

PLEASE HELP REFORM ECONOMICS

As economists, we are certainly responsible for the sorry state of the World today (We would blame physicians if medicine were as ineffective in treating major diseases, wouldn't we?). But just as certainly, we also have the power to do something about it!

UNLESS ECONOMICS CHANGES, NOTHING ELSE WILL!

Denver, May 25, 2012.

Dear Colleague:

The US and the World are going through difficult times. Never before have the threats against our way of life being so ominous, and so clear. The developed world is facing 1) Dangerously high national debts and 2) A growing accumulation of wealth into fewer and fewer hands. The US is facing, in addition, the greatest danger of 3) A 'run on the dollar' resulting in the collapse of its economy.

Threat no. 1 has paralyzed governments and created political upheavals on both sides of the Atlantic Ocean; threat no. 2 is slowly but surely undermining the fabric of society everywhere on Earth; but threat no. 3, which I consider the most menacing, has the potential to undo, in one fell swoop, all the achievements, as well as the special status, of our great nation.

As an economist, you may not feel any sense of responsibility; after all, even if you knew how any of the above problems could be solved, you have no input into our government's policies—or those of any government. However, if you were to explore a little deeper into the nature of those problems, you would find that the root cause of them all is not *bad policies*. **The root cause of the problems that threatens to destroy our way of life is bad economics.** And there you may be the only one who could help.

The problem with economics is not that it cannot explain how the economy works, nor that it has no solutions to the serious problems affecting the major economies of the world; the problem with economics is that it has too many explanations, as well as too many solutions for each of those problems! Just as President Truman wanted a 'one-handed' economist, the world needs for economists to come together on one theory of economics, and to reach a consensus on whatever solution is worth trying. And the first step is for the economic community to agree that economics is a science. Currently, in the US, about 3/4 of all the graduate schools of economics give Master of Arts degrees. I happen to have one of them.

An artistic discipline gives much freedom to its practitioners; there are no premises, nor specific ways to analyze a problem, as there are no especial ways to solve it either; on the contrary, originality and differentiation are top requirements for any work of art.

A scientific discipline, in contrast, once established, leaves little freedom to the practitioners: explanations of real problems must be derived from the basic premises. Of course, to find solutions for those problems may require some thinking outside the box, but once found, their applications require mostly the skills available to average practitioners. I know, it does not sound as much fun as doing art; but if you cannot get

enough satisfaction for doing a necessary job well and effectively, while contributing to the wellbeing of the people that surround you, perhaps you are in the wrong profession.

The prevailing ignorance among economists of whether economics is, or should be, an art or a science, is not the only problems with conventional economics. There are some schools of economics that do treat their discipline as a science, but, unfortunately, they either have chosen the wrong premises, or fail in understanding the structure and the methodology of a scientific discipline. Take for instance the popular textbook by Prof. Mankiw, or the newer one by Profs. Krugman and Wells. Both textbooks startup with a dozen or so principles that are supposed to explain the economic activity; however, the two sets of principles are different from each other, and they are as different from scientific premises as folk wisdom is from Newton's Law, for example.

After studying economics the better part of the last decade, without the academic distractions, and deadlines, that constrain the effectiveness of most professional economists, I was able to come up with an organic and more simplified view of the economy. The Reformed Economics, as I call it, starts by looking at the economy as a network of sales and purchases by which people earn their income and satisfy their living needs; and that network is nurtured by an appropriate flow of credit money. Many of the premises and principles of the new economic paradigm may be found in my books, especially in the latest one, "100 Theses for the Reformation of Economics".

Are there any proofs of the validity of the new paradigm? The simple answer is 'No'; but, if we believe Karl Popper, scientific statements can never be proven; only falsified. In other words, I cannot offer any proof for the new paradigm, but I strongly believe that the premises of Reformed Economics cannot be falsified. In contrast, I can offer plenty to disproof most of the old economic 'principles.'

Needless to say, the New Theory is in its infancy. Its basic definitions and premises are yet to be formalized, as are the derivation of its theorems and pronouncements. Indeed, most of the work of theory development is still ahead of us, not to mention the work of applying the new theory to solve the myriad of economic problems that plague the world today. Not less important is of course the work of educating those who will be entrusted with that lifelong pursuit, as well as the public at large.

If you are interested in helping with the Reformation of Economics, or want more information or just an exchange of ideas, please contact me, or read some of my postings in REIdenver.Org. If you are interested in reading any of my books (keyword: moromisato in Amazon.com), please let me know, and I'll be happy to send you a courtesy copy.

Sincerely yours,

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