

CONTEXTUAL ECONOMICS: A PROCESS- RELATIONAL INTERVENTION FOR PERSONAL AND PLANETARY WELLBEING

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ABSTRACT: Contextual economics weaves together aspects of orthodox and heterodox economics theories (e.g. feminist, ecological, Keynesian and Marxist economics) in such a way that (re)interprets formal economic models within changing social, historical and environmental contexts. Drawing from the work of Julie Nelson, Kate Raworth and process philosophers, this paper conceptualises the contextual economic paradigm as nesting static abstractions within changing contexts. This brings into question the static metaphysics assumed by mainstream neo-classical economics, and presents an alternative basis for economics arising from process-relational metaphysics. This leads to an economics that: situates the economy as a subsystem of society and ecosystems; replaces *Homo economicus* with persons-in-communities; and redirects economic policies from profit and GDP growth to purpose and improving wellbeing. This shift in thinking, metaphysics and economics—nesting static in processes—is posited as a critical reorientation of economic decision-making for personal and planetary wellbeing.

KEYWORDS: Process philosophy; Economics in context; Doughnut economics; Feminist economics; Ecological economics; Climate change; Ecological civilisation; Personal and planetary wellbeing

INTRODUCTION

Economics has come to dominate almost all aspects of political, cultural and personal life. Everything has been reduced to its 'value' as afforded to it by the market, measured in profitability and GDP, with governments' role as facilitating its growth. As a result, 'vast numbers of people are losing their livelihoods, welfare institutions are being dismantled, democracy is being undermined and, most

ominously, the global eco-system is being degraded'.¹ The lack of resistance is largely due to the penetration of economic categories in people's everyday lives and relationships. A reorientation of economic theories and the decisions, cultures and modes of thought that they influence, are critical to reversing global warming and cocreating ecological civilisation. Feminist economics, ecological economics, Keynesian economics and Marxist economics have much to offer in this reorientation. However, the terrain of heterodox economics theories is complex, and remains in the margins of orthodox economics, which continues to dominate mainstream economic thinking.

Contextual economics, on the other hand, weaves together orthodox and heterodox economics theories in such a way that (re)interprets formal economic models within changing social, historical and environmental contexts. This brings into question the static metaphysics assumed by mainstream neo-classical economics and presents an alternative basis for economics arising from process-relational metaphysics. The *Economics in Context* textbook series by Neva Goodwin et al. reflects this shift. Orthodox economics models (static thinking) are introduced in social and ecological contexts, engaging critically with their assumptions and holding theories open to change (process thinking).² Feminist economist Julie Nelson, a contributor to this series, argues that challenging the dominant economic paradigm 'requires not just changes in subject matter, methods, or even beliefs about epistemology (i.e. the nature of knowledge), but even deeper changes, at the level of ontology (i.e., the nature of reality).'³ Nelson proposes the metaphysics of Whitehead and process philosophers as a source of inspiration for this shift.

Drawing on the work of these economists along with early 20th-century mathematician-turned-philosopher Alfred North Whitehead, ecological economist Herman Daly and process philosopher Arran Gare, this paper outlines the key dimensions of this multi-layered paradigm. It advances the contextual

¹ Arran Gare, 'Ecological Economics and Human Ecology', in Michel Weber and Will Desmond (eds.), *Handbook of Whiteheadian Process Thought*, vol. 1, Frankfurt, Ontos Verlag, 2008., p. 161.

² Neva Goodwin, et al., *Principles of Economics in Context*, New York, Routledge, 2015., Neva Goodwin, et al., *Microeconomics in Context*, 3rd Edition, London, Routledge, 2014., Neva Goodwin, et al., *Macroeconomics in Context*, 3rd Edition, London, Routledge, 2019.

³ Julie A. Nelson, 'Confronting the Science/Value Split: Notes on Feminist Economics, Institutionalism, Pragmatism and Process Thought', *Cambridge Journal of Economics*, vol. 27, no. 1, 2003, 49-64., p.50.

economic paradigm in three ways: (1) by showing how contextual economics arises in a shift from static to process metaphysics; (2) conceptualising this in terms of a nested relationship between two modes of thought: static thinking and process thinking; and (3) showing how the contextual economics paradigm reorients economic decision-making for personal and planetary wellbeing.⁴ By examining the connections between economics, metaphysics and modes of thought along the static-process axis, this paper contributes new clarity into the nature of these interconnecting shifts. The next section will briefly introduce process philosophy and this ‘nesting’ model.

NESTING STATIC IN PROCESS

Explaining his method of speculative philosophy, Whitehead uses the metaphor of an airplane starting ‘from the ground of particular observation,’ taking ‘flight in the thin air of imaginative generalization’ and landing ‘for renewed observation rendered acute by rational interpretation.’⁵ This method reflects what is described here as a ‘nesting’ of abstractions (static thinking) within changing, concrete realities (process thinking).

Process philosophy, also known as process thought, is an interdisciplinary field of philosophy. For decades process philosophy has been in the margins of academic philosophy however recently process ontologies have been attracting increased attention in the social, political and physical sciences.⁶ Process philosophy is a diverse field which may be understood as (1) a way of thinking, a process mode of thought; (2) a worldview or world orientation, process ontology and system of process metaphysics; and (3) an applied philosophy, for example as

⁴ Juliet Bennett, ‘Static in Process: A Key to Applying Process Philosophy for Ecological Civilization,’ *Process Studies*, vol. 52, no. 1, 2023, 64-94.

⁵ Alfred North Whitehead, *Process and Reality: An Essay in Cosmology*, Corrected Edition, Eds. David Ray Griffin and Donald W. Sherburne, New York, Free Press, [1929] 1978., p.5.

⁶ E.g. see Ilya Prigogine and Isabelle Stengers, *The End of Certainty: Time, Chaos, and the New Laws of Nature*, New York, Free Press, 1997.; Brian Massumi, *The Power at the End of the Economy*, duke university Press, 2014.; Gilles Deleuze and Félix Guattari, *A Thousand Plateaus: Capitalism and Schizophrenia*, London, Continuum, [1988] 2004.; Bruno Latour, *Down to Earth: Politics in the New Climatic Regime*, Translated by Cathy Porter, Cambridge, Polity Press, 2018.; Ariel Salleh, *Ecofeminism as Politics: Nature, Marx and the Postmodern*, 2nd, New York, Zed Books, 2017.; Diana H. Coole and Samantha Frost (eds.), *New Materialisms: Ontology, Agency, and Politics*, Durham, NC, Duke University Press, 2010.

process theology, process psychology and other fields.⁷ Informed by a range of historical and contemporary process philosophers, the static-process framework below (Table 1) indicates five basic orientations of static and process thinking.

	Static thinking	Process thinking
1	de-contextualising	contextualising
2	fixed, closed	changing, open
3	isolating (only external relations)	relational (internal and external relations)
4	passive	generative
5	one-dimensional, reductionist	multi-dimensional, holistic

Table 1. Basic orientations of static and process thinking

The basic orientations of static and process thinking arise from viewing a topic through a narrow or broad lens. A narrow lens with predefined boundaries lends itself to thinking statically about a ‘thing’ while ignoring the broader spatial and temporal context. A broad lens without boundaries lends itself to thinking about the ‘thing’-in-relationships and the ‘thing’-in-process. Through this broader lens, static views of a thing are seen as temporary abstractions nested within varying levels of relational processes that give rise to them. This approach is supported by the metaphysics developed by Whitehead and other process philosophers.⁸ Process ontologies (theories of being) posit that the past is concrete and the future is open, co-created by event-atoms in each new moment. Process epistemologies (theories of knowledge) posit that objective Truth is an asymptote, approached by an ever-expanding breadth of subjective perspectives interpreted in their changing contexts. In other words, there is a nesting of subjective truths (static,

⁷ Bennett, ‘Static in Process: A Key to Applying Process Philosophy for Ecological Civilization’, *Process Studies*, vol. 52, no. 1, 2023, 64-94.

⁸ E.g. see Nicholas Rescher, *Process Metaphysics: An Introduction to Process Philosophy*, Albany, State University of New York Press, 1996.; Arran Gare, *The Philosophical Foundations of Ecological Civilization: A Manifesto for the Future*, Milton, UK, Routledge, 2017.; Iain McGilchrist, *The Master and His Emissary: The Divided Brain and the Making of the Western World*, London, Yale University Press, 2009.

as they are temporarily held in a person's mind-body) within an encompassing (yet never fully knowable) objective Truth of a concrete past.

One way of nesting of static thinking within process thinking is to apply static modes of thought for a specific purpose, such as an economic model or empirical experiment, and constantly re-evaluating the outcomes of that static thinking in real-world contexts. The static economic assumptions considered in this paper exemplify what Whitehead calls the 'fallacy of misplaced concreteness,' which means 'mistaking the abstract for the concrete.'⁹ From a process perspective, it is important that abstractions are treated as abstractions, taught as questionable and the theories that result from them are treated as open for improvement. It is also critical that the generative influences of these economic assumptions, laws and models are kept in mind, examining the ways these influence decisions and *become* truth. Thus, shifting from static to process metaphysics at root of economic theories can also shift decision-making and policymaking in ways that give rise to a different reality: a political economic system that puts relationships and reciprocity before individualism and self-interest.¹⁰

The fallacy of misplaced concreteness is visible, for example, in the valuing of a good according to the utility it has to a person—measured exclusively by its price. 'Demand' refers only to 'effective demand'—'the desire *and the ability* to make purchases.'¹¹ This approach ignores the fact that 'billions of people lack the money needed to express their wants and needs in the marketplace, and that many of the things we most value are not for sale.'¹² Activities such as unpaid work, care, cooperatives, gifts, love, self-employment, environments, communities, the commons, and ecological processes such as photosynthesis—aspects of life foundational to economics—are left out of mainstream economic theories.

Figure 1 depicts the dominant economic theories and practices as the tip of the iceberg. Contextual economic theories, as this paper will show, are concerned with the diverse economic iceberg in its whole.

⁹ Alfred North Whitehead, *Science and the Modern World*, New York, The Free Press, [1925] 1967., p.51.

¹⁰ E.g. see Herman E. Daly and John B. Cobb Jr., *For the Common Good: Redirecting the Economy toward Community, the Environment, and a Sustainable Future*, Massachusetts, Beacon Press, 1989.

¹¹ Neva R. Goodwin, 'You Can't Beat Something with Nothing: Getting an Alternative into the Curriculum,' *Review of Radical Political Economics*, vol. 33, 2001, 335-42., p.338.

¹² Kate Raworth, *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*, London, Random House Business Books, 2017., p.35.

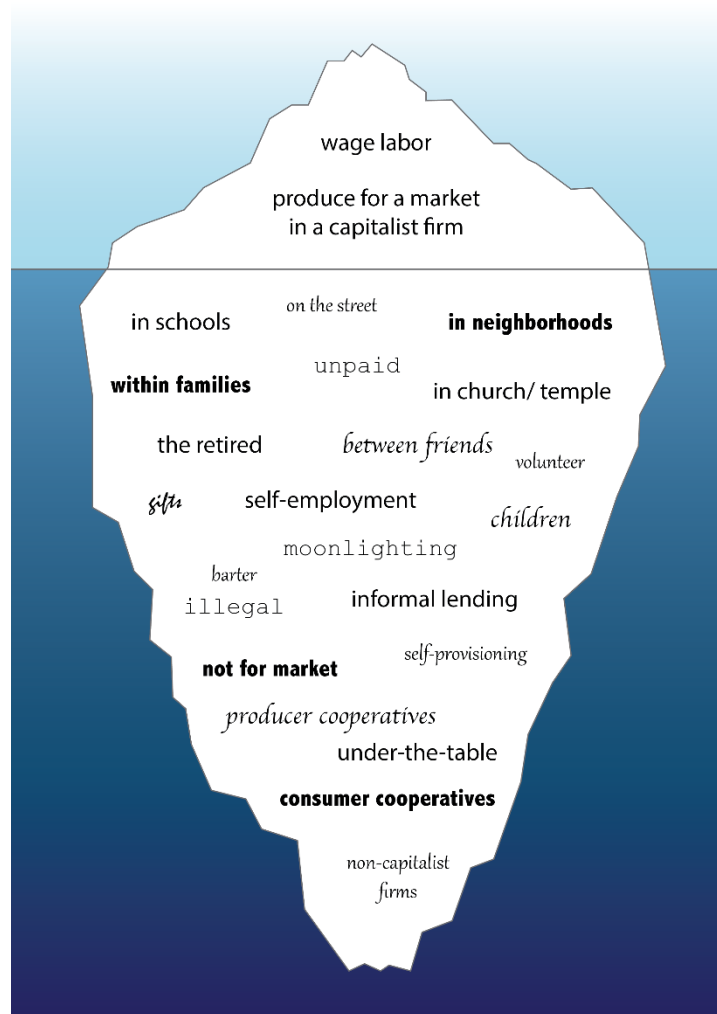


Figure 1 – Diverse Economies Iceberg (Community Economies Collective, 2019)

A process approach to economics does not reject the mathematical models of mainstream economics theories, rather it places these in experienced contexts. As statistician George Box put it: ‘All models are wrong, but some are useful.’¹³ The task is to continually ask which model ‘best serves our purpose,’ while

¹³ Quoted in *ibid.* p.22.

continually reflect on how these or other models might better suit the changing ‘context[s] we face, the values we hold, and the aims we have.’¹⁴ Given human values, cultures and contexts ‘continually evolve, so too should the way that we envision the economy.’¹⁵ As humanity faces the new challenges from climate change and environmental breakdown to economic inequality, a question for economists is: how can economics help? This approach leads to explicitly normative uses of economics, for example directing economic theories toward long-term human and nonhuman wellbeing. This stands in contrast to an implicitly normative use of economics concealed by the supposedly value-free goal of ‘growing GDP,’ which works to provide short-term monetary gains for the world’s wealthiest people, discussed later in this paper.

Feminist economists illuminate these ignored dimensions of orthodox economics. In a table on ‘gender schemas in neoclassical orthodoxy,’ Nelson contrasts the predominance of ‘hard’ economics in orthodox economics, defined in relation to ‘markets’ and ‘mental choices,’ with its rejection of the intertwining ‘soft’ areas of ‘nonmarket’ and ‘bodily experience.’¹⁶ Economic models focusing on ‘hard’ areas assume ‘individuality,’ ‘autonomy,’ ‘self-interest’ and ‘rationality.’ This tends to take the form of quantitative models that claim to be objective and focus on the ‘general.’ Meanwhile the ‘soft’ areas that are rejected include the counterparts of ‘relatedness,’ ‘interdependence,’ ‘other-interest’ and ‘emotions.’ This often takes the form of qualitative methods that recognise normativity, subjectivity and focus on the ‘particular.’ Nelson also points out that ‘hard’ areas correlate with traditionally defined ‘masculine’ values, and ‘soft’ areas with ‘feminine’ values. Today’s dominant culture in capitalist societies, mainstream disciplines and orthodox economics prioritise the ‘hard’ areas while devaluing or rejecting the ‘soft’ areas. As a result, fields that emphasise the ‘soft’ areas (such as peace studies, process philosophy, feminism and ecological economics) have been marginalised. When economics is presumed to only encompass the ‘hard’ (static/abstract) areas, and ignore the ‘soft’ (process/context) areas, economics is only representing half of the picture. Exemplifying the nesting of static thinking

¹⁴ Ibid., p.22.

¹⁵ Ibid., p.23.

¹⁶ Julie A. Nelson, ‘Is Dismissing Environmental Caution the Manly Thing to Do? Gender and the Economics of Environmental Protection,’ *Ethics & the Environment*, vol. 20, no. 1, 2015, 99-122., p.105.

in process thinking, Nelson proposes a way to integrate the two.

Instead of an oppositional response, to ‘simply turn the tables, and value everything in the ‘soft’ column over everything in the ‘hard’ column,’ Nelson proposes instead ‘[d]econstructing the dualism itself.’¹⁷ Nelson observes patterns of ‘simple reactivity’ that ‘[m]uch of the ‘critical’ literature on environmental protection, environmental ethics, and economic systems tends, unfortunately, to fall into.’¹⁸ This leads to diametrically opposing positions such as anti-growth, anti-globalisation and anti-technology, and positions that ‘advocate a complete disavowal of both... profits and private property.’¹⁹ Critics fall into this dualistic trap when they are opposed to ‘*any* participation of for-profit businesses in the creation of sustainable societies, or to *any* use of market-based processes (e.g. carbon taxes, carbon markets, or payments for environmental services) to address environmental problems.’²⁰ Process philosophy offers a way to transcend such dualisms. Rather than ‘rejecting notions of individuality and rationality in favor of immersion in relatedness and experience,’ Nelson points out that people are ‘*both* individuated and connected.’²¹ Following Nelson’s schema, this leads to a valuing of markets *and* nonmarkets, mental choices *and* bodily experiences, rationality *and* emotions, self-interest *and* other-interest, quantitative *and* qualitative methods, masculine *and* feminine.²²

The shift in economic paradigm suggested here is to take the existing economic models and reinterpret them in their social, environmental and historical contexts. This leads to the broadening and deepening of economics to include those economic activities ignored by orthodox models. Sections to follow will show how contextual economics: situates the economy as a subsystem of society and ecosystems; replaces the basic economic unit of *Homo economicus* with person-in-community; recognises the multi-purposes of firms and executives; and redirects decision-making and economic policymaking from profit and GDP growth to improvements in wellbeing.

¹⁷ Ibid., p.107.

¹⁸ Ibid., p.114.

¹⁹ Ibid., pp.114-15.

²⁰ Ibid., p.115.

²¹ Ibid., p.107.

²² Ibid., p.105.

FROM ABSTRACT TO EMBEDDED ECONOMICS

The predominant view in academic economics is that economics can be value-free. By placing their political preferences to the side, many economists believe they can ‘assess the welfare state and regulatory state free from their personal value judgments.’²³ However, empirical research engaging over a hundred economics professors in the United States has found that the moral and political perspectives of economists have a significant influence on their work, theories and conclusions.²⁴ Furthermore, the assumptions upon which economic theories are based are not passive representations of economic realities.

As discussed in this paper, economic theories are *generative*: influencing the outcomes they state to predict. Mainstream orthodox economics implicitly values quantities over qualities, short-term over long-term and areas of life traditionally deemed ‘masculine’ over those considered ‘feminine’ (for example valuing paid construction work and devaluing unpaid domestic work in the home).²⁵ These values constrain and influence the nature of how economics is defined, the topics and aspects of economic activity that it includes and those it ignores. Orthodox economics theories further the self-interested aspect of human nature instead of the selfless aspect (humans are both). These theories also further the profit-maximising goals of firms, instead of their societal goals (most firms have both). In their dominant form, these theories promote faith in free markets, with little consideration to social and ecological contexts. These assumptions underpin social norms that, arguably, inhibit policies and behaviours enabling human and nonhuman wellbeing.

In orthodox economics, some social and environmental factors are treated as ‘externalities,’ costs and benefits to people who do not choose to receive them. These are treated as ‘market failures’ and attempts are made to adjust for them in models. Yet Raworth points out that environmental issues are not market failures or externalities but are *intrinsic*, core problems of economies that need to be accounted for in more fundamental ways.²⁶ Rather than treating the

²³ Anthony Randazzo and Jonathan Haidt, ‘The Moral Narratives of Economists,’ *Econ Journal Watch*, vol. 12, no. 1, 2015, 49-57., p.49.

²⁴ *Ibid.*, pp.49-57

²⁵ Nelson, ‘Is Dismissing Environmental Caution the Manly Thing to Do? Gender and the Economics of Environmental Protection,’ *Ethics & the Environment*, 2015.

²⁶ Raworth, *Doughnut Economics*, 2017., p.74.

environment as external to the economy, Daly and ecological economists have suggested to see the economy as ‘a subsystem of the earth ecosystem.’²⁷ Raworth proposes the model of an ‘embedded economy,’ depicted in Figure 2 below.²⁸ This approach emphasises how economies operate both within *environmental* contexts, with natural inputs and outputs; and within *social* contexts, recognising that economies are embedded in societies.

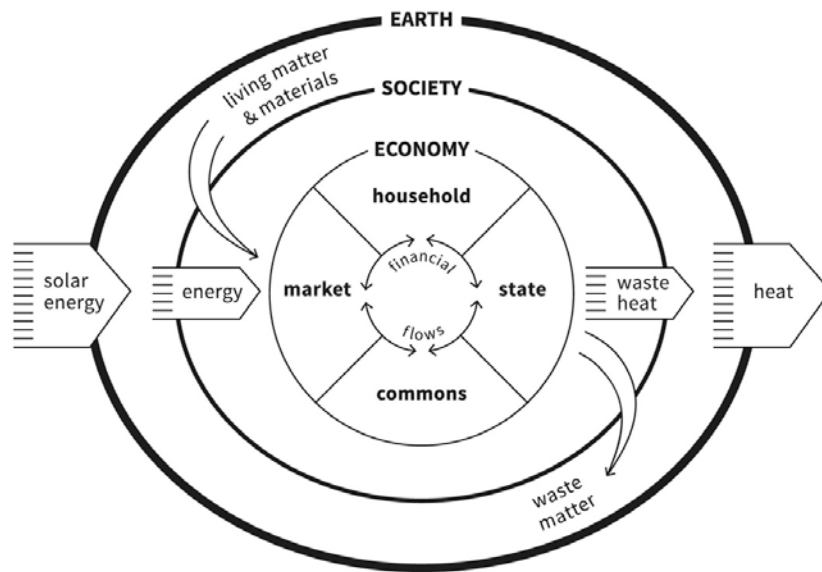


Figure 2 – The embedded economy (Raworth, 2017, p.71)

Seeing the environment and society as the context of economic subsystems reflects a paradigmatic challenge to orthodox economics. This is illustrated in a story that Daly recounts of his proposal, while working for the World Bank, to draw a circle around the inputs and outputs of the economy.²⁹ Representing the environment from which the economy draws and expends seemed to be so confronting to World Bank colleagues that the diagram was removed altogether.

²⁷ Herman E. Daly, ‘Steady-State Economics: A New Paradigm’, *New Literary History*, vol. 24, no. 4, 1993, 811-6.

²⁸ This closely reflects the *Economics in Context* model in Goodwin, et al., *Principles of Economics in Context*, 2015., p.63.

²⁹ Herman E. Daly, ‘On the Road to Disaster’, *New Scientist*, 2008., pp.46-47.

In contrast, the embedded economy enables *multi-dimensional* perspectives on aspects of economic theories. For example, assuming the purpose of the state as inefficient or sometimes efficient (and even entrepreneurial); assuming trade can be win-win or having diverse effects; assuming finance as always stable or is sometimes dangerously unstable; ignoring the impact of debt, concentration of wealth and the nature of power, or bringing this into theories and practices; and treating the causes of inequality as inevitable or as the outcomes of policy-decisions.³⁰ Each of these shifts – from static, one-dimensional economic theories to multi-dimensional process economic theories – sheds light on aspects of a new economic story. Each shift corrects misassumptions associated with old polarising political and economic narratives.

Take world trade, for example. Rather than following economic ‘laws’ such as ‘comparative advantage,’ a process approach suggests a multi-dimensional goal of ‘optimal scale.’³¹ Under the static thinking of comparative advantage, countries produce and trade what they can do most cheaply and assume this leads to a win-win outcome. Optimal scale, on the other hand, tailors production and trade to different contexts and purposes. For example, the optimal scale for staple foods may be as local as possible while other essential goods, energy sources, water treatment and waste processing may be at a national level. Non-essentials items could optimally be traded internationally and designed for a complementary localised repair and reuse industry. Innovative instruments such as ‘complementary currencies’ may also be utilised for these aims.³²

Another step in contextual economics is to add ‘households’ as ‘core’ to the economy, acknowledging the foundational nature of households, rather than treating them as secondary and supplementary to markets, consumers and labour. As Goodwin et al. point out: ‘important economic activity occurs *within* the core sphere’—this is ‘where people generally raise children, prepare meals, maintain homes, organize leisure time, and care for mildly ill individuals.’³³ Some of these invisible aspects were discussed above in terms of the ‘soft’ areas of so-

³⁰ Raworth, *Doughnut Economics*, 2017., pp.68-92.

³¹ Herman E. Daly, ‘A New Economics for Our Full World’, in Peter A. Victor and Brett Dolter (eds.), *Handbook on Growth and Sustainability*, Cheltenham UK, Edward Elgar Publishing, 2017, pp. 85-106.

³² E.g. see Alessandro Spano and John Martin, ‘Complementary Currencies: What Role Should They Be Playing in Local and Regional Government?’, *Public Money & Management*, vol. 38, no. 2, 2018, 139-46.

³³ Goodwin, et al., *Principles of Economics in Context*, 2015., p.64.

called ‘feminine values’ and what lies below the tip of the economic iceberg.

This embedded economic model also adds the ‘commons’ as an important sphere of economic interaction. The ‘commons’ refers to resources that are shared by groups of people. Ecological economists distinguish commons that are managed by communities from ‘open access regimes’ that are a free-for-all type of commons that was famously theorised in Garrett Hardin’s (1968) ‘The Tragedy of the Commons.’³⁴ Communities can be an effective regulator and manager of commons, developing ‘institutions that prevent individuals within the community from overexploiting the resource.’³⁵ Nobel-winning institutional economist Elinor Ostrom conducted empirical research on institutions for managing finite ‘common-pool resources.’³⁶ She found that the embeddedness of people at the community-level means they often know more and care more about those resources than professionalised managers, bureaucrats or distant owners who are alienated from them, showing how property held in common (by a group) can sometimes be self-managed more effectively than privatisation and nationalisation. In line with process thinking’s emphasis on multiple dimensions and ongoing processes, Ostrom emphasises that commoning is not *the* solution, suited to *all* situations for protecting environments, all fisheries, and so on—sometimes markets, states and households are more appropriate solutions. However, commoning is an underutilised tool in the era of neoliberalism that is an important component in contextual economics.³⁷

Contextual economics recognises commons as a valuable system of organisation that exists alongside households, markets and states. George Monbiot explains how these spheres may interact. Markets are useful for managing ‘forms of value that are generated through work, enterprise and ingenuity properly belonging to the people who produce them.’³⁸ Commons are appropriate for managing ‘resources that are not created by people, or that are created by society as a whole,’ hence the community shares both responsibility

³⁴ Herman E. Daly and Joshua Farley, *Ecological Economics*, Washington DC, Island Press, 2004., p.164.

³⁵ *Ibid.*, p.171.

³⁶ Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action*, Cambridge, UK, Cambridge University Press, 1990., Elinor Ostrom, ‘Institutions and the Environment,’ *Economic Affairs*, vol. 28, no. 3, 2008, 24-31; *ibid.*, pp.28-29.

³⁷ Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action*, 1990., p.14.

³⁸ George Monbiot, *Out of the Wreckage: A New Politics for an Age of Crisis*, London, Verso, 2017., p.102.

and value. States have an important function in managing ‘resources that are either too large or too diffuse to be responsibly stewarded by private concerns or commoners.’ This includes providing services, infrastructure, environmental and social protections, and ensuring ‘that all economic sectors – market, commons, household and public sphere – can prosper without unduly intruding upon each other.’ Great potential exists to strengthen the power of communities, from local to global, within which people may participate in co-designing, co-producing, and co-creating a sustainable future.

FROM *HOMO ECONOMICUS* TO PEOPLE-IN-COMMUNITIES

Central to static economic theories is the core unit ‘*Homo economicus*’: the self-interested independent person who wishes to minimise work, maximise wealth and consumption, and who acts based on these rational preferences with full information.³⁹ Raworth explains that the idea of a homogenous economic human originated with the classical political economist John Stuart Mill in 1844, who shifted the focus of economics ‘away from naming the economy’s goals and towards discovering its apparent laws.’⁴⁰ *Homo economicus* is treated like an ‘atom in Newton’s physics,’ and like an atom in theories of physics this unit’s ‘composition has profound consequences.’⁴¹ While many economists will recognise these assumptions are questionable, it is justified for mathematical convenience - ‘without it, their theoretical models do not work.’⁴² From a broader (process) perspective, humans are not always self-interested, and not always rational. Humans are also helpful, empathic, caring and emotional. Humans often dissent from their ‘rational self-interests,’ influenced by their ‘commitments,’ ‘empathy’ and ‘justice.’⁴³ Insights from behavioural economics, experiments with different forms of game theory, ultimatum bargaining and free-rider experiments, have found that ‘cooperative economic strategies (in which social behaviour is

³⁹ E. Roy Weintraub, ‘Neoclassical Economics’, Library of Economics and Liberty <https://www.econlib.org/library/Enc1/NeoclassicalEconomics.html> [Accessed 15/1/20]; *ibid.*

⁴⁰ Raworth, *Doughnut Economics*, 2017., p.34.

⁴¹ *Ibid.*, p.95.

⁴² Jim Stanford, *Economics for Everyone: A Short Guide to the Economics of Capitalism*, London, Pluto Press, 2008., p.39.

⁴³ Dale T. Miller, ‘The Norm of Self-Interest’, in John Deinhart, Dennis Moberg and Ron Duska (eds.), *The Next Phase of Business Ethics: Integrating Psychology and Ethics*, vol. 3, United Kingdom, Elsevier Science Ltd., 2001, pp. 193-210., p.194.

reciprocated, but selfish behaviour is punished) beat out purely selfish or competitive strategies in evolutionary completion.⁴⁴ Furthermore, a narrow economic definition of rationality may itself not be ‘rational’ when viewed through a broader lens, particularly when this ‘rationality’ causes systematic destruction of a habitat upon which human life depends. If this is deemed ‘rational’ it seems *Homo economicus* is, in the words of Amartya Sen, a ‘rational fool’ and ‘indeed close to being a social moron.’⁴⁵

The generative nature of these theories is reflected in recent research uncovering theories of self-interested *Homo economicus* as not predictive but prescriptive. Comparative research experiments and survey analyses conducted on groups of economics and non-economics students and graduates have consistently shown substantial differences in judgements and action of economics and non-economists. Economists consistently act more in line with the calculations of ‘rational economic man’ than non-economists, and have ‘more positive attitudes toward greed and toward one’s own greedy behaviour.’⁴⁶ This is to say, the economic assumption of *Homo economicus* is cultivating self-interest as a cultural norm and justifying ‘greed as good.’ It acts as a self-fulfilling prophecy; influencing people to behave more and more like this caricature.

As political economist Frank Stilwell puts it: ‘*Homo economicus* is not just a pervasive theoretical assumption: s/he is created by the ‘educational’ process itself.’⁴⁷ Teaching economic theory and thinking based on rational economic man fosters an instrumental approach to other people and teaches students that they should put their self-interest before care for others. The reach of these theories is not limited to economic students but has become part of the *Zeitgeist* of the neoliberal era—influencing ‘politicians, policy analysts, educators, captains of

⁴⁴ Stanford, *Economics for Everyone: A Short Guide to the Economics of Capitalism*, 2008., p.39.

⁴⁵ Amartya K. Sen, ‘Rational Fools: A Critique of the Behavioral Foundations of Economic Theory’, *Philosophy & Public Affairs*, vol. 6, no. 4, 1977, 317-44., p.336.

⁴⁶ Long Wang, et al., ‘Economics Education and Greed’, *Academy of Management Learning & Education*, vol. 10, no. 4, 2011, 643-60., p.643; see also Robert H. Frank, et al., ‘Does Studying Economics Inhibit Cooperation?’, *Journal of Economic Perspectives*, vol. 7, no. 2, 1993, 159-71., Gerald Marwell and Ruth Ames, ‘Economists Free Ride, Does Anyone Else?’, *Journal of Public Economics*, vol. 15, 1981, 295-310.

⁴⁷ Frank Stilwell, ‘The Political Economy Challenge to Orthodoxy’, *Labour & Industry: a journal of the social and economic relations of work*, vol. 20, no. 3, 2010, 331-43., p.335

industry, athletic coaches, and, most importantly, the layperson.⁴⁸ These theories have ‘causal power... the assumption of self-interest is not simply an abstract theoretical concept but a collectively shared cultural ideology.’⁴⁹ This ‘theory of self-interest has spawned a norm of self-interest ... more than this, it prescribes that they pursue their self-interest narrowly defined.’⁵⁰ It focuses on material self-interest (such as money), and ignores many other forms of self-interest (such as health). What is the alternative to *Homo economicus*?

Raworth offers a ‘preliminary sketch’ of this new self-portrait:

First, rather than narrowly self-interested we are social and reciprocating. Second, in place of fixed preferences, we have fluid values. Third, instead of isolated we are interdependent. Fourth, rather than calculate, we usually approximate. And fifth, far from having dominion over nature, we are deeply embedded in the web of life.⁵¹

The process nature of this portrait is clear: relational rather than separate, contextual rather than abstracted, admitting partiality of theories, and acknowledging the changing nature of values. Drawing on process philosophy, Nelson explains, a multi-layered approach avoids reducing *Homo economics* to the ‘separative’ self, a ‘person who can exist without connection to nature, society, or family.’⁵² Yet it does not do so via an oppositional response that Nelson describes as a ‘soluble’ self, the person ‘so holistically attached to, for example, a husband, social norms, or wild nature that no self-identifying thought or action is possible.’⁵³ Instead of assuming the self as totally separate or totally connected, the individual is nested in their relational contexts. As Nelson puts it: ‘We humans are a part of nature and constituted in our relationships, as well as able to think and act as human beings and individuals.’⁵⁴ Both individualistic and collectivist approaches are seen as partial and limited, reconciled by nesting the former in

⁴⁸ Miller, ‘The Norm of Self-Interest’, in Deinhart, Moberg and Duska (eds.), *The Next Phase of Business Ethics: Integrating Psychology and Ethics*, vol. 3, United Kingdom, Elsevier Science Ltd., 2001, pp. 193-210., p.195.

⁴⁹ Ibid., p.194.

⁵⁰ Ibid., p.194.

⁵¹ Raworth, *Doughnut Economics*, 2017., p.102.

⁵² Nelson, ‘Is Dismissing Environmental Caution the Manly Thing to Do? Gender and the Economics of Environmental Protection’, *Ethics & the Environment*, 2015., p.108.

⁵³ Ibid., p.108.

⁵⁴ Ibid., p.107.

the latter in process philosophers' notions of 'person-in-community.'⁵⁵ Hence rather than the instrumentalist view of people 'as objects for economic ends,' cultivated by static economic thinking, people (and other forms of life) are viewed 'as subjects who have an urge to live.'⁵⁶

What might theories of economics look like if their basic assumption shifts from a one-dimensional, unchanging, self-interested individual, to a multi-dimensional, changing, person-in-community (including human and nonhuman communities)? How would politics, institutions and decision-making change if the myth that 'greed is good' was dispelled, and if economics were to be based on a more empirical and contextual understanding of *Homo sapiens* (wise persons)? As Daly and Cobb observe:

[E]conomics can rethink its theories from the viewpoint of person-in-community and still include the truth and insight it gained when it thought in individualistic terms. It need not 'junk' its axioms. Many of them can continue to function, only with more recognition of their limits. The change will involve correction and expansion, a more empirical and historical attitude, less pretense to be a 'science,' and the willingness to subordinate the market to purposes that it is not geared to determine.⁵⁷

Moving from a static economics abstracted from context and assuming to be a value-free science, to a process economics embedded in social and environmental values and contexts, reflects an encompassing and ongoing inter/trans-disciplinary endeavour. This involves (re)evaluating economic theories and models in relation to more encompassing questions of humans and the co-creative communities they are a part of.

FROM PROFIT TO PURPOSE

From a process perspective, the balancing of profit goals with other goals is essential to co-creating a sustainable future. This approach challenges orthodox economic assumptions regarding the goals of businesses (to maximise profits), the legal obligations of corporate managers (to maximise shareholder wealth), and

⁵⁵ Daly and Cobb Jnr., *For the Common Good: Redirecting the Economy toward Community, the Environment, and a Sustainable Future*, 1989, chs. 4 and 8.

⁵⁶ Charles Birch, *On Purpose*, Sydney, New South Wales University Press, 1990., p.9.

⁵⁷ Daly and Cobb Jnr., *For the Common Good: Redirecting the Economy toward Community, the Environment, and a Sustainable Future*, 1989., pp.7-8.

related social norms (such as corporate managers' focus on maximising share price). It involves balancing shareholder needs and stakeholders needs (employees, customers, public). This does not require overturning the 'economic machine.' Instead it recognises the multifaceted purposes of businesses and the human decisions behind them. It proposes nurturing an economy that operates as the beating heart of society.

Orthodox economics teaches that the 'goal of a firm is to maximize profit, which equals total revenue minus total cost.'⁵⁸ The goal of profit is assumed to be 'pursued with complete rationality within legal and budgetary constraints.'⁵⁹ Reflecting neoliberal ideology, orthodox economics also teaches that corporate managers are obligated to maximise profit for shareholders.⁶⁰ The ideological nature of this assumption is, for example, evident in the neoclassical economics of Milton Friedman who stressed that: 'Few trends could so thoroughly undermine the very foundation of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.'⁶¹ This ideology has widespread influence seen, for example, in the conflicting viewpoints held by law professors on the legal nature of these goals and responsibilities.⁶² Many anti-capitalists also fall into the trap of perpetuating the myth that businesses are legally obligated to put profits before people. For example, Noam Chomsky has often critiqued corporations as 'immoral' and 'designed by law, to be concerned only for their stockholders [and not for] their stakeholders, like the community or the work force.'⁶³ Untangling what constitutes an economic assumption, legal obligation, neoliberal ideology and social norm requires a more contextual approach from which alternatives may emerge.

A continuum of approaches to the purposes of corporations is illuminated by

⁵⁸ N. Gregory Mankiw, *Principles of Economics*, 8th, Boston, Cengage Learning, 2016., p.270

⁵⁹ Daniel Kahneman, et al., 'Fairness and the Assumptions of Economics', *Journal of Business*, vol. 59, 1986, S286-S300., p.S298.

⁶⁰ Mankiw, *Principles of Economics*, 2016., p.453.

⁶¹ Milton Friedman, *Freedom and Capitalism*, Chicago, The University of Chicago Press, 2002 [1962]., p.133.

⁶² Stephen Bainbridge, et al., 'Does the Law Allow Corporations to Pursue Social Goals over Shareholder Profits?' <https://www.nytimes.com/roomfordebate/2015/04/16/what-are-corporations-obligations-to-shareholders> [Accessed 23/6/19].

⁶³ Chomsky in Mark Achbar and Jennifer Abbott, 'The Corporation', Canada, Big Picture Media Corporation, 2004.

a recent comparison of 26 jurisdictions across the world including the United States, United Kingdom, Australia, Europe, India, China and Japan.⁶⁴ On one pole are *civil law* countries such as the Netherlands, Germany, Japan and Nordic countries. Jurisdictions in these countries tend to interpret ‘company interests’ through a pluralist lens as encompassing ‘a broader set of interests.’⁶⁵ Germany is a standout example of a pluralist civil law approach. In Germany, ‘company interest’ includes ‘the interest of the enterprise in itself, the employees, and public welfare.’⁶⁶ Similarly, the Netherlands requires boards to ‘act in the interest of the company and its enterprise, understood to mean ‘to act in the interest of all stakeholders.’” In the Netherlands, the Supreme Court has confirmed explicitly ‘that shareholder interests ‘do not take priority over the interests of other stakeholders.’”⁶⁷ On the other pole are *common law* countries such as the United States, United Kingdom and Australia. Jurisdictions in these countries tend to take a monist approach to company interests, ‘which equates the interests of the company with the interests of the shareholders.’⁶⁸ Pluralistic approaches are under increasing pressure on the international stage with the influence of Anglo-American norms of shareholder primacy.

Maximising ‘shareholder wealth’ (or ‘stockholder value’) is the requirement that ‘directors run the company for the collective benefit of its shareholders.’⁶⁹ The reasoning behind this legal obligation is that shareholders are the owners of a company, and managers are agents for its owners. As such, acting in the interests of a company is equated to acting in the interests of shareholders. Maximising shareholder wealth is sometimes interpreted as a legal obligation,⁷⁰ referring to corporate charters lodged in Delaware, United States—a jurisdiction in which

⁶⁴ Beate Sjøfjell, et al., ‘Shareholder Primacy: The Main Barrier to Sustainable Companies’, in Beate Sjøfjell and Benjamin J. Richardson (eds.), *Company Law and Sustainability: Legal Barriers and Opportunities*, Cambridge, Cambridge University Press, 2015, pp. 79-147.

⁶⁵ *Ibid.*, p.94.

⁶⁶ *Ibid.*, p.102.

⁶⁷ *Ibid.*, p.104.

⁶⁸ *Ibid.*, p. 95.

⁶⁹ *Ibid.*, pp.83-84.

⁷⁰ E.g. Leo E. Strine, ‘The Dangers of Denial: The Need for a Clear-Eyed Understanding of the Power and Accountability Structure Established by the Delaware General Corporation Law’, *Wake Forest Law Review*, vol. 50, 2015, 761-93.

many businesses choose to incorporate due to its business-friendly laws.⁷¹ Yet this interpretation is questionable, as Nelson details.⁷² Nelson quotes multiple law professors whom observe that in the United States: ‘each state implicitly recognizes that a broader group of interests may be considered’ and ‘no state corporation code in existence specifies that the directors of a corporation owe a fiduciary duty *solely* to the shareholders.’⁷³ Furthermore, there are diverse interpretations as to what ‘shareholder wealth’ means. Through a process lens, maximising shareholder wealth requires maximising the long-term wealth of shareholders, which includes maintaining a healthy planet, and a safe and caring society.

In no jurisdiction is shareholder wealth maximisation equitable to ‘shareholder primacy’ or maximising share price. What is known as ‘shareholder primacy’ is an ideology and social norm that insists ‘that board and senior managers are the ‘agents’ of the shareholders and should maximise returns to shareholders as measured by the current share price.’⁷⁴ Shareholder primacy is manifest in executive pay incentives schemes tied to shareholder returns, such as share options and bonuses. This incentivises short-term decision-making (such as ‘buy back’ of shares) to increase share price, rather than re-investing profits into innovation and research (for example, into ecologically sustainable production and waste processes) or paying employees higher wages. Directing decisions to maximise share price can work to impede a company’s achievement of long-term objectives, minimising wages, decreasing the quality of products, leading to reckless decision-making, the mistreatment of staff, having detrimental impacts on environments, and so on. This may increase share price in the short-term, at the cost of the wealth and wellbeing of shareholders and other people and planet in the long-term. Based on the literature reviewed here, maximising share price is not a legal obligation in any jurisdiction. Nelson concludes ‘The popular idea that corporations single-mindedly maximize profits does not come from the law

⁷¹ Julie A. Nelson, *Economics for Humans*, Second Edition, Chicago, University of Chicago, 2018., p.123.

⁷² *Ibid.*, ch. 6.

⁷³ Quoting Adams and Matheson, Edward S. Adams and John H. Matheson, ‘A Statutory Model for Corporate Constituency Concerns’, *Emory Law Journal*, vol. 49, 2000, 1085-136., p.1088, italics are Nelsons.

⁷⁴ Sjøfjell, et al., ‘Shareholder Primacy: The Main Barrier to Sustainable Companies’, in Sjøfjell and Richardson (eds.), *Company Law and Sustainability: Legal Barriers and Opportunities*, Cambridge, Cambridge University Press, 2015, pp. 79-147., pp.83-84.

itself or the actual observation of business practices. It is an offshoot of economic dogma, plain and simple.⁷⁵

Alternatives to shareholder primacy are found in academic studies, applying forms of process thinking such as self-organisation and complexity theory to suggest more dynamic approaches to management and business priorities.⁷⁶ Alternative goals to maximising share price include: addressing the needs of citizens, providing quality goods/services, taking care of employees, maximising community value, and a multi-layered approach to goals including the company's financial sustainability set in the context of maximising contributions to our shared future. This more nuanced approach to the aims and responsibilities of firms, managers, boards, jurisdictions and legal systems reflects a contextual approach to economics. As Nelson observes: 'The 'maximize profits' idea is in our heads. Complex businesses really exist.'⁷⁷ As Nelson points out:

If we put aside the distorting lenses provided by dominant economic theories, it's obvious that businesses can pursue a variety of goals alongside returning a profit to their shareholders. These goals can be socially helpful (like innovative, high-quality products, jobs, environmental protection and non-discrimination), or socially harmful (such as making extra profits at the expense of labor and the environment, or promoting excessive executive compensation).⁷⁸

This multi-dimensional approach to the purpose of firms disrupts polarised antagonisms between pro-market and anti-business, both which tend to assume a vision of the economy as a machine. Within metaphors of a capitalist machine 'time is money,' a holiday involves 'opportunity costs,' and 'human resources' are to be managed. This metaphor infers a sense of *automatic* motions, the market as 'following inexorable and largely amoral 'laws.'⁷⁹ Orthodox economists often assume that the 'invisible hand' of market forces will *automatically* bring about equilibriums, create employment opportunities and enable the best of possible outcomes, trickling down to the poorest.⁸⁰ They deem perspectives opposing

⁷⁵ Nelson, *Economics for Humans*, 2018., pp.130-31.

⁷⁶ E.g. Steve Denning, 'The Economist Defends 'the World's Dumbest Idea'' in *Forbes Magazine* (2016) <https://www.forbes.com/sites/stevedenning/2016/04/03/the-economist-defends-the-worlds-dumbest-idea/#347370a826e3> [Accessed 20/01/19].

⁷⁷ Julie A. Nelson, *Economics for Humans*, Chicago, University of Chicago, 2006., pp.49-50.

⁷⁸ Julie A. Nelson, 'Really Radical Economics', *OpenDemocracy*, London, 2013., p.2.

⁷⁹ Nelson, *Economics for Humans*, 2006., p.1.

⁸⁰ *Ibid.*, p.55.

theirs as impractical, financially irresponsible and not appreciating the role of business and the provisions businesses provide. On the other side, critics of capitalism often assume that markets will *automatically* lead to greed, short-termism, growth, consumer culture-ideology, alienation, oppression and exploitation.⁸¹ Given the economy is not actually a machine, both pro-market and anti-business activists ‘have grasped only parts of the picture.’⁸² An alternative is to integrate the ‘good things each side values,’ and to question those aspects presumed to be ‘automatically either provided or destroyed by economic life.’⁸³ Nelson points out that none of these outcomes is automatic. Importantly, outcomes of economic transactions result from human actions, human institutions and human-directed processes: ‘real human decisions are behind economic action every step of the way.’⁸⁴ Nelson explains:

profit maximization isn’t actually legally mandated. Nor is it an inevitable result of competition. If anything, life here is imitating fiction, since business leaders and investors increasingly appear to believe that maximizing profits (for which read greed) is not only permissible but required. That’s the problem with the mechanistic image of the old economy: it denies the moral agency of people working inside it, and demands that its structures be dismantled in favor of a new, more social and human alternative. But the economy is already social and human. People may not like the current results, but human beings with complex motivations are already acting interdependently with one another.⁸⁵

Seeing economies as ‘vital, living, human-made, and shaped by our ethical choices can help to improve our decisions—both individually and as a society.’⁸⁶ Recognising this multi-dimensional aspect of ourselves and others, issues of money, power, ethics and long-term outcomes can be brought together into a human-centred conversation. To enable this approach, Nelson posits replacing mechanistic metaphors with a new living metaphor for the economy: the economy as a beating heart. The heart is a major, vital, living ‘organ of circulation,’ connected in many ways to other bodily parts, with many roles and regulatory functions in the body. This metaphor draws attention to the need for

⁸¹ Ibid., p.55.

⁸² Ibid., p.54.

⁸³ Ibid., p.54.

⁸⁴ Ibid., p.52.

⁸⁵ Nelson, ‘Really Radical Economics’, 2013., p.2.

⁸⁶ Nelson, *Economics for Humans*, 2006., p.4.

continual flow of blood throughout a body, and ongoing flow of money to all parts of society. Nelson writes: ‘When money and goods do not circulate, but rather build up in unhealthy concentrations, an economy can be said to be in danger of congestive ‘heart’ failure.’⁸⁷ The problems of inequality are thus imagined as clogged arteries of the global economy. Too much money is compounded in some areas, and not enough is flowing to others. The needs of many (actual demand) go unmet regardless of the capacities to meet those needs (actual supply) (as discussed earlier). Just as a body needs a harmonious balance between different organs, there is a need for a harmonious balance between different systems in society. This metaphor also draws attention to the blood thickeners and thinners that inhibit or enable the flow of money. For example, neoliberal policies have inhibited the flow of money where they decreased wages and disincentivised investment in research and development.⁸⁸ Continental capitalist policies such as in Germany have maintained high wages and incentivised investment, on the other hand, have enabled more money to flow throughout the economy. Like a healthy heart pumps blood to all a body’s tissues, so too must the global economy pump money to all the world’s people. A healthy economy flows in such a way that ‘aggregate demand’ reflects actual demand, facilitating people’s ability to get paid, to pay others for their work and to meet their needs.

The beating heart metaphor also draws attention to the economy as a ‘center of love,’ of ‘integrity and conscience,’ of ‘a symbol of bodily provisioning and a symbol of care, respect, and moral and spiritual life’ and ‘seat of motivation and courage.’⁸⁹ It ‘points us toward action regarding the heartaches of poverty, hunger, injustice, empty consumerism, and ecological destruction.’⁹⁰ The metaphor of the economy as living, as a beating heart or an organism, breaks down the polarised divide between pro-market and anti-business perspectives. The work of Nelson and Raworth opens a multi-dimensional space for developing *moral markets*. That is, for markets, businesses, governments, public

⁸⁷ Ibid., pp.58-59.

⁸⁸ E.g. see Mariana Mazzucato, *The Entrepreneurial State: Debunking Public Vs. Private Sector Myths*, London, Anthem, 2013.

⁸⁹ Nelson, *Economics for Humans*, 2006., p.59.

⁹⁰ Ibid., p.60.

organisations, non-profit organisations and community managed commons directed toward goals relating to improving life, such as peace and sustainability.

In place of neoliberal policies that favour the supply-side of economics (favouring businesses and investors), Joseph Stiglitz suggests demand-side policies aimed at ‘maintaining a high level of aggregate demand.’⁹¹ Demand-side policies help the beating heart (economy) pump blood (cash) to all parts of the body (society). This more Keynesian approach to economic policy helps keep unemployment down, and money flowing throughout the economy. Aggregate demand can be maintained at high levels through policies that increase wages, such as increasing minimum wage, wage subsidies and increasing wages in government jobs. Stiglitz suggests a ‘high carbon tax’ to ‘discourage carbon emissions’ and ‘increase aggregate demand,’ with spending of retrofitting ‘in response to the high carbon price.’⁹² He also suggests a ‘wage share’ tax, which he sees as a way to ‘encourage firms to increase the share of their revenues they pay out to workers.’ Policies to prevent monopolies and ‘tax and education policies’ can also work ‘to weaken the intergenerational transmission of advantage and disadvantage.’ Stiglitz points out that ‘[m]ost of these policies have been tried and have worked. All of this is economically feasible. The question is whether it is feasible within our political systems.’⁹³ Supporting such an approach, innovation economist Mariana Mazzucato draws attention to the entrepreneurial nature of states/governments and posits a need for ‘symbiotic’ rather than ‘parasitic’ public-private partnerships.⁹⁴ Governments can direct funds, such as Covid-19 stimulus packages, toward the common good. For example, investing them in green technology and renewable energies (such as sought by the Green New Deal). Mazzucato also suggests ways in which the public might receive appropriate rewards for their risks, rather than letting private companies *extract* those profits for personal gain. In the context of the environmental crisis, policies informed by contextual economics direct flows in demand and supply—production and consumption processes—such that they enable human

⁹¹ Joseph E. Stiglitz, ‘The Coming Great Transformation’, *Journal of Policy Modeling* vol. 39, 2017, 625-38., p.636.

⁹² *Ibid.*, pp.636-37.

⁹³ *Ibid.*

⁹⁴ Mazzucato, *The Entrepreneurial State: Debunking Public Vs. Private Sector Myths*, 2013.

flourishing within planetary boundaries. Raworth conceptualises this ‘safe and just space’ for humanity to live as ‘the Doughnut.’⁹⁵

FROM GDP GROWTH TO THRIVING IN THE DOUGHNUT

The goals of efficiency and economic growth are at the forefront of capitalist culture—the directive of economists, politicians, media reports, in economics education and in business. Donella Meadows stresses the importance of asking: ‘growth of what, and why, and for whom, and who pays the cost, and how long can it last, and what’s the cost to the planet, and how much is enough?’⁹⁶ These questions are traditionally ignored by orthodox economics focused on GDP growth regardless of broader implications. GDP is ‘a measure of the total market value of final goods and services newly produced within a country’s borders over a period of time (usually one year).’⁹⁷ The limitations of GDP have been long known. This was an issue discussed at the ‘Sarkozy Commission’ with economists such as Joseph Stiglitz and Amartya Sen in 2009. Even Simon Kuznets, the economist who designed the first measures of national income (a precursor to GDP) emphasised that these measures reflect only market value and leave out value created by households and society. Kuznets also pointed out this is a ‘flow measure,’ which does not account for distribution, thus requiring a complementary ‘stock measure’ to reflect accumulation of wealth.⁹⁸ Yet GDP remains the dominant economic measure used to judge the health of an economy, the success of a political party and people’s wellbeing. This use of GDP to guide policymaking exemplifies the fallacy of misplaced concreteness, mistaking abstractions for improved concrete realities. This is perhaps the most significant of hegemonic static thinking in economics and culture due to its flow-on effect in policy and decision-making.

While GDP provides an approximation of the ‘annual flow of goods and services through the market,’ it ‘often rises with things that most people would want to have less of’ and ‘often fails to rise with positive contributions to individual and social well-being.’⁹⁹ For example, spending on military and prisons

⁹⁵ Raworth, *Doughnut Economics*, 2017.

⁹⁶ Cited in *ibid.*, p.40.

⁹⁷ Goodwin, et al., *Principles of Economics in Context*, 2015., p.442.

⁹⁸ Raworth, *Doughnut Economics*, 2017., pp.37-40.

⁹⁹ Goodwin, et al., *Principles of Economics in Context*, 2015., p.461.

counts as a positive contribution to GDP, yet volunteer work and unpaid housing services provided by non-profit organisations do not register. Billions of dollars spent cleaning up oil spills count as positive GDP growth, while the loss to natural resources does not register. The outsourcing of household production (childcare, laundry, cooking, cleaning) counts as GDP, yet a parent caring for their own child does not. GDP treats overwork (less leisure time) as a gain, and increases in leisure time (less work) as a loss (because it decreases GDP). GDP increases when money is earned, regardless of its distribution (even if solely to the richest few). Thus GDP-per capita bears no indication of the distribution of that income and whether or not it has benefited most citizens.¹⁰⁰

Alternative measures to GDP have been developed and applied to provide a more adequate goal of economic policies. Perhaps the most well-known is Bhutan's *Gross National Happiness*, proposed in 1972 and quantified since 2010 according to nine welfare dimensions. In 2019, New Zealand Prime Minister Jacinda Ardern announced a similar redirection of economics and decision-making from GDP to a *Happiness Index*, laying 'the foundation for not just one well-being budget, but a different approach for government decision-making altogether.'¹⁰¹ Among the alternatives to GDP, the Economic Cooperation and Development (OECD) developed a *Better Life Index* with eleven variables including jobs, health, status, income, wealth and equality, security, environmental quality and subjective wellbeing. The United Nation's *Human Development Index* is widely used, based on 'life expectancy at birth, years of formal education, and real per-capita GDP.'¹⁰² A simple but effective measure based on easily accessible data is the *Happy Planet Index* (HPI) which equals *Happy Life Years* (Life Expectancy multiplied by Subjective Wellbeing) divided by *Ecological Footprint*.¹⁰³ The Institute for Economics and Peace produces an extensive *Global*

¹⁰⁰ E.g. see Vandana Shiva, *Who Really Feeds the World?: The Failures of Agribusiness and the Promise of Agroecology*, Berkeley, C.A., North Atlantic Books, 2016.

¹⁰¹ James Ellsmoor, 'New Zealand Ditches GDP for Happiness and Wellbeing' in *Forbes Magazine* (2019) <https://www.forbes.com/sites/jamesellsmoor/2019/07/11/new-zealand-ditches-gdp-for-happiness-and-wellbeing/#202fd0601942> [Accessed 15/1/20]., quoting Ardern.

¹⁰² Goodwin, et al., *Principles of Economics in Context*, 2015., p.471.

¹⁰³ *Ibid.*, p.473.

Peace Index ranking the peace levels of 163 countries each year.¹⁰⁴ Finally, the *Genuine Progress Indicator* (GPI) is a leading alternative measure of economic wellbeing developed by Daly and Cobb, originally called the Index of Sustainable Economic Welfare.¹⁰⁵ A review in 2013 found that while GDP has ‘increased three-fold since 1950,’ global GPI measures per capita ‘peaked in 1978’ and have decreased since then.¹⁰⁶ This decrease in genuine progress coincides with the rise of neoliberalism.

Rather than focusing on GDP growth as the aim of economic policies, a contextual approach to economics nests ‘intermediate goals’ such as ‘efficiency, maximizing production or consumption, earning money’ in ‘final goals’ such as ‘satisfaction of basic physical needs; happiness . . . self-respect and the respect of others; self-realization; fairness in the distribution of life possibilities freedom; democracy and participation; and ecological balance.’¹⁰⁷ This approach may involve using a combination of the measures above. Such a shift would ‘suggest significantly different policy recommendations, focusing more on reducing environmental damage, preserving natural capital, developing renewable energy resources, and redressing rising inequality.’¹⁰⁸ Focusing on growth of genuine progress rather than economic growth, or prioritising any one of these measures over GDP, are significant steps in reorientating the economy to meeting social needs within planetary limits. Raworth conceptualises this as ‘the Doughnut.’¹⁰⁹

The Doughnut (Figure 3 below) is the green circle where the ‘social foundations’ of all humans are met within ‘planetary boundaries.’ Mapping social foundations in the centre, indicates the percentage of humans who do not have enough access to sufficient food, water, energy, housing, networks, healthcare, education, income and work, gender equality, social equity, political voice, peace and justice. These are reflected in the Sustainable Development Goals (SDGs)

¹⁰⁴ IEP, ‘Global Peace Index 2020: Measuring Peace in a Complex World’, Institute for Economics & Peace: Sydney, 2020 <http://visionofhumanity.org/indexes/global-peace-index/> [Accessed 21/9/20].

¹⁰⁵ Daly and Cobb Jnr., *For the Common Good: Redirecting the Economy toward Community, the Environment, and a Sustainable Future*, 1989.

¹⁰⁶ Ida Kubiszewski, et al., ‘Beyond Gdp: Measuring and Achieving Global Genuine Progress’, *Ecological Economics*, vol. 93, 2013, 57-68., p.57.

¹⁰⁷ Goodwin, ‘You Can’t Beat Something with Nothing: Getting an Alternative into the Curriculum’, *Review of Radical Political Economics*, 2001., p.339.

¹⁰⁸ Goodwin, et al., *Principles of Economics in Context*, 2015., p.469.

¹⁰⁹ Raworth, *Doughnut Economics*, 2017.

adopted by the United Nations General Assembly on 25 September 2015. Outside of the circle the red bars indicate the ‘overshoot’ of human activities beyond planetary boundaries. This includes limiting carbon dioxide in the atmosphere (climate change), the nitrogen cycle, biodiversity loss, ozone layer depletion, land use change, freshwater use, ocean acidification, air pollution, and chemical pollution.¹¹⁰

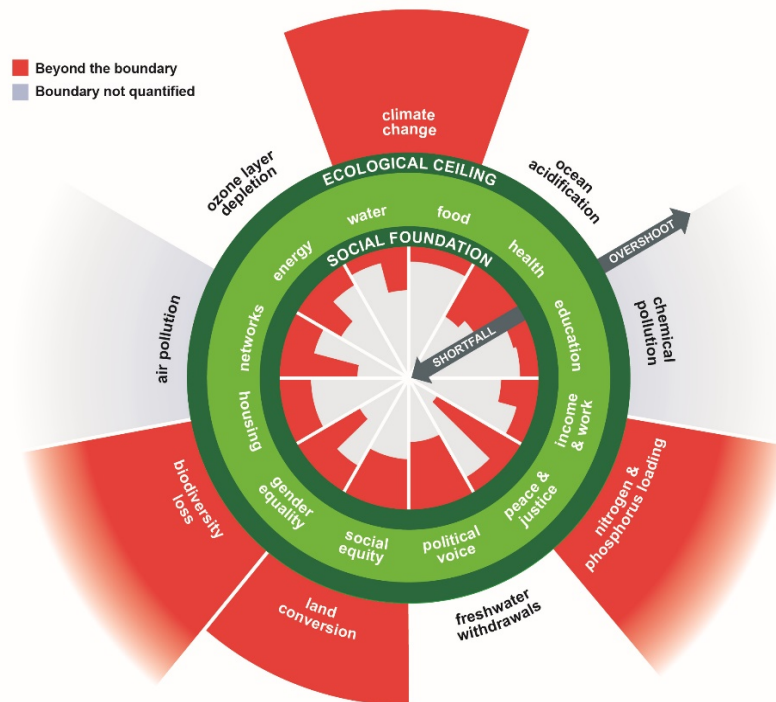


Figure 3 – The Doughnut¹¹¹

The aim of social and economic policy, based on this model, is to support the evolution of human activities, including production, consumption, transport, services, waste management, etc. so that they are conducted within the Doughnut. Guided by ecological economics, the widespread policy goal of GDP

¹¹⁰ J. Rockström, et al., ‘Planetary Boundaries: Exploring the Safe Operating Space for Humanity’, *Ecology and Society*, vol. 14, no. 2, 2009, 32 [online].

¹¹¹ Raworth, *Doughnut Economics*, 2017., p.51.

growth can shift to the goal of ‘thriving-in-balance in the Doughnut ... eliminating its shortfall and offshoot at the same time.’¹¹² Raworth’s ‘Doughnut Economics’ is implicitly grounded in a shift from the hegemonic static thinking of orthodox economics and its metaphysical assumptions, to an encompassing process thinking found in contextual economics, based on process metaphysics. Living in ‘the Doughnut’ enables a big picture perspective of what a sustainable future would involve. Direct economic policy to thriving in the Doughnut is increasingly being embraced as a compass for their post-Covid-19 economy—for example by Amsterdam.¹¹³ Reversing global warming requires dramatically reducing emissions of greenhouse gases such that (like nature) human activities sequester more emissions than they produce.¹¹⁴ With the Doughnut as the overarching framework, and measures of wellbeing replacing GDP growth, the seemingly impossible aim of reversing global warming is increasingly possible.

This approach transcends the problem of unlimited growth of extractive, production and waste connected to the increases in consumption and population growth. The origins of a ‘steady-state’ economy trace back to classical political economist John Stuart Mill’s ‘stationary economy,’ which suggested that a nation’s economy will grow only up until a point at which the flows and GDP will stabilise.¹¹⁵ The ‘degrowth’ movement has gone further still to suggest a need to shrink (de-grow) the economy, so that it operates within planetary boundaries. The terms ‘steady-state’ and ‘degrowth’ have misleading connotations of being against processes of change and development. These theories seek a stabilisation of material flows on a planet with physical limitations. This means human and nonhuman wellbeing may continue to develop, without damaging the biological and ecological systems upon which human life depends. The key is distinguishing between quantitative growth (a ‘physical increase in size’) and qualitative development (‘improvement in design, technology and ethical priorities’)—as Daly points out: ‘steady-state economy requires the cessation of growth, not of

¹¹² Ibid., p.53.

¹¹³ Daniel Boffey, ‘Amsterdam to Embrace ‘Doughnut’ Model to Mend Post-Coronavirus Economy’, *The Guardian*, Online, 2020.

¹¹⁴ Paul Hawken, *Drawdown: The Most Comprehensive Plan Ever Proposed to Reverse Global Warming*, New York, Penguin, 2017.

¹¹⁵ Herman E. Daly, *Toward a Steady-State Economy*, San Francisco, W.H. Freeman, 1973.

development.¹¹⁶ Daly continues:

A steady state is not static, the stock of wealth wears out and is continually replaced. Old people die and new people are born. The new can be qualitatively better than the old without requiring growth in the physical stock of wealth or in the throughput flow that maintains it.¹¹⁷

The focus of steady-state economists is on an ecologically sustainable volume of material throughput, while pointing out that a ‘decoupling’ of economic growth from material growth is unlikely. Yet focusing too much on intermediate goals such as GDP, as an aim or a critique, is arguably a distraction from final goals: the positive social and environmental impacts sought. This means focusing ‘not how much work we are collectively performing, but what we are doing, how, and what our output is used for.’¹¹⁸ As Stanford points out, economic growth can be good or bad:

while growth in its own right does not necessarily make us better off, many economic and social problems clearly get worse when the economy stops growing. Unemployment rises, since there is not enough work for everyone who needs it. (Due to ongoing productivity growth, even a stable level of real GDP over time will translate into ever-fewer jobs.)¹¹⁹

This ties into a vicious cycle of wealth-power-wealth: ‘the economy is [currently] managed to maximize the profits and power of private companies, and the well-off people who own them.’¹²⁰ An alternative would be to ‘alter the criteria on which all economic activity is undertaken. We should be performing work not because it is profitable, but because it is useful.’¹²¹ Raworth deals with this by describing her approach to economics as ‘growth agnostic.’¹²² The goal is stabilising physical throughput while qualitative development in wellbeing continues, regardless of an increase or decrease in GDP.

Arising from the analysis above are the benefits of nesting economic goals such as GDP within the human goals of improving social and planetary

¹¹⁶ Herman E. Daly, *From Uneconomic Growth to a Steady-State Economy*, Massachusetts, Edward Elgar Publishing, 2015., p.viii.

¹¹⁷ *Ibid.*, p.viii.

¹¹⁸ Stanford, *Economics for Everyone: A Short Guide to the Economics of Capitalism*, 2008., p.26.

¹¹⁹ *Ibid.*, p.26.

¹²⁰ *Ibid.*, p.27.

¹²¹ *Ibid.*, p.27.

¹²² Raworth, *Doughnut Economics*, 2017., p.243.

wellbeing. This could be described, quite simply, as distinguishing ‘*good growth*’ (reflecting improvements in wellbeing, to be maximised) and ‘*bad growth*’ (such as growth in greenhouse gases, growth in economic costs, growth in poverty and environmental destruction, which decrease wellbeing, to be minimised). If economics is viewed as a ‘value-free science’ then such a ‘normative’ evaluation of good and bad has no place. Yet if one understands all ‘facts’ contain ‘value’ and science to involve an inescapable normativity, then it may be possible to develop a solid-yet-provisional grounding for this distinction and evaluation (always open to improvement through contextualising dialogue). Using process metaphysics, ‘good GDP’ reflects a measure of income earned in work that improves the lives and wellbeing of humans and nonhumans in the short and long-term; and ‘bad GDP’ is income earned in work that worsens the lives and wellbeing of humans and nonhumans in the short and long-term. This paper has emphasized the benefits of distinguishing between these different forms of growth and nesting them within ecological civilization, as depicted in an adaptation of Raworth’s Doughnut in Figure 4.



Figure 4 – Nesting GDP in the Doughnut¹²³

¹²³ Building on Raworth 2017.

CONCLUSION

This paper has analysed claims about economic theories and practices in terms of their static and process attributes. Through a contextual process lens, the basic suppositions of orthodox economic theories were challenged, along with the static metaphysics they assume. This includes the static assumptions that humans are (always) self-interested individuals and firms are (always) ‘profit maximising’—economic principles that provide support for neoliberal policymaking. In contrast, contextual economics based on process metaphysics reinterprets economic theories based on relational understandings of people-in-communities (including ecological communities). A contextual approach to economics exposes the fallacy of ‘profit maximisation’ as the purpose of all businesses and ‘shareholder primacy’ as the legal obligation of all corporations. These distinctions challenge myths within neoliberal capitalist societies and demonstrate multi-dimensional realities. A process approach to economics does not reject all orthodox economic models—it examines and reinterprets them in their changing social and ecological contexts. It encourages an ongoing process of critically examining one’s assumptions and holding theories open to change.

Finally, in place of GDP as the only economic marker worthy of consideration by powerful capitalist states pursuing endless economic growth, contextual economics conceives of economic growth as an intermediate goal serving final goals such as the wellbeing of people, the communities they are a part of and the planet they depend upon. This requires more contextual metrics such as the *Genuine Progress Indicator*, and measures of social foundations and planetary boundaries. Yet alternative metrics are not enough. These must be accompanied by a shift in thinking. This includes rethinking economic theories and practices based on process understandings of human beings in their changing relational, cultural and ecological contexts. The argument presented in this paper supports the uptake of contextual economics textbooks in introductory economics classes and policymaking based on contextual economics, as steps toward a more caring, just and sustainable future.

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