

# Enslavement, Persisting through our Political Economy



# Enslavement, Persisting through our Political Economy

By

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Cambridge  
Scholars  
Publishing



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This book first published 2018

Cambridge Scholars Publishing

Lady Stephenson Library, Newcastle upon Tyne, NE6 2PA, UK

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

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ISBN (10): 1-5275-1367-X

ISBN (13): 978-1-5275-1367-9

*For the attainment of wisdom, which will once again lay bare what was  
once seemingly evident.*



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## PREFACE

I spent the first eighteen years of my life in India, was educated in the US and have spent my adult life in the US, China, Hong Kong, Tokyo, and Singapore, working in the field of finance. As a student of philosophy, I have learned about the Indian, Western and Chinese cultures and as a student of economics and finance, primarily about Western capitalism.

What started as a historical curiosity on the nature of morality in economics soon turned into a multi-year research project filled with fascinating revelations. I am happy to share this enlightening journey with the readers of this book. My research, in reviewing the contributions to the evolution of the global political economy, is by no means exhaustive. I have been limited by time, availability of resources and my limitations. My interpretations of the various philosophies, as well as the theories, might also differ from other viewpoints. My primary objectives in compiling this text have been regard for historical accuracy, a global perspective, and a progressive evaluation.

The material for this book has come from my personal experiences, a review of numerous papers written in economics and finance journals as well as the following books (English translations), laid out in chronological order.

1. Abridged Vedas, 3500 BC-1000 BC.
2. Analects of Confucius, 5<sup>th</sup> century BC.
3. Republic, 4<sup>th</sup> century BC, Plato.
4. Politics, 4<sup>th</sup> century BC, Aristotle.
5. Arthashastra, 2<sup>nd</sup> century BC, Chanakya.
6. Muqaddimah, 14<sup>th</sup> century, Ibn Khaldun.
7. An Essay on Economic Theory, 18<sup>th</sup> century, Richard Cantillon.
8. The Theory of Moral Sentiments, 18<sup>th</sup> century, Adam Smith.
9. Wealth of Nations, 18<sup>th</sup> century, Adam Smith.
10. The Communist Manifesto, 19<sup>th</sup> century, Karl Marx and Friedrich Engels.
11. Thus spoke Zarathustra, 19<sup>th</sup> century, Nietzsche.
12. Principle of Economics, 19<sup>th</sup> century, Alfred Marshall.
13. American Negro Slavery, 20<sup>th</sup> century, Ulrich Bonnell Phillips.



14. The Protestant Ethic and the Spirit of Capitalism, 20<sup>th</sup> century, Max Weber. Translated by Talcott Parsons.
15. Corporate Life in Ancient India, 20<sup>th</sup> century, Ramesh Chandra Majumdar.
16. Capitalism, Socialism and Democracy, 20<sup>th</sup> century, Joseph A. Schumpeter.
17. The General Theory of Employment, Interest and Money, 20<sup>th</sup> century, John M. Keynes.
18. A Theory of the Consumption Function, 20<sup>th</sup> century, Milton Friedman.
19. Quantity Theory of Money, 20<sup>th</sup> century, Milton Friedman.
20. Time on the Cross: The Economics of American Negro Slavery, 20<sup>th</sup> century, Robert Fogel and Stanley Engerman.
21. The Clash of Civilizations and the Remaking of World Order, 20<sup>th</sup> century, Samuel P. Huntington.
22. Media Control, 20<sup>th</sup> century, Noam Chomsky.
23. Nudge: Improving Decisions About Health, Wealth, and Happiness, 21<sup>st</sup> century, Richard H. Thaler, Cass R. Sunstein.
24. Modern Money Theory. A Primer on Macroeconomics for Sovereign Monetary Systems, 21<sup>st</sup> century, Randall Wray.
25. The 7 Deadly Innocent Frauds of Economic Policy, 21<sup>st</sup> century, Warren Mosler.
26. Capital, 21<sup>st</sup> century, Thomas Piketty.
27. On China, 21<sup>st</sup> century, Henry Kissinger.

## ACKNOWLEDGMENTS

I would like to thank the people who have served as a sounding board for some of the thoughts expressed in this book as well as those who have offered to read the material and provide their kind suggestions.

First, to my brother Abhinav, for suggesting various sources of information during the research phase of this book.

To Kasie, for being an ardent supporter during the grueling process and helping me battle the dreaded writer's block by offering insightful recommendations.

To my children, Kieran and Meghan, for providing the millennial perspective.

My heartfelt thank you to all.

# INTRODUCTION

The term, political economy, is derived from two Greek words: *polis* which means state and *oikonomos* meaning manager. In the present day, it is a term ascribed to the collective policy-making coming out of the various branches of a government which defines the economics of that society. This policy-making can include spending, international trade and taxation (fiscal policy), setting interest rates (monetary policy), as well as wars, embargoes, and sanctions (military policy). Even though the intent of political economy is to influence economics while also taking into account the social welfare of the entire society, reality has been entirely different. A study throughout history and across the world shows two things: there is a disproportionately large effect policy making has on the economic welfare of a society and an active link between policy-making and the moral character of the governing body. Historical abuses against humanity committed by immoral rulers are numerous and blatant. However, the subjugation that exists today is well disguised within the structures of our political economy.

The structures of our political economy are motivated by the central theme that the size of a country's economy is the sole measure of its health, wealth, and happiness. This convoluted and one-dimensional view has created an economic system that is based on short-termism, unaccountability, cronyism, and entitlements. Short-termism has led to over-production with no accounting of negative externalities arising from environmental degradation, and without regard for human dignity. Unaccountability and cronyism erect regulatory barriers to competition that protect stagnant corporations and propagate the inequalities between the haves and the have-nots while subjugating the interests of the consumers and the workers to that of the capital owners. The sense of entitlement motivates the formation of uneconomic political barriers to protect monopolies on rents derived from natural resources while the global adoption of fiat money as the means of exchange facilitates these excesses without fiscal constraints. The historical analysis of the effect of these structures shows that they are directly responsible for creating unnatural economic imbalances throughout history. It further indicates that these imbalances, no matter how securely propped, eventually have been toppled by migrations, uprisings, and wars. The larger the imbalance, the

more turbulent has been the process of creative destruction to correct this incongruity.

The underlying intent of this book is to lift the veil off the intended as well as the unintended consequences of economic policies that have created these imbalances and offer alternatives under the framework of a hypothetical moral economy. The reason why I call it hypothetical is that the structures that form the façade of a moral economy do not currently exist and the incorporation of these constructs will require an almost revolutionary change in mindset.

This book is broken out into three parts. The first part looks at a brief history of the evolution of the political economy by tracing its roots from ancient Egypt to the twenty-first century. A discussion of the development of the political economy is a daunting task as several civilizations and philosophers over the past 5,000 years have had immeasurable impacts on its formulation. While the scope of this book precludes me from doing justice to the influences of every single philosopher since antiquity, I have picked some of the principal architects and time periods that have influenced our understanding of capital, labor, and money, the three critical pillars of economics.

The second part of this book draws the reader's attention to some of the stark failures of the political economy that have given us human slavery, mercantilism and colonialism, oligarchies, and severe disparities in economic well-being at both the international as well as at a national level. The common theme that emerges is that most political economies are solely concerned with spinning the economic wheel as fast as they possibly can, especially for the political and financial benefit of the capital owners.

A casualty in human development, especially over the past millennium, has been a divorce of moral considerations from economics. Human vice cannot be ignored in the design of any moral, economic system; therefore, the validity of every economic theory has to be tested within the constraints of human weaknesses. Part three of this book addresses some of the challenges of the twenty-first century and attempts to lay the groundwork for a moral economy to tackle these challenges. The hope is to ignite a debate in the academic as well as the philosophical circles on incorporating morality in economics. But this debate is not new. The importance of wisdom as a necessary ingredient for a moral economy can be gleaned from theological and philosophical treatises from the *Vedas* of ancient India, the *Analects of Confucius*, Ibn Khaldun's *Muqaddimah* and Plato's *Republic*. Even Adam Smith broached the topic of balancing human freedom with avarice. We must remind ourselves that before Adam

Smith published the *Wealth of Nations*, he published *The Theory of Moral Sentiments*, in which he expressed his views on ethical, philosophical, and psychological underpinnings of his later works on capitalism.

The discussion on a moral economy is not a debate between nationalism and liberalism or capitalism and socialism. It is more fundamental than that. How do we ensure maximum freedom of choice to ensure the empowerment of workers and consumers as well as capital owners without unduly benefiting one group at the expense of the others? Freedom of choice and accountability for making those choices go hand in hand with a moral framework. Are laws and regulations rewarding bad behavior and transferring the cost to society at large or are they promoting the attainment of wisdom? Education that leads to the attainment of wisdom has been the central theme of every single discourse on morality across cultures.

In a broader discussion of morality, it is also important to remember that there are no absolutes. Different perspectives and beliefs define moral standards, which differ from culture to culture. Some might say that killing and stealing is wrong and should mark the boundaries of a moral economy. But that raises questions of context. What about killing for self-defense or wars which kill and maim countless persons on the pretense of averting future attacks against a society? Should capital punishment be considered murder, what about doctor-assisted suicide? How about extending the protection beyond humans to animals? Some would argue that the pharmaceutical industry has been slowly killing millions globally while others may point to the benefit of modern drugs. Is stealing wrong? On the face of it and to most rational law-abiding people the answer is an easy yes, but not until we throw context in the picture. Stealing is defined as taking something without permission or legal right. Invaders have justified taking a country's wealth without consent and called it spoils of war. Governments have taken over privately held property in the name of national interest and corporations have lobbied to create laws and regulations which have stolen choices and resources from consumers. In some societies that will be defined as stealing, while in others it would be deemed a necessity. Different cultures, and even within a single culture, different factions of people will have differing views on these subjects. Quite suddenly, the clean lines in the sand become blurred. What may seem civilized behavior to one looks vastly savage to a different group.

Economic literature in the present day is produced by a small group of technocrats and is primarily meant for the educated elite, not the common person, even though it is the common person that is affected the most by these economic theories. This leaves most of the population to rely on

popular media, politicians, and commentators to grasp the ramifications of government policies. Unfortunately, most such literature and commentary, to put it bluntly, is simply rubbish! Most so-called experts either do not grasp the true concepts behind the theories or are motivated by ulterior motives to influence the unwitting public. The blame for this lies squarely with the academics, the proponents of economic theories, who simply do not write articles that are meant for the common man. Even as a trained economist with a Masters in Finance and Economics from the University of Chicago and two decades of market experience, I sometimes wonder if I am reading a paper on quantum mechanics rather than economic theory. Most articles published in leading economic journals require a high level of proficiency in mathematics as well as the ability to interpret a lot of economic jargon to understand the concepts. This obsession with mathematics is an easy way for glossing over far more complex questions posed by the real world in which we live. Economics has always been a branch of philosophy from the time of the *Vedas* in 3500 BC to Plato in the third century BC; therefore a purely mathematical treatment of the subject is imprudent. Opacity and sometimes unnecessary complexity keep economic theories out of the grasp of the common man and leave them open to misinterpretations.

Achievements of the political economy over the past five thousand years have been numerous and awe-inspiring, but so have been its failures. This effect has been amplified with the passing of time and is probably the starkest in the twenty-first century. A continuation down the road of the established practices of our political economy will only lead to an exaggeration of the imbalances leading to further global strife, unrest, and wanton destruction. The moral, economic wheel does not have to be reinvented, as a study of history gives us clues on how to achieve this moral economy in the twenty-first century. It is also true that change will not be instigated by government bureaucracies or large corporate titans. They have too much vested interest in keeping the status-quo. The onus for demanding change is on the people of a society, who across time have always been the most effective agents of change.