

The Greater Poverty & Wealth of Nations

How every economy has the latent financial resources with which to finance the doubling of its GDP in one year at constant price.

An Introduction to Operating Level Economics

Siize Gabriel Punabantu

The Greater Poverty & Wealth of Nations
An Introduction to Operating Level Economics

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ACRONYMS

1Re	First Revolution Economics
2Re	Second Revolution Economics
3Re	Third Revolution Economics
4Re	Fourth Revolution Economics
5Re	Fifth Revolution Economics
ADB	African Development Bank
APEC	Asia-Pacific Economic Cooperation
AU	African Union
BOZ	Bank of Zambia
COMESA	Common Market for Eastern and Central Africa
CE	Contemporary Economics
DFID	Department for International Development
DOS	Dynamic Operating System
DREG	Damage of Repair to Economic Growth
ECA	Economic Commission for Africa
ECH	Electronic Clearing House
ECB	European Central Bank
EU	European Union
EOS	Economics Operating System
FRB	Federal Reserve Bank
FTA	Free Trade Area
GEOS	Global Economic Operating System
GDP	Gross Domestic Product
GPP	General Price Plane
HDI	Human Development Index
ICT	Information Communication Technology
IT	Information Technology
IFS	International Financing Standard
IMF	International Monetary Fund
LCR	Law of Conservation of Resources
LDC	More Developed Country
LRAS	Long Run Average Supply
MDC	More Developed Country
ME	Modern Economics
NAFTA	North American Free Trade Area
NEPAD	New Partnership for Economic Development
OLE	Operating Level Economics
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
SRAS	Short Run Average Supply
SRT	Scarce Resource Theory / Subsistence Theory
TEI	Theory of Economics Implosion
TP	Technology Paradigm
TPc	Technology Paradigm for Capital
TPh	Technology Paradigm for Households
UNDP	United Nations Development Programme
WB	World Bank
WTO	World Trade Organisation
UN	United Nations
SyD	Systemic Dystopia

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*How every economy has the latent financial resources
with which to finance the doubling of its GDP
in one year at constant price.*

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Preface

Great strides have been made in economics and vast knowledge accumulated concerning growth and development, the world's wealth has multiplied immensely yet so too has poverty and strife; today not only are levels of wealth greater than they have ever been in history, so are levels of scarcity, creating a greater modern day dilemma. I chose "The Greater Poverty and Wealth of Nations..." as the title of this book to emphasise the *greater* challenges and potential for gain humanity faces today despite how far it has come since the renown economist Adam Smith, and chose the caption "*How every economy has the latent financial resources with which to finance the doubling of its GDP in one year at constant price*" to demonstrate from the onset this is not a business as usual book and challenge the reader – take him or her out of their comfort zone in a manner that requires the reader to look beyond the limitations of the present by taking this opportunity to think outside the box and look toward the greater possibilities that exist beyond frontiers of what we know in economics and business today. This book strives to explain key limitations in the fundamentals of contemporary economics which once overcome will end poverty and human strife caused by scarcity. This approach is called Operating Level Economics.

The first question likely to be asked is: *what is Operating Level Economics?* OLE is intended to be a branch of economics and business that diagnoses and counters many of the theoretical constraints and resource limitations of Contemporary Economics (CE) and application in business that prevent it from realising the very important role it must play in human development, capital growth, business management and the elimination of poverty. I began to develop OLE in 1989 and continued to work on it into my second year as an undergraduate student at the University of Zambia. I had at this early stage, after a blissful year of being introduced to economics, already begun to question some of the widely accepted economic theories I had been taught. I asked myself, "will what I am required to learn end poverty and if so why has it not done so already?" and observed that despite the existence of scholars and institutions far more learned, resourced and knowledgeable than I, no comprehensive solution to poverty had yet been found; therefore, even with exposure to the best education and most astute literature there was likely to be no resolute response to the questions I needed answered. As audacious as it might seem - barely a student of economics, I embarked on a task to find the answers to the questions Contemporary Economics could not give me, and hence the genesis of OLE began. For more than ten years OLE evolved taking on greater depth and focus as a result of my professional experience.

There was a need to start at the very beginning and piece together the puzzle to find what had gone amiss. A consequence of this study was to revisit the meaning of economics, its underlying objective that lead to a reassessment of its definition. The definition of Contemporary Economics (CE) is well intended; however, I saw room for growth in that the present definition did not seem to resonate with what the subject could achieve. Therefore, to encourage and provide a distinctive parting of ways I proposed an alternative branch of Economics in my analysis I refer to as Operating Level Economics or OLE. The word 'operating' is intended to emphasise that this approach to economics studies the mechanistic relationship between systemic variables in order to more precisely develop and calibrate solutions to the unresolved economic problem. This title and the ensuing acronym struck a chord with me for, as it was with eureka! the Spanish exclamation ole! also seemed to express the new direction this research was taking in the solution and approach that had arisen from many years of contemplation and analysis. It is hoped OLE will rejuvenate scholars and professionals engaged with economics and business stimulating new interest by revealing the possibility rather than the limitations, the hope rather than despair these important subjects can provide.

One does not have to dig deep to find what hinders Contemporary Economics from meeting humanity's needs in the 21st Century. A change in how economics is understood, taught and practised at

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resource creation levels in lower and higher institutions of learning is absolutely necessary. It is long overdue if economics is to begin to provide the resources nations require to end poverty and comprehensively meet the needs of their people through relentless human endeavour and entrepreneurial drive. On the basis of OLE policy makers, students, economists and institutions can take a decisive step to change how economics is approached and disseminated for it to serve the higher purpose for which it is studied and applied.

Having completed the theoretical work that became OLE I went on to test the new theory by using an MS Access database software package to simulate it and the results were successful. The database is called the Economic Operating System (EOS) and it provides a platform upon which governments can operationalise and implement the accelerated growth articulated in OLE theory. What these results imply is that governments can today smite poverty and scarcity a mighty blow that allows humanity as a collective to surge forward toward a better life for all.

Knowledge lies at the centre of the world's capacity to bring about meaningful economic change. This position is becoming increasingly evident and can be observed in the African Development Bank (AfDB) repositioning itself as a knowledge institution under the leadership of its current President, Donald Kaberuka. It is inadequate to dwell upon knowledge systems that fail to deliver what is required of them simply because they have been seen to work in developed countries or have been handed down over many years. The fact remains that both developed and developing countries are in need of resources. Poverty and scarcity have been around for hundreds of years; even today economists do not have a decisive and comprehensive answer that leads to the comprehensive elimination of poverty and scarcity. Extraordinary times call for extraordinary measures, similarly extraordinary problems call for extraordinary solutions. Poverty and scarcity are an extraordinary problem that will require daring levels of analysis and a solution that ends speculation on how they are resolved. Is OLE theory sound and is it believable? I like to answer this question with an illustration. At age thirteen I came to learn about the Wankel engine and decided I would design a unique engine comparable to both the Wankel and the piston engine. I took my pencil, paper and ruler and began to work on the concept eagerly explaining what I was doing to anyone who would listen, unfortunately almost everyone ridiculed what I was doing due to the sheer audacity of it, some even appeared visibly upset; I was asked, *with all the scientists and engineers working on designing engines at Toyota, BMW, Mercedes and so on who was I to think I could design an engine in any way comparable to theirs let alone an engine that could actually work?* I laboured for a long time until I finally reached what I felt was an appropriate engine design. Years later these designs were seen by a Dutch Professor of Engineering at the University of Zambia, School of Engineering, who was impressed enough with them he called me to discuss building a working model. The moral of this story is that no one should believe anyone has a monopoly on knowledge and we should not withdraw our hands from dreams simply because it seems they are unreachable; people tend to refute and dispute what they often do not understand even when it is explained succinctly simply because of its source or for the reason that it appears extraordinary. I would expect the same reaction from many people who study some of the inferences of OLE which states and demonstrates that poverty and scarcity can be eliminated comprehensively. OLE theory proves that *ceteris paribus*, every economy, at any point in time (within its economic operating system) contains the latent financial resources with which to finance the doubling of its GDP in one year at constant price. The capacity of an economy to achieve this has been identified in OLE theory, tested by simulation using the economic operating system EOS. Though external resources may be used to implement, develop and maintain the operating system and relevant technologies, the economic operating system once implemented is able to generate financial resources without the need for external financing and without interfering directly with the natural manner in which an economy grows. The percentage of these latent resources that can be captured through the financial system and harnessed for economic growth and development depends on the technology paradigm that

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in turn determines the absorption capacity of the economy in question and the extent to which its electronic money (emoney) infrastructure is developed such that EOS technology as a platform for accelerating growth and development may be broadly integrated into its financial institutions and processes. Though these resources can be made available through EOS there should be guidelines governing how they are used by governments with an emphasis placed on the use of these resources for equality, human rights, peacebuilding and the upliftment of disadvantaged countries and peoples. It is for this reason that I have been reluctant to simply hurl OLE theory into the public arena where it can be used to the advantage or disadvantage of others. If there were a holy grail in economics it would be the theory, mechanism and means by which poverty and human strife that arises from scarcity were comprehensively eliminated. This pursuit is central to economics and OLE is possibly a first unambiguous step on the journey to that objective.

It is without a doubt that in the global perspective Africa is a continent amongst many that has faced the greatest challenges. However, these challenges should, when contrasted against the achievements of prosperous developed countries, not encourage people to believe that these nations are that much better off. In these wealthy nations there are many people who suffer, who endure great hardship, do not have a roof over their heads and who do not know where their next meal will come from. If one takes the time to look away from the sky scrapers, the highways and glamorous lifestyle of the few, beneath it all there are many who's struggle to survive in the developed world, whose ordeal, would rival any similar tale from another continent. The goal therefore is much more complex than the simple desire of developing countries to become as prosperous and developed as their peers. The analysis must delve much deeper than this simplistic objective.

This introduction to OLE, which is possibly the first of many, is deliberately written and presented in a reader friendly style and format. I have attempted to make it academic, yet interesting to read whilst weaving in cutting edge theory that may at times push the envelope on what a layperson reading this book might be expected to know about economics, business and management.. I have avoided making it a textbook, diatribe, heavily referenced thesis or commentary, but rather an easy tour of analysis in which the journey is scenic and complements the destination, which is a means by which economics may end poverty.

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What are the highlights of this publication?

First and foremost this publication looks at the problem of scarcity and why it has lead to the existence of poverty, slow growth, underdevelopment and business failure. It is an approach unlike any you have previously encountered as it identifies scarcity primarily as a product emanating from the core of the economic *operating* system and how it functions rather than the bad decisions being made in some business manager or politician's office alone. Therefore, scarcity is not directly caused by man; rather, scarcity and poverty are a systemic problem where human beings are victims rather than the cause. Poverty is a reality that has pursued humanity into the 21st Century. Every nation faces scarcity in some shape or form, be it more or less developed. The wealthiest nations on earth are not spared this challenge; they struggle with ghettos, inner cities and inadequate resources; while the poorest nations battle famine and extreme poverty. Despite great strides in technology and volumes of time, effort and finance invested in development, why do nations today and humanity in general still grapple with scarcity? This publication offers the answer to this dilemma by introducing a new approach to how these issues are understood.

Secondly, this publication shows that the rate at which an economy grows need no longer remain beyond the direct control and intervention of modern day governments. A government can determine the rate at which its economy grows over a year in direct proportion to its needs. Most significantly, *ceteris paribus*, a government can significantly increase the rate and efficiency of productivity creating an expansion of GDP at current price. This is achieved by advancing economic theory, introducing appropriate technology and making systemic adjustments to the structure of the circular flow of income.

Thirdly, this publication shows that the scourge of poverty is directly related to systemic imbalances, limitations, flaws in economic theory at the fundamental level, and failure that monetary and fiscal policy alone are incapable of eliminating. It brings forth a revolutionary approach to resource creation and distribution that can have an immense impact on business, industrialization, productivity, management and the capacity of these to provide for humanity.

Finally, this publication introduces an economic and business approach that offers more precise control over an economy. This in turn is capable of leading to greater confidence, stability and resistance to shocks that reduce industrial and consumer confidence such as terrorism, natural and man made disasters or economic recession.

Chapter One.

Introducing Operating Level Economics (OLE):

A Departure from Contemporary Economics

The moment I took my first course in economics at university I quite proudly considered myself a budding economist able to articulate the machinations of a modern economy, yet I would very soon discover I was a student of a subject that could not provide a satisfactory answer to the poverty I saw and felt around me despite extensive literature on economics I was exposed to and the abundance of well articulated theories. I realised that productivity was a key element in how businesses contributed to economic growth. The link between economics, businesses and the systemic environment in which productivity took place was an important facet for determining how yields could be raised to satisfactorily meet human needs. I laboured over Operating Level Economics (OLE) as a re-genesis of Contemporary Economics (CE) to make the subject relevant to our generation, its future and its plight; it was to a great extent a personal struggle as my passion and admiration for economics as a subject could only be reconciled by its ability to end poverty and strife. A means to achieving this was to identify scarcity as the fundamental source of modern day poverty. The struggle was not only to identify the problems within economics to see how it could improve the performance of businesses and not only identify what prevented it from eliminating poverty, but how to express these ideas clearly and concisely. The idealistic triumph I would look forward to was for these ideas to bring a greater richness to economics as it is taught in schools, colleges and universities, applied by researchers and policy makers such that the subject attains its ultimate objective of eliminating poverty wherever in the world it may exist. The ideas I developed for OLE began as early as 1989 and have been laboured over, in the time I could allocate to them, for many years albeit sitting on a shelf somewhere at intervals where the enthusiasm would flounder. Nevertheless, the cycle of persistence did triumph and has become the very words you now read before you. The very least that OLE should do is challenge scholars, researchers and policy makers to see new possibilities and methods by which to improve people's lives.

Operating Level Economics (OLE) departs from many of the fundamental ideas found in Contemporary Economics (CE). CE generally defines economics as a science that studies the allocation of scarce resources between competing uses and how this process is influenced by or influences human behaviour. *In the social sciences, **economics** or **oeconomics** is the study of human choice behaviour and how it effects the production distribution and consumption of scarce resources. Economics studies how individuals and societies seek to satisfy needs and wants through incentives, choices, and allocation of scarce resources*¹. The CE definition tends to be too passive about the role of economics giving the impression that it is not proactive about finding solutions to the resource limitations it encounters. One gets the impression it becomes infatuated with its ideas rather than what those ideas are supposed to achieve for humanity, hence, there develops a chasm between what is known in economics and the desperation many people endure. It appears to focus on analysing or studying resource limitations and how these limitations influence or are influenced by human behaviour and does not have a clear ultimate mission or vision. Will allocation always take place between competing uses and in an environment of scarcity or is this a limitation with which contemporary economics is overwhelmed and preoccupied? On the other hand OLE is more proactive and assertive about its mission and purpose. It *intends to create new resources* rather than remain fixated by existing resource limitations. CE has also been defined as a study of man in the ordinary business of life by Alfred Marshall in the late 19th Century, which seems to epitomise the acceptance of every person's natural struggle against omnipresent scarcity. Is scarcity truly

¹ Wikipedia Online Encyclopaedia <http://en.wikipedia.org/wiki/Economics>

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omnipresent? OLE acknowledges the impact of resourcism on human behaviour that can lead to racism, inequality, economic discrimination, general and specific prejudice caused by people functioning in environments where resources are scarce and economists formulating ideas based on the belief that scarce resources are an omnipresent condition. On the contrary OLE states that scarcity is in fact an artificial condition that can be countered and goes on to demonstrate how this can be done. OLE has a clear mission and vision about what it wants to achieve in economics and therefore assumes a fresher, more decisive approach in finding solutions to economic problems. It defines economics *as a science that studies the use of operating systems in relation to the creation of resources and their effective use*. It strives to create resources and wealth by which adverse scarcity and consequential suffering are eliminated, and grasps how an understanding of resourcism can be made to positively influence human behaviour. It defines resourcism as the allocation of resources to the factor that is considered the most useful, most desirable or that is perceived as being more superior and how this influences human behaviour and relations. The mission of OLE is to create the resources by which productivity, industry, business, households and humanity in general may achieve prosperity and a meaningful existence free of diverse forms of adversity, not in half measures, rather, in full. Its vision is to create a world free of poverty, recession, underdevelopment and conflict that is caused, aggravated or influenced by resources.

An operating system in OLE is referred to as any series or sequence of related causes and effects, simple or complex that enable variables of any kind to function efficiently, effectively, and with the avoidance of inherent error, toward achieving a specific or multiple set of goals. Though very similar to the approach used in information technology, operating systems in OLE are not confined to computer based operating environments. They can be applied to any system of cause and effect, input and outcome, be it behavioural or non-behavioural, that can be tested for efficacy, studied more closely and improved by being rendered using clear mathematics, verbal communication and diagrammatic sequencing techniques. OLE subscribes to the fact that every basic functioning organism, entity or system operates on the basis of cause and effect or a similar parallel symbiosis that sustains its existence. When the outcome of isolated synergy is expected or desirable then that system functions at what human beings regard as an optimum. When a system does not yield a desired result or exhibits discordance within the multiple set of results required to deem it desirable then that system will fail to function optimally. Hence, flaws in the economic operating system lead to symptoms such as poverty, unemployment and scarce resources. In an organism these symptoms would be interpreted as disease, pain or discomfort. When it comes to basic systems there is no disease that is incurable and equally no economic problem that cannot be solved. Misdirected research will fail to yield the required solution regardless of the value of resources spent on its goals. Similarly, when the laws of cause and effect or parallel symbiosis that yield a specific reality are inadequately researched, understood or reconstructed the systemic failure, symptoms or *disease* come to be regarded or referred to as incurable. This incurability becomes a misconception or common pathological syndrome. It represents inadequate understanding or misdirected research concerning the operating structure of the systems or organisms being studied. This in turn can result from using outdated scientific paradigms as a means to solving a complex or simple problem.

The basic economic problem

In CE it is clearly stated that *resources are scarce, human wants are infinite*. OLE refutes this position. This CE position gives the impression that scarce resources are an ultimate unchanging condition and therefore incorrectly formulates economic theory based on this limitation. This position encourages scholars to have a defeatist approach to the issue of scarcity. The consequences of this can be very negative in that the role of economics and the general purpose of the subject are misunderstood. Rather than develop the capacity to think outside the limitation of scarce resources by which new theories or

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means for overcoming these limitations are found, instead creative thinking is curtailed to function within the boundaries of the belief that resources are scarce. Furthermore, CE encourages scholars, policy makers and adherents to believe that infinite wants are a negative human quality. This reduces the real and moral worth of human beings to that of parasites sucking on the insufficient proceeds of the economy and can have substantive negative consequences on how institutions and governments treat and regard humanity. It implies that human life or existence is in conflict with the resources required to sustain people. This simple error can encourage a belief system that mistakenly propagates that access to resources and their availability is more important than human beings. It may encourage governments and policy makers to downplay the worth of human life and human labour when it comes to the formulation and implementation of policies intended to create economic growth since the economic system becomes more important than the people it will affect. This flaw has become most significant in the level of suffering people are forced or expected to endure during economic transition from planned to free market systems. Inevitably CE encourages economists to confine their innovative efforts and theory to the limitations pre-existent in an economy thus retarding the capacity of the subject to advance out of these apparently mythical limitations.

OLE refutes the basic economic problem proposed by CE and instead proposes the resolution be made that human innovation and ingenuity are the solution to scarcity and the answer to any and all economic problems that may arise. It takes the position that human ingenuity is capable of solving any and all aspects of scarcity, which it divides into seven categories. Scarcity as it is referred to in CE is regarded as “adverse” in OLE, that is, it is created by bottlenecks or systemic inconsistencies that exist at the operating level of economies. These create scarce resources despite the fact that resources may be readily available, hence the term ‘adverse scarcity’. OLE encourages the view that any economic problem, even the basic economic problem of CE, can be solved through innovation and ingenuity.

Risk is a fundamental aspect of the ability to solve and apply solutions to new problems. Progress and movement cannot be obtained without a capacity to take risks, preferably calculated. Without this attitude new ideas and developments be they in science, technology or the humanities with potential to improve humanity’s well-being may never see the light of day; society, the public and private sectors have to be open to new approaches, methods, techniques and technologies; they should be ready and willing to experiment to get ahead rather than remain stuck in a repetitive groove. Society should encourage scholars to think outside the boundaries of scarce resource theory and apply themselves to finding solutions rather than accept to work within discouraging limitations. In OLE human wants being infinite are not seen as a liability, rather as an untapped asset, a positive driving force for industry and economic development capable of sustaining productivity. This position makes economics more humane in that it does not see the wants and needs of humanity as a liability.

Understanding Choice

In CE resources are scarce. Therefore, people have to decide what they can and cannot have. The role of economics is to make people aware that their choice is limited by adverse scarcity and is expected to be exercised within these limitations. As indicated earlier scarcity is often a false or imaginary limitation that tends to be conveniently accepted as absolute in CE. To allow this to limit choice perpetuates the belief that poverty and inadequacy are an irreversible economic reality or condition economists and the public should tolerate as a natural consequence of their existence. The impression the CE approach gives is that the role of economics is to constrict infinite human wants and limit choice to what is available. Limiting choice to what is available encourages economists to believe that people should ultimately learn to accept the economic conditions which they find imposed upon them through scarcity if they are to realistically function within that prescribed economy. Choice is frowned upon since the belief instilled is

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that for every choice made there has to be an 'opportunity cost' that reduces the value of one's capacity to choose. This is imprudent.

On the other hand OLE observes the role of economics is to ensure that people, firms and institutions make choices that are not limited by adverse scarcity. People, institutions and government should realise that choice is enhanced or increased by the economic operating system in which choice is exercised. OLE recognises that choice is one of humanity's greatest assets. It determines the distribution of resources from microeconomic to macroeconomic levels that sustain the working efficiency of the superstructure of industry. It also sees the fact that an opportunity cost with each choice made is an asset if the 'cost' aspect of making that choice can be overcome, in the sense that it gives the decision maker an opportunity to expand choice and therefore consumption beyond the chosen item to include the one foregone should it be considered desirable or deemed useful to have. It recognises that real cost is a loss that can be recovered in order to increase productivity and the effectiveness of an economy.

Allocation

In CE since resources are scarce they have to be allocated between competing uses to the favourable, useful or optimal factor. This limits the effectiveness of allocation by leading to the exclusion of many factors that may be deserving but unable to access resources on the basis of this theory. The approach implies that there must perpetually arise a situation where some CE factors will gain resources at the expense of others, hence introducing the concept of 'real cost'. This inadvertently validates the belief and condition that there must exist those who have and those who have not, those who are rich and those who are poor. CE holds the belief that allocation is limited by choice, which in turn is limited by scarcity. This may encourage economists and scholars in general to believe scarcity necessitates an inflexible system that requires people to forgo something in order to acquire another even when this 'cost' is unnecessary. As a result of being confined to this belief system CE does not identify levels of allocation at which opportunity cost takes place and may be countered.

OLE takes a different view altogether. It sees the role of economics, when it comes to allocation, as one to create the economic operating systems that enable distribution to negate the negative incidence that arises from allocating between competing uses aggravated by adverse or artificial scarcity. Rather than limit the effectiveness of allocation to scarce resources OLE instead states that human ingenuity determines the availability of resources and therefore the breadth, depth and effectiveness of allocation, not the scarce resources being allocated. Competing uses are seen in OLE as a limitation of artificial scarcity found in CE theory that can otherwise be overcome by innovation and ingenuity. The economic operating system is the core determinant of scarcity and availability within a given economy. It can allow demand to be determined by choice rather than resource limitations. OLE identifies three fundamental levels of allocation with opportunity cost. These are allocation between households and capital. This is the core or the 1st level of allocation. The 2nd level of allocation is allocation by consumers between household goods and services. The 3rd level is allocation by firms between capital goods and services. Even resources that are limited in quantity are limited only due to innovation and ingenuity not being sufficiently or correctly applied in economic theory. Ultimately OLE states that an economy should be capable of arriving at a condition where allocation is determined by choice and where necessary without limitation, rather than the dictates adverse or artificial scarcity.

Resources and Scarcity

According to CE theory resources are scarce; it regards scarce resources with a finality within which most of its theory is created. Its theory is limited to the stock of resources available in an economy or

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the surpluses that can be created by re-organising variables within the 'scarce' system. These limitations inadvertently cripple what industries, households and governments are able to provide by way of resources for allocation to growth and development. It traps households, firms and governments in a vacuum of adverse scarcity that makes poverty underdevelopment and the failure of industry an inescapable reality and permanent feature of present day economics. In CE scarce resources limit the thought, theory, utility, growth and development value of economics as a professional and academic subject. In addition to this CE does not clearly define the various levels at which scarcity occurs due to the fact that it ascribes an infinite existence to scarcity.

The approach to and view of scarcity found in OLE makes a clean break or departure from CE theory concerning how scarcity is understood. CE theory states that resources are scarce. OLE theory states that *resources are not scarce*. OLE does not accept resource scarcity with the finality observed in CE. It does not limit itself to the stock of resources available in an economy or the surpluses realised from the current system if they are insufficient to meet existing needs and requirements of a given population. Resources need never be scarce or limited due to the fact that they can be created or reduced by making changes to the economic operating system. The ability to create resources through adjustments to the economic operating system without compromising or subtracting from other factors of production is central to OLE theory. The barriers to thought, theory, utility, growth and development created by regarding resources as scarce with the finality observed in CE is effectively discarded. This allows OLE to shake the monkey of its back, escape this potential pitfall and design new solutions and theories that are advanced enough to deal with resource problems that the short reach of CE perpetually fails to remedy. Scarcity is broken down into seven components. These are not regarded in any way as limiting. The seven factors of scarcity though real are also rendered relative in the sense that they are overcome by innovation and ingenuity. The first factor is Scarce Research and Technology, which is self explanatory. Scarce Scientific Knowledge which refers to the lack of scientific knowledge with which to increase the abundance of a substance. Scarce resources refer to the finite volume of materials, energy, elements and other naturally occurring resources. *Scarce Means of Production* refers to inadequate capital machinery or financing for investment. *Scarce Purchasing Power* is the inability to sustain ventures or activities once they have taken off. *Scarce Corporate and Social Organisation* is the lack of adequate governance, political, governmental, corporate and systemic organisation. OLE theory states that ingenuity and innovation overcomes all factors of scarcity, hence, it adheres to the position that resources are not scarce. More detail on the seven factors of scarcity is provided in later chapters. Scarcity in itself is relative and human endeavour or creativity and its capacity to provide should not be stifled and compromised by ascribing a non-relativistic nature to scarcity as observed in the fundamentals of CE theory.

Opportunity Cost

In CE the role of Opportunity Cost is to determine the real cost of allocation and make it appreciated that for every allocation made an alternative has to be forgone. It does not recognise that opportunity cost when involuntarily induced can be an indication of systemic failure or inadequacies in the operating system of an economy. This is due to the fact that consumption is the means by which productivity is sustained. When a product has to be forgone due to opportunity cost an economy loses the opportunity to maximise on choice. CE does not delve into this aspect of economics with the depth it requires to eliminate scarcity and as a result does not clearly formulate the levels at which opportunity cost impacts on an economy. Opportunity cost is seen as an inevitable cost that must be borne. CE sees opportunity cost as a factor that limits demand; it is 'advantageous' to regard resources as permanently scarce. Opportunity cost forces consumers to lose something in order to acquire what they deem most desirable.

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It dissuades them from questioning why they must involuntarily forgo any product in the process of executing a choice. The premise is that there is not enough to satisfy their needs. CE disguises heavy levels of economic inefficiency and redundancy by making economists fail to identify how real cost involuntarily induced is an indication of potential flaws in the operating system of an economy. This oversight has become a real limitation to the ability of economists to find progressive solutions to adverse scarcity, that is, a problem cannot be corrected if it is not identified; a sick person denying illness does not seek medication as there is 'nothing to cure'. It has also caused industry, households and governments to needlessly lose resources that should have been and could still be put to good or productive use. Failing to observe that there is a link between opportunity cost and systemic failure inadvertently leads to stagnation, poverty, hunger, underdevelopment, recession and general economic instability being tolerable or an 'accepted condition'. CE teaches scholars and policy makers to work within these limitations at great cost to productivity and the capacity of humanity to provide sufficient resources with which to fully and adequately sustain itself.

The Philosophy and Approach Behind Economics

CE is centred around a philosophy that is built on the limitations associated with scarce resources. This has led to a pessimistic view of the relationship between humanity and resources as can be observed in the statement *human wants are infinite whilst resources are scarce*. Working within these limitations in itself can cut short the benefits of innovation gained from being able to think beyond scarce resources. It discourages solutions to resource scarcity by encouraging theory to work within the boundary of adverse scarcity. It pre-disposes resources as being permanently scarce and thus focuses on systems of allocation appropriate to this condition. This position does not lead to the problem of scarcity being solved due to the fact that it is not considered a solvable condition. Economists are thus expected to theorise and express their creativity within this limitation. In other words an attempt is made to make the best of a difficult condition rather than change the condition itself. This leads to the management of resources and formulation of policy within existing limitations. The abstinence of poverty today may very well be traced to this prevailing condition in CE, which appears unaware of its limitations and consequences. CE limits the scope of economics by confining it to a discipline that is trapped and mired in scarcity. It reduces the subjects potential by making it a taker of scarcity and related economic indicators over which it is predominantly powerless and whose limitations it must embrace. This makes contemporary economics retreat too intensely into a domain where it is a victim of statistical outcomes rather than approaches and policies that allow economics to exert greater control and dexterity over economic indicators to pre-determine the levels at which they should reside. The fact that contemporary economics does not recognise the importance of studying economics at the operating level may contribute to stagnation, poverty, hunger, underdevelopment, recession and general economic instability that are technically outside the control of policy makers.

OLE is centred around a philosophy that is built on the greater possibility and potential created by the belief innovation and ingenuity are the solution to any and all forms of scarcity. There are no limits to resources of any kind be they financial or natural except those that economists impose on themselves. By being innovative, inventive, tenacious, open minded and relentless about finding solutions economists will not fail to find a solution to any resource problem that faces society, industry, businesses, the public and private sectors, a nation and humanity in general. It emphasises that the operating system predetermines the capacity of the allocative system to provide adequate resources. As a result business and governments have access to far greater tools and approaches with which to solve socio-economic woes and crises. By opening up the possibilities OLE renders economics more exciting and interesting to scholars who are given the mandate to challenge what prevents it from creating an ideal resource

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endowed condition. OLE encourages the belief that the failure of economies, poverty and suffering are avoidable and can be viewed as an unnecessary socio-economic circumstance. Economists can and will find solutions if they apply themselves to the difficulties at hand.

Problems Related to Recession and the Current Global Economic Crunch

The world in 2009 went through economic meltdown. The global economy will ‘recover’. However, even if governments manage to get economies back on track they will not have genuinely solved the real problem behind the global economic crunch. The troubles stem from the fact that CE economies are sterile (are not designed to create growth) and any attempt to solve the problems faced by governments, businesses and consumers in 2009 and beyond that does not include discarding the CE model or system are truly futile; recessions or busts will keep coming back to destroy what little gains have been made. The sterility of the CE economy will be dealt with in more detail in later chapters that explain the process of implosion. Sterility means that growth in the CE model does not occur naturally. Even when the public begins to observe a recovery from the recession of 2009 as will undoubtedly occur, recovery will not entail that the problem leading to recession has been cured. In the excitement of making profits, trading and investing money the public tends not to realise the futility of doing this in an economic model that is incapable of growth. It is also interesting to note how news coverage exhibits recovery by selecting key companies showing signs of improved performance. What is being displayed is not necessarily a true recovery. Growth in a CE economy is like trying to squish a balloon, the trapped air tends to bulge in different parts as wealth moves between companies and entities, but in terms of mass tends to remain the same; growth or recovery is often an illusion and will appear to take place nationally, regionally, continentally or globally through:

1. Transfer of wealth between buyers and sellers
2. Transfer of wealth between stock markets, banks and other financial institutions
3. Transfer of wealth between debtors and creditors
4. Marking up of products by businesses in an attempt to ‘short circuit’ or counter the CE economy’s sterility to achieve financial gains
5. Deceptive accounting or financial recording that gives the appearance of real growth
6. Genuine mistakes where growth and recovery are erroneously recorded

The CE system in use today is not designed to create growth, it is in fact a *zero growth system* working to *prevent* economic growth. Governments need to be wary of the fact that the CE system appears to have nearly all the characteristics of a ponzi or pyramid scheme. It is essentially a zero growth system yet it promises economists, governments, investors, buyers on stock markets and economy in general “growth” something it is inherently designed *not* to create as can be seen in the fact that businesses have to break its zero growth position to survive by marking up products; being global it appears to be the “mother of all ponzi” schemes. By existing on the scale of national economies it is so large that national and international transfers of wealth are often easily and mistakenly experienced as “growth”; this size accommodates national and global extremes of poverty and wealth that appear unrelated to one another and yet it has achieved what no other ponzi scheme appears to have been able to, that is, the ability to just keep going. It keeps going even after it has collapsed and bankrupted some governments, households and business. A CE system must inevitably go bust, the same is true of a ponzi scheme. A CE system cannot comprehensively explain how wealth is created, if it could poverty would not exist, the same is true of a ponzi scheme as the facilitators of the scheme are unable to clearly explain how it will make its gains. A ponzi scheme relies heavily on the confidence of its investors to remain

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viable so too does the CE system. It seems the only difference between the CE system operating today and Bernie Madoff's ponzi scheme is that Madoff couldn't print money or charge taxes to stay afloat. Could this be a possible explanation for why, despite being inherently flawed, the CE system is able to just keep going; bailing itself out, creating unemployment, shutting down viable businesses, crushing families, firms, governments, and the poverty stricken, using the public's ignorance to trap the majority in a sinister never ending financial rendition of purgatory? A 'recovery' from recessions in a CE system can be likened to a good movie, it is an enactment using props and actors to affect the mood of the audience; it's not in this sense real, similarly as long as the CE system is not changed the businesses, government planners and the public will keep believing the delusion they have survived a recession or protected themselves from its recurrence when in fact they have simply been deceived by the CE system and positioned for the next one. As a result recovery from the recession of 2009 will simply be a moment for pause for everyone to catch their breath and think everything is fine before the roller coaster ride takes its next big plunge. To date CE has failed to clearly identify the causes of recession or to provide satisfactory solutions to the problems nations face in relation to poverty, slow growth, underdevelopment and industrial failure. Furthermore, its applied theory has failed to meet real life expectations, especially in growth and development fields. It does not identify the stalemate created by markets in equilibrium or the wobble effect induced by cost-plus pricing and how this kink in the system may contribute to economic instability. The solutions to recession and slow growth are predominantly based on monetary policy which can be a burden on the private sector and economy in general. Contemporary economics has two basic tools for managing economies; these are monetary policy and fiscal policy. These two tools may be inadequate in that they do not guarantee a stable economy, neither have they succeeded in ending poverty. This may leave economies, governments, social systems, banks and firms vulnerable to recessions without a first line of economic defence that acts as a buffer against losses incurred.

Most importantly when economies are well into the aftermath of the recession of 2009, there are still many questions that beg for answers concerning recovery. At the height of the prosperity bubble when the whole world appears to have been in a suspended state of financial bliss prior to the global crunch was the global economy in such a great place for everyone or for a few countries, people and groups? Was there no poverty prior to the crunch, was there no unemployment, were there no budget deficits and were there no countries, businesses and groups that were facing some kind of economic hardship? There is a need for some soul searching. Those countries, businesses and people whose fortunes turned for the worst during the downturn of 2009 should not forget that the hardships they experienced during the crunch are difficulties faced by many the economy was unable to accommodate even during the 'good times' who had come to accept hardship as a way of life prior to the crunch and who are likely to continue to suffer long after the those who believe their personal recovery is a global experience tell the world the recession is over. Therefore, is it enough to be satisfied with a recovery and a yearned for post recession normalcy, when normalcy will still mean many continue to experience economic hardship in some shape or form? When the wheels of 'progress' begin once again to turn it is important for those that are better off not to assume that the rest of the world enjoys the same feeling and access to resources. Could this attitude or naivety and a resulting greed and recklessness be one of the ingredients that led to the global crunch in the first place? It is important not to become mesmerised by the fortunes and better life of some, even if they may appear in great numbers, such that it begins to make people believe there is nothing more that needs to be done to change the global economic landscape. There is a need to not simply look for recovery, but to look beyond recovery toward what greater possibilities exist for everyone rather than a handful of people and countries.

OLE explains the role of financing in growth and development and sets minimum financing requirements for countries to be able to obtain an international standard of living. An international financing standard (IFS) is elaborated on in chapter two. There are several levels of financing identified

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in OLE. The first is core level financing which is the financing inherently available in the operating system of an economy that can be tapped into or captured to enhance stability without opportunity cost arising. Core level financing enhances other forms of financing such as primary, secondary, tertiary and quaternary financing. Primary financing is the financing provided by a strong domestic market with a reasonable population size and well disbursed income. Secondary financing is the financing created by access to markets through free trade areas, free market policy, unions or bi-lateral trade agreements. Tertiary financing is the financing provided by credit creation, domestic and international sources of funding in the form of grants or loans. Quaternary financing is the financing provided by stock markets. At present stock markets, in terms of stages of economic development, are the most highly evolved medium of financing available to economies. OLE holds that self sustained growth is difficult to achieve without first solving the issue of primary financing. A strong domestic market that acts as an anchor, buffer or resource foundation upon which an economy is built is necessary for a country to be self reliant. All other forms of financing except Core Level financing are subordinate to Primary Financing. The IFS cannot be achieved by applying scarce resource theory found in CE, in this environment it appears an impossible objective, however, using the OLE approach the means by which this objective can be achieved is identified and it is not seen as an impossible feat. OLE proposes not only theory but provides the operating system and mechanics by which accelerated growth is obtained using an e-money database system for managing transactions.

By teaching subsistence theory or scarce resource theory (SRT) in academic institutions CE may inadvertently propagate serious limitations that have negative consequences when applied through governmental and non-governmental policy making institutions. It teaches students at secondary and tertiary levels of education theories that are based on and derived from the limitations of SRT and this is likely to undermine the problem solving ability of economists graduating from schools colleges and universities. It may state resources are scarce therefore how do economists allocate the little that there is? Rather than state, for example, that it is theorised resources are scarce, however, this concept and condition of scarcity can be overcome with the right approach and ideas. Economists will have difficulty solving economic problems the reason being that from the onset they are taught these problems cannot be solved. Though well structured, theorised and applied CE approaches encourage scholars to use economics to manage scarce resources rather than learn how to use economics to create new resources outside the theoretical constraints of SRT. The limitations in SRT may create a generic problem in that the limitations inherent within it perpetuate underperforming economic strategies implemented to achieve underperforming levels of growth and development having lost the capacity to see its own shortcomings. This blurred vision may be a key reason for the failure thus far of CE to deal satisfactorily with poverty, unemployment, underdevelopment, recession, suffering caused by adverse scarcity, basically a whole Pandora's box of problems and difficulties governments and businesses battle with today in both developed and developing countries.

Unlike CE, through the Theory of Economic Implosion (TEI) otherwise referred to as Systemic Dystopia (SyD), OLE identifies what causes scarcity; furthermore it identifies how the problem of scarce resources can be overcome. The fact that contemporary economics operates in direct conflict with the role and objectives of businesses is also identified. Operating Level Economics has another fundamental advantage over CE in that the operating systems it devises as a means for solving economic problems can readily be transferred to information technology (IT) platforms and implemented to achieve the results identified through analysis. The software and other infrastructure that provide these deliverables are capable of unique outcomes such as the lowering of interest on loans and the capacity to reduce the incidence of tax; aspects that are elaborated on in more detail later in this book.