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## Society + Economy = Socio-Economics

**W**henever you hear the word *economics*, what's the first thing that pops into your head? *Supply and demand*. Bingo. And what determines demand? *Preferences of individuals*? No. Not individuals.

That's because we share our realities and dreams with each other. We're like dancers at the New Orleans Mardi Gras. Seen up close, everyone seems to be doing something different. Seen from a distance, it's clear we're all doing it to the same beat.

That over arching beat is what we all share in common. Shared paradigms—not individual preferences—determine demand.

A paradigm is the DNA that defines the identity of a society and economy. It's what directs our destiny. The current ruling paradigm is a sort of shared vision that impacts all values and beliefs, all our social and political institutions. All of that combined are what shape current demands. It's what invites new technologies and ends old ones. All the influences on supply and demand are marshaled, organized and fashioned by the power of a paradigm.

A thousand men prostrate themselves in the mud at the feet of the all-powerful Pharaoh. They are bound by more than force. Those men of ancient Egypt believed in the Pharaoh, in his potency, his divinity, his right to govern. That paradigm is what they all agreed was true, good and beautiful. It made them what they were.

## Two Basic Paradigms

The discipline of economics cannot be exclusively concerned with the results of self-interest.

Self-interest fails to address the *interactions* among ‘We the People.’ These include our interactions with our families, our peers and a multitude of others. It doesn’t include the need to preserve and advance the environment, the sciences, health, education, infrastructure or the global poor. Attending to “What’s in it for *me*?” doesn’t discharge responsibilities belonging to “What’s in it for *us*?” All of us.

To truly advance the interests of the individual, a socio-economic system must maintain a strategic balance, with the system defending the society. Self-interest is assisted by a vigorous and advanced community. At the same time, the community’s prosperity depends on an energetic deployment of self-interest.

Logically, the two basic paradigms—“What’s in it for *me*?” and what’s in it for *us*?”—should develop together.

Historically speaking, however, *me* and *us* have decidedly *not* developed together. Instead, they have alternated. In the course of several decades, one concept rises in public esteem while the other falls. Two opposing socio-economies have always overlapped; one rising, one falling. One of them dominates except during a certain crucial time frame that always occurs as one rises and the other falls, a period of about 30 years, a time of ‘schizomania.’

The alternation can be demonstrated by data on how we spend our national income. When “What’s in it for *us*?” is rising,

we spend less on goods and services promoting self-interest, like cars and housing, and more on community projects like building railroads—or reducing global warming.

Evidence reported in this book suggests that emphasis on *me* and *us* objectives have alternated in the United States, at least since 1790.

## **Rise and Fall of Socio-Economic Paradigms: Learning and Unlearning**

Socio-Economics assumes that social and economic conditions develop in a time-consuming process of learning. Multi-dimensional collaboration takes decades. A long learning curve rises, peaks, and then eventually falls.

As attitudes and values are influenced by the current ruling paradigm—or shared social mania—political parties reformulate their platforms. As detailed further along in the book, parts of the country formerly unthinkable as places to live slowly become desirable. Such places turn into favored locales for best-selling stories, novels and movies. Imperceptibly, a great migration begins to take shape. At the same time, demand rises for new kinds of products and attempts to fill those demands escalate.

Finally, an explosion of creativity results in a rapid rise of the learning curve. Learning reaches a peak, as it did most recently in the 1960s, when individual desires escalate into the white heat of universally-shared agreement. These are also the times when suppliers are fully and effectively meeting the new demands.

Next, the economy approaches the equilibrium of maturity and full integration. Voila. The shared social vision has completed its development. A totally new socio-economy commands the stage and surges with power.

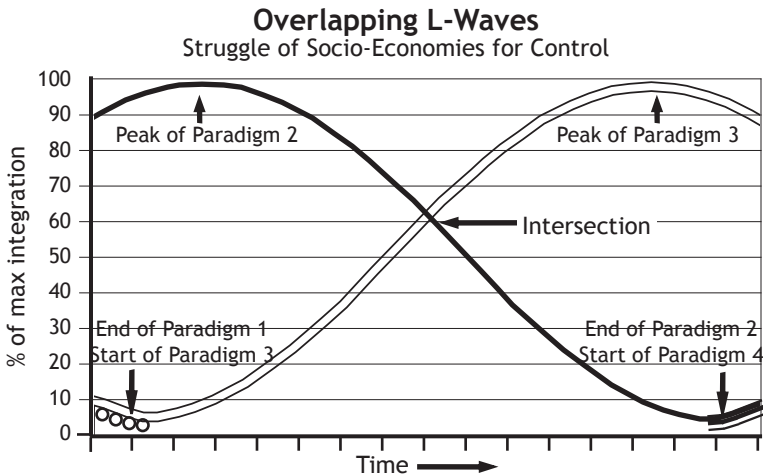
Then comes a somewhat symmetrical downward curve of disintegration, a reversal of the upward move.

The tragedy of this disintegration is rooted in mental pathways that are difficult to unlearn. At first, the downturn is slight, almost imperceptible. However, as integration breaks down, the curve accelerates its downward path.

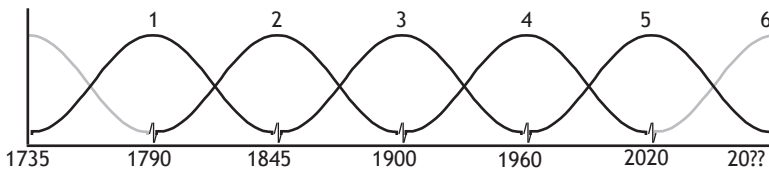
The Learning Wave, or L-Wave, refers to an economy's entire curve of integration and disintegration. The highest point of an L-Wave is 100 percent—virtually total control of the economy.

Like the paradigms that drive them, one L-Wave does not end when another begins. Rather, L-Waves overlap.

A new L-Wave (like that driven by Paradigm Three in the accompanying figure) begins when an old paradigm (in this case, Paradigm Two) reaches its peak. While Paradigm Two falls, the third one reaches its peak and Paradigm Four is born.



From 1735 to the present, five L-Waves have appeared. Five paradigms. Five overlapping socio-economies.



## Why Successive Paradigms are Always Opposed

Economic activity speeds up as people internalize the beliefs and values of the latest socio-economic system; as they build new capital and institutions, introduce innovations to meet new demands, move to the new favored locations. Wages rise. Profits increase. Prosperity prevails.

Now, a new problem begins—the eternal tragedy of *inertia*. Once all its engines are mobilized, unified and thrusting ahead in the same direction, a socio-economy can no longer make necessary changes. Instead, it keeps plowing ahead on a nearly unchangeable course.

Over time, a paradigm that began as a shared socio-economic vision becomes a compulsion. More than a compulsion. A shared mania. And the mania gains momentum.

Failure of a paradigm to adjust incrementally to its own excesses is the root cause driving its eventual transformation to dissolution. Because no paradigm can moderate its manic drive, rescue can only come from another socio-economy directed by an opposing paradigm, or shared vision.

The consumer-driven economy of Little Kings, who shared a mania of getting it all for *me*, rescued the nation from a largely 19th century *us*-oriented economy bent on overproducing railroads, commodities and industrial cities. The 20th century's Little Kings generated desperately needed consumption spending.

The birth of the Little King socio-economy was just what was needed. Now, however, in 2009, the consumer-based economy of the Little King is approaching its final decade before dissolution.