

Urban land is easy to identify but what is its end and how is that to be achieved? Its end is to be enjoyed to its full cultural and social limit and that is achieved through cooperation and communication.

What natural landscape there is should be maintained, shared and extended through a process of education and that is its own end. The cost of occupation should be in the development of understanding of its needs and nature, not market price. Activity should be for education or benign enjoyment.

Production, enjoyment, education and sharing are the dominant functions of the three landscapes but there is a place for each function in the development of each landscape.

Finally it important that economies are judged by their balance between production, understanding and enjoyment and not simply by their growth.

We commend The General Theory of Value for open discussion and development.