

**Vladimir Chabanov**

**HARMONIOUS**  
or  
**THE NEW WORLD  
ORDER**  
**ECONOMICS**

Vladimir Chabanov

**Harmonious Economics  
or The New World Order**

«Издательские решения»

**Chabanov V. E.**

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Modern economics, which is powered by profit, and not by benefit for people, inevitably follows pecuniary principles, and lives from rent and exploitation. It fails to stand up to modern challenges. For economy to turn into a plant producing useful goods, it should give up all liberal principles, change the economic philosophy, as well as its priorities and instruments. The theory and the properties of such an economic model are described in this monograph.

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# **Harmonious Economics or The New World Order**

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## Introduction<sup>1</sup>

*Theory that has reached deadlock opens up brilliant perspectives<sup>2</sup>.*

*Ibn Sabey*

Estimated readers!

The book you are holding in your hands is about economics. However, its subject is not the economics that we witness today, but economics the way it should be. This book is about economics that would create a stable and violence-free world where all people would have an opportunity to provide a dignified living for themselves and their families. About economics that would conform with the common sense and respect and promote the ideas of kindness and justice. About economics that would benefit all, whether they are strong or weak, bright or not-so-intelligent, elderly or young. Economics that would encourage a healthy lifestyle and not vice versa, and contribute to the development of culture, education and morality, instead of suppressing them.

This is not a utopia or a naïve dream, but a tenable theory based on the laws of the Universe, world experience, and knowledge. This is precisely what economics should be! Such economics has an internal logic, and, peeled off all that is superfluous, artificial or immoral, this is what the modern shapeless and faulty economic doctrines boil down to. Their intricacies do not arise from the complexity of economics as such, but from the unbounded desire of some to make profit regardless of the costs to Nature and the society.

As the result, the majority of the world's population has trouble upkeeping their dignity, not only in the earthly matters, but in the international relations, too. In the current economic conditions, common people cannot work normally, live decently, eat healthy, or raise their children any more. Today, human beings have turned from clients into yet another resource, another source of income. Unless they are profitable, there is no need to provide them with means of existence.

Consequently, social protests increase, the feeling of discontent deepens, and terrorism gains ground. On the other hand, the number of millionaires grows. And it would be a violation of truth to believe that the more people get rich, the less poor there are. So why does this happen?

The existing economic theory is based on **liberal principles** that consider the free – that is, uncontrolled – actions of a certain group of persons as the paramount value of the social being. This freedom brings about the inviolability of private property, the freedom of business, and the precedence of the rights of a person over the rights of the society (*a person is more important than the state*). Besides, these principles exempt people of their obligations before others, and limit, as much as possible, the state and social interference in everyday and economic life of the country. This economics conforms to Thomas Carlyle's formula "anarchy plus a street-constable"<sup>3</sup>, which the wellbeing of the state and the society do not fit.

Such economic philosophy in all its forms turned out to be most advanced and thoroughly tested, and has served as the ideological foundation of the modern economic science. That is why **all tools**, criteria and incentives of the existing structure have been adapted to serve the profitable

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<sup>1</sup> [Translator's note: This English-language translation of the monograph is based on the Russian-language manuscript provided by the author; it may, therefore, contain a number of slight differences from the published Russian version of the book.]

<sup>2</sup> [Translator's Note: Unless stated otherwise, all quotations from English-language original sources and English translations of foreign-language sources referenced in the bibliography are cited from the respective originals/ translations. All other quotations, unless stated otherwise, have been translated into English for the present edition. All biblical quotations are cited from the Authorized King James Version of the Bible.]

<sup>3</sup> Cit. ex T. Carlyle, *The Present Time* (Cambridge University Press, 2013), 24.

economics and not the useful economics. For instance, its global indicators, such as GDP, national income, and GNP, are based on the monetary income and not the tangible social improvements. All of the above-mentioned factors have given rise to a global confrontation between the social nature of production and the private consumption of its results. Nevertheless, economics disregards this and continues along the selected path, just as a driver who would navigate by the stars failing to look at the road. It is obvious that in such conditions collapses are inevitable.

Due to these reasons, current economics is incomplete, self-contradictory, and unstable. Its notions cannot withstand reasonable criticism, they have lost touch with reality, and lack unifying logic and clear objective. These notions are obsolete. However, there is no solid structure, and for that matter no science, without a foundation.

Indeed, the chasm separating modern economic studies from economic practice is dispiriting. The way it is interpreted and taught, this subject has little in common with the real situation. As Ronald Coase, Nobel prize winner in economics in 1991, wrote: “*The tools used by economists to analyse business firms are too abstract and speculative... Since economics offers little in the way of practical insight, managers and entrepreneurs depend on their own business acumen, personal judgment, and rules of thumb in making decisions... Economics thus becomes a convenient instrument the state uses to manage the economy, rather than a tool the public turns to for understanding how the economy operates*”<sup>4</sup>. [1]

The tone of the modern economics is set by theoretical philosophizing on price formation principles, returns and expenses, interest rates and inflation, demand and offer, rent and preferences, which has supplanted discussion of the ways to increase labour productivity and improve labour organisation. Instead of striving to create conditions for dignified human existence and cultural development, this science is impregnated with acquisitiveness.

Thus, economics turns out to be a fruit of centuries-old delusions, passions and egotism, politics and momentary actions, and not a product of systemized knowledge. It is used to justify and to serve the existing political regime, not to improve it. That is why the crisis we observe today is easy to understand and explain. Besides, a large number of economists are familiar with it (ref., inter alia, [2] – [5]). For this reason, the method of analogies, i.e. the trial and error method, is used in decision-making, which with time renders it ever less reliable and ever more expensive. Another possibility is to recreate blindly the experience of others.

In order to avoid it, a solid fundamental theory is required that would be capable both of forecasting and guiding. It should serve as a compass to indicate the correct and the erroneous direction of development for every specific action. Unfortunately, in modern economics, such a tool does not exist and is not even foreseeable.

That is why the variety of economic doctrines is so wide – they seek to bring some order into this kingdom of chaos. Here anything can be found: from monetarism to Keynesianism and mercantilism, from planned economy to utter anarchy, from conservatism to naïve romanticism. And while mercantilism encourages to save money, physiocracy urges to actively spend it. While metallism considers money an indicator of the nation’s wealth, nominalism regards it as conventional sign. The list of comparisons can be continued.

Thus, the current economic theories do not make up a whole, but are just fragments of science. They are not united by one principle, logic, or managing tools. That is, they resemble the branches of a business entity tree not connected to any single trunk or root. Consequently, the advice based on such studies is not universal. Economy is a complex structure that cannot be simply assembled out of separate fragments, like a puzzle.

It is obvious that economics can turn into a real science only provided that it abides by objective, universal laws and serves every human being instead of just the few. Then the entire arsenal of the

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<sup>4</sup> [Translator’s note: Translated by me.]

limited doctrines will become superfluous, and the only true doctrine based on the laws of the World will survive. Indeed, the man is not a special supernatural creature guided by its personal cravings, but a natural phenomenon carrying out the functions it has been charged with. As the result, if the man tries acting as he wishes, in disregard of the laws of the World he lives in, then the World turns its back on him, and all the powers of Nature take up arms against him. We witness this confrontation on a regular basis. It increases the number of natural catastrophes, earthquakes and tsunamis, anthropogenic accidents, and emergencies. However, there should be no surprise here, as everything in the world is interconnected.

On the other hand, the current economic doctrines, highly controversial as they might be, all have one thing in common: money, as their only tool of analysis and management. This is no coincidence. In full accordance with the liberal doctrine, current economics takes monetary income, and not the actual benefit, as its basic tool. That is why current economics has turned money into its global objective, has made it the main means and source of human wellbeing, their dream and guiding star. The fact that money is more profitable to produce than goods contributes to this situation.

Thus, the existing economy is conditioned by money, and nothing goes by without it. Money generates money, it serves as the yardstick, as a fundamental incentive, and the criterion of perfection for any company or economic transaction. Money subordinates people, nature, and power. It is profit, investment, shares quotations, and interest rates that control production, instead of such factors as production efficiency, possible success, and usefulness. As the result, the objectives of capital owners dominate those of useful items producers. Obviously, this does not contribute to increasing the productivity of economy.

Consequently, the “long money” has disappeared, and financing is granted only to those projects that bring the fastest profit, and not the biggest benefit. Economics is now guided by short-term activity, thus losing its global objective and ultimate goal. Once money has acquired its unnatural overwhelming importance, it started actively submitting the world to its power. It is the money that causes and directs modern destructive tendencies.

Indeed, money serves as the universal key to open both minds and hearts. That is why, as M. G. Delyagin said, “*there is no problem in the world that can be solved without money, just as there is no problem in the world that money alone can solve*”<sup>[6]</sup>.

The vortex created by such “economics” keeps devouring more countries, peoples and continents only to grind, wring out, and diffuse them. Money ruins the lives of people, nations and states, exacerbating poverty, crime rate, and terrorism. Money as it exists today is an oppressor of the authentic values: honour and conscience; truth and justice; beauty and decency; Nature, freedom, love, and the very life. “*What power has law where only money rules!*” (Gaius Petronius Arbiter, first century AD)<sup>5</sup>. All the human troubles, all wars, and all revolutions are, eventually, down to money. Moreover, the process gradually seems to become even more global and less controllable.

The clearer the direction of such development, the darker the situation. Meanwhile, money is the most visible instrument of public relations, produced by social culture and lifestyle. It is a factor formed, for the most part, by the society itself. This makes the situation unpredictable on the global scale, for it is true that by choosing a certain form of money, nations define their own future.

The absence of real value in money entails a currencies struggle, where only the currencies enjoying a strong state support can win and exert an influence. As the result, a parasitic virtual economics evolves; it allows money to bring profit without any benefits for the people, that is, circumventing the real production and goods exchange, through pure speculation, by transfer from one pocket to another.

Furthermore, the income of the virtual economy exceeds the income of the real one. That is why modern money amasses within financial entities, and not manufacturing ones. Consequently, the

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<sup>5</sup> Cit. ex J. Pine and P. Donahue, *Money and Wealth: A Book of Quotations* (Courier Corporation, 2013), 15.

daily global foreign exchange operations cost reached \$5.3 trillion by 2013 and currently continues rising. At the same time, the currency turnover related to goods and services transactions amounted to \$55 billion only, that is less than 1% of the total amount of foreign currency transactions [7]. This brought about an unprecedented dominance of the financial market over the goods and services markets. While around \$64 trillion circulate in the form of cash, bank accounts and deposits, the direct investment into production does not exceed \$1.8 trillion.

On the other hand, economy based on money is inevitably usurious due to the artificial money deficit and the reign of money (obviously, the two processes are interdependent). This is no new phenomenon; it appeared a long time ago. Back then money lenders laid their hands on the major part of the lender's profit through interest rate. Without creating new production factors, usury degraded production, helped paralyze production forces and promoted parasitic processes. It is no wonder then that economy built on usurious principles fails to be ethical or efficient. Its activity is bound to disregard the rules of common sense.

However, few are disturbed by this fact, and nowadays usury has flourished violently. It has become the basic principle of operation for modern banks, corporations, and other commercial entities. Moreover, it dominates the social and the state sectors. Usury has filled in all the pores of the current economy and has become the rudder of management and planning. The cupidity of individuals has been elevated to the level of state priorities.

That is why, if we believe the world news, it is the results of speculative stock exchange transactions that are significant, and not the economic advances. Consequently, the daily global foreign currency and financial transactions exceed fifty-fold the commerce in goods. For instance, the Russian banking system holds more than 72 trillion roubles in assets, while it invests as little as 1 trillion roubles in production. Obviously, this does not simplify nor render more efficient the economic processes.

Thanks to the global flourishing of usury, the major effort in the present economic system is employed in getting rent (derived from nature, money, property, power, information, intellectual property, the military, etc.); it is the fastest delivering and least demanding source of income, used instead of increasing human creative capabilities. Profits are generated by crime, finance, and corruption, and not through useful production. Everybody strives to create a monopoly by exterminating their competitors, and shirking fair competition. That is, the ultimate goal is profit by any means, not the improvement of the production and moral values of the society.

Consequently, it is no surprise that in the current conditions property and capital bring more profit than the use of work force. This leads to unemployment, as production improvement does not increase the workers' free time or wellbeing, as supposed, but the number of surplus workers whose labour does not bring a third person the desired income. This could explain why as little as 32% of Americans under 25 are employed full-time, the situation that all highly developed capitalist countries suffer from. At the same time, young people are the most active society members, it will be them who will build families and educate new generations.

On the other hand, virtual economy does not produce other than virtual values. Due to this reason, its flourishing is conditioned by the servitude of the real, productive economy. The result is the reduction of the economy's financial resources and the recent multiplication of loans. By consequence, the very notion of the money has been corrupted; money no longer serves the exchange of commodities, but has become the key source of usurious profit. The aggregate debt of all countries in the world compared to their aggregate GDP attained 286% by 2014, and developed countries contributed  $\frac{3}{4}$  of this amount [8].

Such situation has led to unprecedented concentration of the capital in the hands of the few. For instance, the annual income of the 200 world's top corporations exceed the aggregate annual income of the 1.2 billion people living in extreme poverty. The large corporations control 27.5% of the world economy while employing only 0.78% of the world population. Between 1983 and 1999 alone, their

profit grew 360%, while the headcount increased by 14% only. They do not simply control economy, they set its direction – they can afford it. It is therefore no coincidence that of the 200 corporations, 82 are located in the US, 71 – in Western Europe, 41 in Japan, 5 in South Korea, and 1 in Canada. The rest of the world has none.

That is why the combined fortune of the world's 8 richest billionaires exceeds the assets of 3.6 billion people from developing countries. Wealth-X reports that 2,473 dollar billionaires alone possess \$7.7 trillion. By 1998, the top 10% in the US owned 90% of business value, 88.5% of bonds, and 89.3% of the public stock. Similar situation is observed in modern Russia and many other post-socialist countries.

On the one hand, the nouveaux riches do not need to produce as many commodities for themselves, as the rest of the population need, which inhibits the social oriented production. On the other hand, this decreases the effective demand of the population, which impedes economic development as a whole. By consequence, the demand drops further and forces supplementary cuts in production, etc.

B. G. Shaw wrote, “*If the wicked flourish and the fittest survive, Nature must be the god of rascals*”<sup>6</sup>. However, following the liberal principles, the state must create ever more favourable conditions for the business to have a greater income. “*What is good for General Motors, is good for America*”, said W. Wilson, the President of the US. This is a cunning logic. Besides, businessmen’s “*interest is never exactly the same with that of the public so they have generally an interest to deceive and even to oppress the public*” (Adam Smith).<sup>7</sup> For this reason the flourishing of business and the wellbeing of the society do not coincide, in fact, they often contradict each other.

Indeed, in the end, business is a form of activity that generates personal income serving as a source of increasing *personal* fortune, not the public benefit. On the one hand, business encourages people to develop their talents, sparks energy in them, diversifies production and service forms, and creates new jobs. On the other hand, it promotes profit-making at the cost of Nature and society. In addition, it contributes to manufacturing and sale of low-quality merchandise, drugs, counterfeit medicines, surrogate alcohol, etc. Besides, such economy naturally contributes to gangsterism, corruption and unemployment.

In the current situation, the money that the financial elites have laid their hands on gives them the reign over all global processes, and allows to ruin entire states and social strata for their personal fancies. This weakens the human society, deprives it of the strength to protect itself from aggressions, shocks, phobias and attacks. A good example, here is what Louis McFadden, Chairman of the United States House Committee on Banking and Currency, wrote about the 1930s Great Depression: “*It [the depression] was not accidental. It was a carefully contrived occurrence <...>. The international bankers sought to bring about a condition of despair here so that they might emerge as the rulers of us all*”<sup>8</sup>.

But this is not the main point. To prevent people from protecting the values that they create from external encroachments, everything is done to deprive them of independence, render them powerless, psychologically and physically defenceless. Through mass media and the very lifestyle, deformed culture, education, perverted ideology and repressive religious beliefs are imposed on people. They are stripped of their human dignity, crippled by false stereotypes, alcohol, and pushed on the path of further degradation. People left without means of existence, property or good health. Deprived of rights, work tools, money, resources, they cannot provide for themselves any more. Otherwise, would anybody tolerate being a milking cow for the “the select few”? The humans are poisoned with

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<sup>6</sup> Cit. ex G. B. Shaw, *George Bernard Shaw: Collected Articles, Lectures, Essays and Letters* (e-artnow, 2015).

<sup>7</sup> Cit. ex A. Smith, *The Wealth of Nations: Books I – III* (Penguin Classics, 1987), Book I, Chapter IX.

<sup>8</sup> Cit. ex L. McFadden, *An Astounding Exposure*. Congressman McFadden on the Federal Reserve Corporation. Remarks in Congress, 1934.

unhealthy foods, admixtures, surrogates and hypnotized by ideology. Their environment is destroyed. However, all this is done in accordance with the liberal economic principles!

As the result, the society often loses the feeling of community, of common roots, as well as the reverence of the values earned through the sweat and blood of their predecessors. The harmonious vision of the world, the understanding of one's place and purpose within it are gone. For instance, 26% of the Americans have no idea that the Earth orbits the Sun, and not vice versa. People have lost life's purport and have become an easily mouldable material. They have accumulated suffering and spite, losing confidence and strength, belief and conscience, hope and kindness. And what is a man without them? The man does not live by bread only, not by gold or power. "*No man can serve two masters*" (Gospels)<sup>9</sup>.

Against this background, wild propaganda is under way: human personality would be now freer than ever, human rights would be respected, and the omnipotent democracy would furnish everyone equal possibilities. But then, the human beings are deprived of their most basic right, the right for life. For their life is determined by the profit of the employers. The propaganda has been reinforced by coining of a series of clichés to worship, such as "*freedom of personality*", "*permissive behaviour*", "*independent creation*", "*tolerance*", or even "*non-traditional sexual orientation*". They obscure the clear reference points, destroy the family, suppress the people's inner aura, interfere with the link of generations, and let false values supplant the true ones.

Having thus crushed and crippled the person's inner self, having diverted their energy towards pecuniary objectives exclusively, the present-day rulers have cut the supply from the true sources of well-being: kindness, respect and friendship. The lack of spiritual development is covered up by luxury, entertainment, and pleasures. Instead of love we get sex, instead of friendship – partnership, instead of respect – servility. Thus, spirituality, honour and dignity are being exterminated by all means available.

As the result, all contradictions accumulated in the past are aggravated, and the true values are substituted by the false ones. A considerable share of the fundamental concepts has come under the fire of ostracism; the previously undisputed truths have been questioned; the accrued experience has turned out to be unreliable, and the traditions – lost forever. That is why now it is hard to define what is erroneous and what is correct, where the truth and where the lies are, what the difference between business and crime is, what should be considered progress and what – regress. The society is revisiting the long-standing pillars of morality and culture, religion and science, physiology and psychology.

An unprecedented dissolution of manners has followed. Certain zealous and empowered persons and countries feel entitled to reshape the others' destinies in accordance with their own petty ideologies and ambitions. The society has answered by the spread of social unrest, protests and revolutions, which claim lives and destroy cultural and material values. The result is the change among men of power, and the rotation of proprietors and social classes. However, as rules remain unaltered, these happenings have no significant consequences.

At the same time, it is widely proclaimed that the liberal economic model is the only possible one and that its key ideas are immutable. We seem to have returned to the Ptolemaic times, when they believed the Earth was born by whales, and no other version would have been accepted. In similar mode, the liberal economic theory is the very essence of the modern economics, while other systems are nothing but the fruits of ignorance. The numerous faults of this model are excused by the errors and the incompetence of the authorities, by the cupidity of certain individuals, and by the money grubbing of the proprietors and the government. Furthermore, there persists a naïve conviction that once these faults are eliminated, the existing economic system will provide for a decent living.

Such belief multiplies the ideas based on the liberal economic tools but used to change the situation and to get rid of some of its drawbacks. Nevertheless, in practice these tools are, as a rule,

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<sup>9</sup> Cit. ex Matthew 6:24.

asymmetric and fail to bring any tangible advances on the existing issues. For example, if financing lacks, it is suggested that it be increased. If corruption ravages, new ways to fight it are found. These are just a few examples. In reality, **it is impossible to eliminate the faults of the liberal economy through liberal methods**, just as one cannot remove a spot with the substance that spotted the clothes. However, the theory of a different, non-liberal economics has not yet been worked out and, to tell the truth, it is not even visible yet.

The actual economics, as any other economics, is a rigid system held together by direct and reverse connections that make it integrated. All that conforms with the nature of the system flourishes within it, while everything hostile perishes. Indeed, every system has intrinsic qualities that cannot be eliminated as long as the model continues to apply. The fundamental concepts of the model will not survive any alteration, just as a cat will not grow to be a tiger whatever its food and living conditions are. **A systemic crisis can only be cured by systemic measures.**

In addition, **the faults of the modern economics constitute its very essence.** This means that we cannot get rid of corruption because it reflects a specific way of doing business. We cannot set up a comprehensive healthcare system as long as illnesses are a source of income for the pharmaceutical corporations and healthcare centres. And do not even consider having a child, as this is a risky investment.

These faults are inherent to this type of economics, wherever and whenever it is implemented. There may be certain deviations from the described system, but it is essentially the same. This economics cannot be different – a wolf cannot live on carrots, it has a different function. Nevertheless, all existing projects of mending the situation suggest precisely such type of measures.

In these conditions, the productiveness of the world economy steadily declines, despite the considerable scientific and technical progress. For instance, even though by 1998 North America, Western Europe and Japan were consuming up to 86% of the world's natural, financial, human, and intellectual resources, their economies make no headway. Inflation aside, the salaries in the developed countries have not changed much in the past ten years. So, according to the official statistics, by the end of the past decade, almost 80 million EU citizens and over 43 million US citizens were not provided any means of existence.

To sum up, the well-being of the “developed” countries is not attained thanks to specific qualities or organisation principles, to more efficient labour, superior culture or civilisation, but solely through large-scale redistribution of the world's wealth. The developed countries succeed at the cost of ecosystems destruction and shameless exploitation of the natural resources and of the entire Earth's population. For instance, the US consumes twice as many goods as it manufactures. This is the reason behind the high productivity of the American economy, which feeds the myth of the indisputable superiority of the American economic model over the others. At the same time, it is evident that the American path of development is unacceptable for other countries, as the Earth will not stand another such “golden billion”.

What can be said of the developing or underdeveloped countries then? Obviously, the rest of the world population have to content themselves with the leftovers. The World Bank estimated that 2.6 billion people, that is, over 40% of the total population live beyond the poverty line. In accordance with the UN-Habitat Report for 2003, the number of people living in the slums across the world reached 1 billion and continued to grow. This was the only true reason of the soaring massive crime rate, unprecedented surge of violence, crime and terrorism. And, as the situation does not improve, **no methods within the liberal economic model are capable of turning this tide.**

Summing up all said above, we may conclude that **the liberal economic model has been exhausted**, has become decrepit and obsolete. **It is no more up to the challenges of the twenty-first century.** This economic model is inefficient both in the emerging countries and the most developed nations. This means that the reasons of such a pitiable state are **strategic** and not **tactical**

ones. It is not about the mistakes, the covert intention, or the low competence of certain persons, it is about the very model of economic development.

In addition, the situation is aggravated by the impressive progress of the modern science in the area of physics, chemistry, biology, informatics, and technology. If these innovations end up in the wrong hands, will be appropriated by any immoral person, the entire planet, and the humanity, may be destroyed. Under the present economic conditions, this is not only possible, but, in the end, imminent. Suffice it to remember George Soros, who inflicted terrible losses on many states and became the object of public outrage. Therefore, in order to save the life on our planet, a new organisation is needed, a new economic model, a new vision that will block the access to power and management to immoral individuals. Otherwise, the humanity will be doomed.

This is an essential point to be taken into account, for the current economic model, with its objectives and priorities conditions the way states and peoples live.

The economy of a state can be portrayed as a beautiful lake where a huge exhaust pipe dumps all kinds of waste and rubbish. The law enforcement, legislative, and administrative bodies are forced to fish the waste out to prevent the lake from becoming boggy. Obviously, this is a continuous process; it is inefficient, and little promising, too. Would not it just be easier to tap the pipe?

Let us consider **the theoretical prerequisites** for economics free from the above-mentioned faults. Without any doubt, economics should function for the benefit of all people and satisfy their needs in equal measures. Besides, it should act as the progress consolidation factor that would educate and harmonize human beings, thus contributing to renewal of natural resources used rather than solely to their consumption.

In this light, liberal economics will be inevitably replaced by a different economic system where such faults will not be imaginable. All economic activity will be aimed at improving the overall quality of life, and income will be reduced to an accessory instrument for achieving this goal. We are in for economics that would combine the interests of all people and economic actors. Moreover, it will be considerably simpler and more efficient than the current economics. This new economics will see not only the market, but the intelligent administrative tools work within it.

It is the **harmonious economics aimed at providing everybody with means of existence**, cured of the ills of the current economic system, that this book looks into. Such economics is designed to follow the natural flow of things, not to contradict it. It is universal, that is to say, it can be implemented not only in developed countries but across the entire world. Besides, the system proposed here may be used for analysing the state and determining the possibilities both of the current economics and of other existing types.

Harmonious economics is rational. It is inspired by the thoughts of many eminent philosophers and economists. However, they are all united by one logic and purpose. This new economics will not allow young energetic people to be unemployed, that is, out of demand in the economy, just for somebody's benefit. It will further impede the proprietors, officials and imposed dogmas to condition the well-being of entire social classes.

This book proposes a harmonious economic system, and describes an alternative world order. It is based on an understanding of the globality of problems that economy is called to resolve, and not on the momentary success. Economics is recognized as a fundamental science, an essential part of the global knowledge. It is not limited to a narrow-applied study, but is the foundation of the human culture. Thus, economics should comply with the fundamental laws of nature both in theory and in practice.

Harmonious economics is alien to complexity, fantasy or utopia. The theory it obeys is significantly simpler and more reliable than the current one. The reason is that the modern economics is not complicated by its nature, but by the various contrivances aimed at increasing the profitability of money, power and property, something the new economics is liberated from.

Such economics will not provoke rejection of any group of citizens whose labour is useful, whatever type it is. The implementation of the harmonious economics will not entail social upheaval, property redistribution, changes in the established organisational structures, repressions, etc. Besides, the existing advance in applied economics will remain functional, but in different macro-conditions will become less complicated and more efficient.

Moreover, **the laws formulated for harmonisation of the production relations are already active in the current economy.** Whether they are known or not, applied consciously or not. Just as Newton's laws worked even before they were discovered. Indeed, the more the current laws comply with the principles of harmony, the more efficient the economy is.

In addition, it should be taken into account that the harmonious economics theory is not a fruit of inspiration, a clever idea, or a political commission. On the contrary, it results from the systematization of knowledge, and this new system is logically precise, historically justified, and conformant to natural laws. This system could be compared to physics. It is such knowledge that is presented in this book. Certain principles of the harmonious economic theory are related in this book. Some have already been described by the author in a booklet<sup>[9]</sup> and a book<sup>[10]</sup>. A more detailed account of the basic economics is presented in the monographs<sup>[11] – [14]</sup>.

In writing this book, its author was largely assisted and supported by many enthusiastic Russian people who love their country. Among them were Professor A. N. Malafeev, PhD in Economy, Professor B. M. Bolotin, PhD in Economy, Director of the Economic and Mathematical Institute of the Russian Academy of Sciences, General A. V. Ponidelko, Professor V. I. Korniyakov, Yu. N. Zabolotsky, E. V. Gilbo, L. P. Akaeva and many others who assisted the author in this work and helped this book become a reality. And last, but not least, my wife and my son, without whom this book would not have been born. I would like to express my heartfelt gratitude to all those mentioned here.

# I. General theory of harmonious economy

*No experiment has any meaning at all unless it is interpreted by the theory<sup>10</sup>.*

*Max Born*

## Chapter 1. Economics as a science

### §1.1. Culture and Economics

*Governance is inefficient unless it takes into account the traditions of the people, its culture, specific perception of the non-economic values, unless governance is “submerged” in culture.*

*The Book of Lord Shang, an ancient Chinese treatise*

#### 1.1.1. Place of economics in the world knowledge system

*Wisdom is a flower for the bee to make honey of, while the spider is a poison; thus, every one follows his nature.*

*Unknown author.*

To define the nature of a phenomenon and determine its role in the global world order, one should start with comprehending the entire space where this phenomenon exists. That is why the highest level of abstraction is required to overview the economic system. So, let us start with studying the world on the macro scale.

It has been demonstrated that only three basic, global sciences exist in Nature, and they are the foundation of the entire bulk of knowledge in the world. One of them is **the study of the quantitative laws of the world**. The name of this science is **philosophy**, and it embraces ontology and gnosiology, logic and culture, art and cosmology, medicine, occultism and theology, history, ethic, and aesthetic. These and numerous other disciplines study the origins of people and their environment, the expressions of the World unity in particular elements, the rules of the World, the respective roles of God and Man, their purpose and place in the Universe.

The foundation of modern philosophy was laid by the ancient knowledge once condensed in the sacred teachings of rishis’ Vedas, Orphism, alchemy, Cathars’ beliefs, and other philosophic movements. This knowledge was the essence of the Brahmanical, Eleusinian, Bacchic, Orphic, Pagan, Biblical, Christian, Muslim, Buddhist, and other mysteries aimed at liberating the human nature of the burden of earthly ignorance. These philosophic doctrines became the bearers of the philosophic light based on intellectual, moral and ethical principles that ennobled the soul and gave a sense to the human existence.

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<sup>10</sup> Cit. ex M. Kline, *Mathematics and the Search for Knowledge* (Oxford University Press, USA, 1985), 181.

Through dramatized shows and ritual games these mysteries educated the broad public in one way or the other, encouraged the from earthly interests to loftiness of the spirit. Thus, these activities laid the foundations of traditions, culture, arts, morality, and enlightenment. However, they completed this noble mission in a more delicate and efficient way than it is done today.

The ancient mysteries were at the source of all peoples of the world; they magnified the human spiritual essence and eliminated its mean, earthly nature while admitting their interdependence and similarity. Indeed, as Francis Bacon said, “*A little philosophy inclineth man’s mind to atheism, but depth in philosophy bringeth men’s minds about to religion*”<sup>11</sup>.

This is why philosophy shapes the deep human thinking, balances the sense and the sensibility, and prevents people from following unreasonable life principles. Philosophy studies the macro-world and micro-world structures, the general laws of Nature, society and individuals. Besides, it determines the similarity and the difference between the objective and the subjective, the being and the consciousness, the matter and the spirit.

Through philosophy we discover the expression of the particular in the general and vice versa, the difference between harmony and pathology, the Good and the Evil. Thus, we are able to distinguish power and justice, beauty and ugliness, form and contents, male and female, materialism and spirituality. To sum up, philosophy is present in every aspect of human existence. It is not by chance that up to recently physics was referred to as “*natural philosophy*”. Philosophy is universal notwithstanding the time and area of its application and is the expression of *the spiritual component of the Universe*.

The second basic science is **mathematics**, that is, **the theory of quantitative patterns and spatial forms of the World**. Mathematics lets us penetrates the mystery of the Universal order, understand the multiplicity, the grandeur, and the proportions of the bodies and objects. It is mathematics that studies the passage of quantity into quality, the correlation between the infinitesimal and the infinitely large, the particular and the general. This science establishes the possible and impossible types of quantitative correlations and spatial forms, and imposes natural limits within which philosophy functions. Mathematics tells us about the angles harmony and rhythm, and about the rules of universal organisation and order. It studies the numerical proportions of various bodies to demonstrate the difference between them, as well as the number of factors determining this difference. Mathematics serves as the foundation of the *material component of the World*. At the same time, the abstraction of mathematic methods renders them universal.

Back in the antiquity, philosophers noticed the common sources of philosophy and mathematics and understood the peculiarities of the quantitative and qualitative transformations of the matter and the spirit between their respective forms. The knowledge of mathematics, geometry and metrology was applied to symbols and shapes that were considered nothing but the images modifying various natural and spiritual phenomena: “*The world was summoned from the Chaos by the Sound and the Harmony and built in accordance with the musical proportions*’ (from the Pythagoreans’ theory). That is why door to the Platonic Academy read: “*Let no one ignorant of geometry enter*’.

The influence of antique knowledge on all aspects of the modern human life cannot be underestimated. Undoubtedly, this knowledge has been the foundation of the human culture, it has shaped the profound ethic, moral and aesthetic canons of the human behaviour, and it is, either consciously or unconsciously, referred to by people in search of explanation for all kinds of phenomena.

Finally, the title of the third basic science can be duly attributed to **the economics, the study of the peculiarities of the human existence following the specific quantitative and qualitative laws of the World**. In the end, it is economics that establishes the type and the principles of cooperation of people with each other, the God and the Universe. Besides, economics determines

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<sup>11</sup> Cit. ex F. Bacon, *Essays, civil and moral* (The Harvard Classics, 1909—14).

the evolvement of human communities and organisations, as well as shapes human behaviour and psychology.

In this light, economics as a science has, *in essence*, the objective of assuring the man's harmonious integration into the Natural structure, into the Universe. This is quite logical, as the human being is not an isolated creature that lives without any aim or principle, entirely for its own pleasure or benefit. On the contrary, **we are integrated with the World, the Nature, the Cosmos as a phenomenon executing its specific functions.** We are not just individuals, but minds that have achieved the required balance between the matter and the spirit. It is through these minds that the Unconscious develops the Universe hoping to “*achieve clear self-consciousness*” (Genselo).

It is thus obvious that if the human behaviour fails to become part of the surrounding reality, then the humans will end up aliens in this World. If within the Universal Harmony Space, the humans remain egoistic, disharmonious, parasitic, alienated in their very essence, the World will estrange them. Without any doubt, neither benefit by all means, nor accumulation of currency, nor the adoration of fetishes, ideals or idols may be accepted as the purpose of human existence. Neither Nature, nor God need such a man.

Regarding this, economics, just as the Universe in general, has strict rules and restrictions. Though many of them have not been discovered yet this does not mean that they do not function. The economy must work in full accordance with the supreme laws of philosophy and mathematics and fulfil its functions. It acts as an essential component of the Basic World Knowledge and assists in the harmonisation of life. Indeed, as ancient Hindus believed that “*lack of understanding of harmony makes life ugly*”, and they were not alone.

Overview of economics from the global structure perspective allows defining more fully its role and place within the whole system of the World; identify its basic purpose and use it as guidance for assessing the efficiency and usefulness of any economic activities.

Needless to say, current economic theory is far from the above-described image. This alienates it from the entire Natural structure and entails numerous deviations from the reality.

On the other hand, every solid theory should have a firm foundation. As long as the aim of economy is profit, it will be based on human avidity that all peoples equally share. That is why modern economy has turned out **functionally universal**. However, if economy is supposed to work for the people's wellbeing, then it is impossible to ignore their opportunities and capabilities, tastes and preferences, beliefs and morals. This, in turn, renders **economy subjective, makes it dependent on people, their cultural demands, civilisation principles, and motivations.**

In reality, the need for the unity of traditions, spiritual and economic life of every peoples is undoubted, as it is the condition for the increased material efficiency coupled with a developed and enhanced spiritual component. Indeed, no country in the world can afford satisfying its economic demands without recurring to all of its natural, human and organisational assets. Moreover, no country can afford ignoring its own weaknesses. *For this reason, a universal efficient economic model is not feasible*, just as a medicine to cure all known diseases.

Foreign experience is useful, provided that it is applied cautiously. In fact, efficient economy can only be **national**, as it should reflect the state of the country, the mentality of its people, as well as their historic traditions and legacy. Besides, it goes without saying that such economy should be integrated in the world economic system, without, for that matter, losing its identity or harming its people. It is comparable to a person who lives in a society while preserving their individuality. “*Political economy should take the national idea as the starting point and teach how this particular nation... can preserve and improve its economic situation*” (S. Yu. Vitte, President of the Russian Council of Ministers in 1905—1906).

This rule is observed in the modern world, too. For instance, American capitalism is based on the key priorities of the American nations: engagement, individualism, worship of personal initiative, and uncompromising struggle for money and power. It is well known that the US has gathered all the

planet's individualists in one place. These people have voluntarily broken with their origins, becoming outcasts without any link to the land that bore them. They have demonstrated what a person free of national and class prejudices, free of traditions, centuries-old culture and affections is capable of.

Such people have built a powerful state and a unique civilisation. Moreover, as true pragmatists, they enabled an unprecedented flourishing of material culture. They have reduced social relations to an absurdity; this "capitalist" type of relations has become the very symbol of such economy. All the thoughts of such people have been subordinated to money, rationalism, and consumption. Thus, they managed to formalize and, successively, to impoverish the human aspirations and relationships, and to substitute the priorities.

The Japanese are distinguished among other peoples by their strict obedience to discipline, hard work, industriousness, responsibility, conscientiousness, honesty, patriotism, and attachment to their company. Japanese statehood is built upon the culture of the family, corporate and social relations and hierarchies inherent to the Japanese people. It is based on an innate understanding of the benefits of reasonable administration, of the Oriental philosophy, of the century-old traditions, of the unique writing system, phonetics and linguistic system of the Japanese language, and, by consequence, of the thinking associated with it.

German capitalism is supported by honesty, exactness, discipline, labour culture of the Germans; by thorough planning and regulation of all elements organisational elements. Chinese economy employs ancient culture, diligence and conscientiousness of its people, etc. This is why, while many economic models share similar names, in essence they are strikingly different one from the other. And this precisely lets them compete with each other successfully. It is evident that if German economy were guided by American interests, and Japan or the US followed German traditions, none of them would have any positive results.

Similarly, Russian people equally have typical, distinguishing organisational and national features. There exist Russian attitudes to life, labour, and corporate relationship that do reflect the national character and traditions. These attitudes rely on the specific traits of the Russian people that are at the source of the Russian culture, history and moral principles. The Russians can, like no other nation, work in small groups, forming harmonious collaborations, where each member can fully realize their capabilities, allowing a maximum efficiency of the collective effort.

In the light of the foregoing, in the following sections we will study the civilisational differences of various cultures to determine their common and divergent points. Only after such analysis will it be possible to work out the preferable economic principles for people living across the globe to fully reflect their expectations and cultures, while conforming to the laws of the Universe.

### **1.1.2. Differences between western and eastern cultures and their influence on the economic structure**

*Oh, East is East, and West is West, and never the twain shall meet.<sup>12</sup>*

*R. Kipling*

Let us proceed with the study of the profound differences that exist between civilisations. The theory of hierarchy of civilisations that presupposes the supremacy of some civilisations and the backwardness of the others is by far disputable. In reality, as Honoré de Balzac wrote, "*Things that we admire in Europe are punishable in Asia, and a vice in Paris becomes a necessity when you have*

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<sup>12</sup> Cit. ex E. C. Stedman, ed., *A Victorian Anthology*, 1837—1895 (Cambridge: Riverside Press, 1895).

*passed the Azores. There are no such things as hard-and-fast rules; there are only conventions adapted to the climate*<sup>13</sup>.

At the same time, significant differences in the lifestyle of peoples cannot fail to influence their economic organisation. Indeed, the overall purpose of economy is to provide people with the means of existence. This objective serves as an incentive as well as a source of well-being for nations. No nation or people could survive if they did not employ their entire life potential, including natural, intellectual, and cultural potential. Otherwise they would not be able to make the best of their advantages and curb their weaknesses, would not aspire for economic structure that conforms most with their mentality. And, consequently, people would fail to preserve their specific mentality. It is well known that a good gambler does not always win at chess. In this light, as Joseph E. Stiglitz believed “*Each country should have its own economic policy based on the specific characteristics of this country; there can be no common, universal policy for all reforming countries*”<sup>14</sup> [16].

In order to prove this affirmation, we shall consider the fundamental differences of such distinct cultures as eastern and western cultures. Their most conspicuous representatives are the European and the Indian cultures, respectively. This does not mean that other civilisations, such as Chinese, Japanese, Jewish, Slavic, or else Arab civilisations are of less importance. However, it is the cultures of India and Europe that provide an example of a most striking contrast. What are their fundamental differences?

European culture is relatively young. It was shaped by the rationality of Rome reinforced by the Greek Romanticism. Indeed, “... *take Rome out – and the entire European edifice will collapse*” (Valentin Ivanov). If we analyse the map of the Roman oikumene at the beginning of the first millennium AD, including the territories of the Germanic tribes that the Roman Empire fought against, it is evident that the oikumene reunites precisely the states that make part of the modern Western Europe. All the tribes inhabiting this territory were inevitably and profoundly influenced by the sophisticated culture, language, order, and the very image of the rigorous Roman mind. The successors of the Empire naturally inherited its organisation, its harmony, rationality, democracy and inherent homogeneity.

But at the same time, they inherited the egotism, cynicism, cruelty, arrogance and pragmatism of Rome of those days, which in the end brought the Empire to ruin. For it was in the depths of Rome that the pagan cults of violence, hedonism, thirst for luxury, and permissiveness flourished. It was there that double standards, the modern plague of the western society, appeared. Within that system, everything that benefited Rome was considered good, while evil was all that ran counter to its interests. Then, the notions of truth, conscience and justice were employed as needed, often, as an excuse.

The Indian civilisation is more ancient. It is based on occult learning, manuscripts and cultural monuments that the legend attributes to the ancient Aryan civilisation. That is why all notions of this culture have already been tested by the time, and they tend to be more profound and precise. For this reason, as Carl Gustav Jung<sup>[17]</sup>, a recognized expert in the western and eastern cultures, said, not only the lifestyles, but also the types of mentality of the western and the eastern societies are remarkably different.

Indeed, in the West, thinking, intelligence and logic are deemed the best tools for discovering the truth. As the result, the western mentality has become rigid, it does not tolerate deviations and unjustified assumptions. Besides, the area of rational use of mind has been significantly restricted in the West. While people there trust exact observations and logic, they also shun the unconscious and its dubious fantasies. The East has different demands. While the European mind can only process what is visible and tangible, the eastern mind strives to discover the nature and the essence of things.

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<sup>13</sup> Cit. ex H. de Balzac, *Gobseck* (Clap Publishing, LLC., 2017), 14.

<sup>14</sup> [Translator's note: Translated by me.]

Consequently, a European sees the World around as a system of hierarchies, and an Indian – as a whole. Knowing the way to control the supreme power inside a person is the highest good for an Indian; a European only values what his eye sees.

To illustrate this idea, it can be mentioned that the *a maiore ad minus*<sup>15</sup> (Latin for “from the bigger to the smaller”) principle is seen in the East as the key tool for learning about the reality. All inferences are drawn from the general principles. In the West, the road towards the truth takes the opposite direction: from the simple to the more complex. Western thinkers believe that the process of learning about the world can only be consecutive, it advances as new data is collected and processed; eastern thinkers discover the world through studying and elaborating the way the general Laws of the Universe are manifested. That is why it is these laws that the western philosophers usually study.

The above explains why a western person takes a detached view of the World, striving to distance themselves from it, to acquire an absolute personal freedom, and an Indian, on the contrary, tries to merge with the World. Therefore, a western person draws conclusions regarding their inner world based on external sensations, while an Indian person is guided by their internal meditations.

Consequently, western mind has a wide knowledge of the Nature, and knows very little about its essence. Europeans always try to make use of things instead of understanding them. They see the reality as something that works, that is connected with the world of phenomena, while for an Indian only the soul, the spirit is real.

Science, with its tendency for systematisation, for logic and consistency, is undoubtedly an invention of the western world. Science conforms with its capacity for logical thinking and reality management. However, about 80% of the scientific knowledge considered evident is proved wrong every 100 years. Although the physical world view as presented by modern science is logically rigorous and justified, it allows no space for life. So, this theory will suffer no changes if the humans disappear from the Universe. Now what is the real value of science if the only being it was created for is excluded from its structure?

The East, on the contrary, glorifies the rational dominant of feeling, elevates the spiritual component of the World, and perceives the truth through intuition, feelings and emotions. That is why eastern knowledge is indifferent to time running, and what was valued a thousand years ago is still valued today. To give just one example, “*The supreme good of the human-beast is health; the supreme good of a spiritual human being is truth*”<sup>16</sup> (from *The Gems of the East*<sup>[15]</sup>). Is there anything to oppose this statement? Indeed, what is eternal is immune to change, and what is constant is eternal.

All this eventually shaped the different views of the people who live at the opposite points of the planet, both their views of themselves, and of the World around them. One of the cultures under consideration underestimates the world of consciousness, the other rejects that of the Uniform Spirit. The West celebrates “objectiveness” sacrificing to it the beauty and the integrity of life. The East substitutes objectiveness with wisdom, peace of estrangement and psychic immobility that help human beings return to the source and leave all troubles and joys outside. “*Subjectivity is really an advanced or preparatory stage for objectivity*” (Satprem<sup>[18]</sup>).

Having completed their historic development, the Europeans have gone so far from their origins that their minds have finally split into faith and knowledge. This is not surprising, as any psychological exaggeration leads to a split into the inherent opposites. Thus, a European person, equipped with the bad habit of believing and, at the same time, with a developed scientific and philosophic criticism, is inevitably trapped either in blind adoration or in an equally uncompromising rejection of foreign opinions and lifestyles.

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<sup>15</sup> [Translator’s note: In the original, *Maori ad minus*, incorrect.]

<sup>16</sup> [Translator’s note: Translated by me.]

The East believes that “*Everything requires for its existence its own opposite, or else it fades into nothingness*’ (Carl Gustav Jung, <sup>[17]</sup>). The World is stable as long as its composing factors are balanced. It understands that “*Where there is faith, there is doubt; where there is doubt, there is thirst for faith; where there is morality, there is temptation*’ (Laozi). That is why “*The West can galvanize and separate, but it can neither stabilize nor unite*’ (A. J. Toynbee).

An Indian take care both of the body and the mind, and a European keeps forgetting to attend to either the one or to the other. Where there is a will, there is a way, claims the West, and a European person takes this as a life motto. Thanks to persistent energy and forgetfulness, the Europeans have conquered the entire planet. And, at the same time, they have lost their planet. “*That is the sickness of western man, and he will not rest until he has infected the whole world with his own greedy restlessness*’ (C. G. Jung <sup>[17]</sup>). This is why *the western man has become a symbol of the material component of the World*, this is why he has made impressive material achievements. However, he has failed in the spiritual ones, as an increase in one place will always be balanced by a decrease in another, according to the law of conservation of energy.

In fact, neither of these two highly contrasted viewpoints is universal. As the great medieval scientist, theologian and poet Jalāl ad-Dīn Muhammad Rūmī <sup>[19]</sup> said, there are two tools for discovering the world: logic and sense. And these two are inseparable and irreplaceable, just as the two sides of the coin. Rumi believed that the more one tries to push apart two opposites, the more power they have.

Obviously, a person’s mood and their understanding of the good and the evil, the moral and the immoral is profoundly influenced by the religious dogmas that the person lives by. It is evident that people with different psychic and incomparable values cannot pray to the same god. And for a Christian, notwithstanding his confession, the structure of the religion, i.e. the difference of its rituals from other religions, is more important than their sense. A Christian transposes these rituals onto himself and, as the result, feels the competition between the religions, but cannot imagine their union.

For an Indian, on the contrary, the apparent differences of the religions are of little consequence, as he instinctively tries to discard the superficial to glorify the common features of all religions. An Indian would rather give up dogmas than circumscribe the essence of God, making God universal through limitation. “*One, He presides over all wombs and natures; Himself the womb of all*”<sup>17</sup> establishes Shvetashvatara Upanishad (V.5). According to the eastern philosophy, God and man are linked by indissoluble ties: “*In whatever way people surrender unto me, I reciprocate with them accordingly. Everyone follows my path*”<sup>18</sup>, reads Bhagavad Gita (IV,11 <sup>[15]</sup>).

Western religious practice is based on prayer, on the worship and the adoration of God. A person from the East mostly communicates with the Deity by being immersed in unconsciousness that they believe to be the supreme conscience. A European echoes Saint Paul, “*I am crucified with Christ: nevertheless I live; yet not I, but Christ liveth in me*’ (Gal.2:20). And the Indian surah promises “*And you shall know that you are Buddha*’ (Taittirīya Upanishad X). This is the reason why the spiritual approach of the East stupefies western man, and vice versa. A good Christian cannot save himself, just as a Buddha cannot worship a God other than himself. And even though the western civilisation is not as blessed as it seems, it is also incapable of accepting the spiritual approach of the East. And similarly, the East cannot cast away its culture to adopt another one, raised from foreign ground.

The Hindu people believe that the Deity inhabits all things and, above all, any human being. In western religions, on the contrary, only humans are endowed with a soul, as well as some other

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<sup>17</sup> Cit. ex Gh. Aurobindo, *Sri Aurobindo: The Hour of God: Selections from His Writings* (Sahitya Akademi, 1995), 10.

<sup>18</sup> Cit. ex S, Mukundananda, *Bhagavad Gita: The Song of God* (Jagadguru Kripaluji Yog, 2013).

living beings. In eastern cultures, human soul is identical to the souls of other natures of the Universe, to those of all things existing. This soul is described as follows: “*He is the child of the waters, the child of the forests, the child of things stable and the child of things that move. Even in the stone he is there*”<sup>19</sup> (Rigveda, I.70.20). In the West, however, nature is inanimate, and the man is a consumer, capable of governing Nature and all of its components.

A Christian attains the supreme knowledge through losing his own self, while an Indian preserves the immutable foundation of his nature through rigorous respect of its unity with the deity or the universal nature: “*The heavens beyond are great and wonderful, but greater yet and more wonderful are the heavens within you*” (Sri Aurobindo <sup>[18]</sup>). On the contrary, a European is more convinced by the visible reality with its materiality and weight. That is why a western man seeks rising above the World, while an Indian turns to the original sources of Nature.

As the result, the western Christian culture sees man free but at the same time fully subordinated to the will of God. Or, at least, to the church – the only institute of salvation on earth authorized by God. Thus, a European wants to mollify this “authority” with his fear, his vows, his prayers, with obedience, self-humiliation, good deeds, and glorification. And, from time to time, with indulgences. A western person is tortured by the belief in absolute gods that share human passions and weaknesses, but in fact are nothing else than a veil of illusions woven by the imperfect human mind.

Deep down the western man feels his insignificance before God and therefore does not dare protect his “I” against Him. On the contrary, in the East the man is the creator of his fate and the author of his self-perfection, as well as an integral part of God.

Suffice it to tweak this formula and substitute God with a different entity, for instance, with power, money or passion, to render a portrait of a European complete: a diligent, timorous, humble, and enterprising person who avidly clutches to the certain goods of the world he lives in, such as property, health, knowledge, money and material values. These are the founding elements of the liberal economic model forged by the Europeans. The western man is convinced that wealth comes from the outer world, that is why he avidly tries to fill his empty soul with it. He wants to seize the earthly comforts from other people to assure his own well-being at any price. “*The western civilisation prefers having to being*” (A. Macchirgiani). And this should not come as a surprise, as “*who holdeth not God as such an inner possession, but with every means must fetch Him from without*” (Meister Eckhart’s *Schriften und Predigten*)<sup>20</sup>.

While eastern philosophy and its perception of the world are directed inside the human being, western philosophy looks on the outside. It understands **the dialectics of the opposites** but cannot conceive their **harmonious coexistence**. That is why such philosophy is bound to run to extremes: it accepts fight and competition but is alien to cooperation of people, things or notions. As the two civilisations we have been dealing with so far understand the main questions of the world in strikingly different ways, the life within each of them is easily disconnected from the whole reality to become artificial and inhuman.

It is all logical then that the economic lifestyle and the production and distribution methods could not remain untouched by the profound differences between western and eastern civilisations. Thus, the eastern path consists in the subordination of the man by the state or by his own inner self. As opposed to the East, the West seeks to break the dead unity and give freedom to the individual forms of life. At the same time, it gets beyond harmony to encourage global egotism. This is why capitalism, based on the individualism cult, is alien to eastern mentality and ends up distorting it. The West does not admit other economic system than one driven by self-interest, the most shameful among the human qualities, and not by the desire to provide people with the means of existence, that is why unmercenary economics would not work as well in the West as in the East.

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<sup>19</sup> Cit. ex Satprem, *Sri Aurobindo, or The Adventure of Consciousness* (Mira Aditi, 2008).

<sup>20</sup> Cit. ex C. G. Jung, *Psychology and Religion Volume 11: West and East. Collected Works of C.G. Jung* (Routledge, 2014), 483.

Selfish economics conforms more to western mentality, and, consequently, it is more beneficial for it, assuring prosperity of the West. However, people of other cultures feel uncomfortable within such economic system, and that is why they often lose to the West. Western economy is detrimental for the life of other cultures, and it does not correspond to their understanding of Truth and Justice.

The East admits that the common prosperity stands above personal well-being: “*The manifestation of unity vanquishes even armies... The entire world is divided along a boundary line between individual and general welfare. If we act within the sphere of the general welfare with sincere intentions, then in support of us stands the entire reservoir of cosmic accumulations*” (Agni Yoga – The Living Ethics).<sup>21</sup> The East is capable to “*learn above all to separate Head-learning from Soul-Wisdom, the ‘Eye’ from the ‘Heart’ doctrine*” (Helena Blavatsky <sup>[15]</sup>)<sup>22</sup>. The West, meanwhile, keeps worshipping logic, intelligence and rationality, and often ignores the heart with its uncertain, illogical and erratic ways.

In the East, people understand that even though the accumulation of all the necessary things is indeed a source of well-being, no material goods would satisfy the inner world. That is why it is no surprise for the East that in the quest for pleasures humans are pestered by a growing hunger. And the greater the pleasures, the stronger the hunger. The man himself becomes the object of someone else’s craving, as well as a source of trouble and other unknown calamities. The multidimensionality and the duality of the world are to blame here.

The lack of spiritual orientation in the West borders on mental anarchy. By consequence, any religious or philosophic dogma contributes to setting up some kind of order, and becomes a source of new knowledge and of psychic duality. As dogmas can be assimilated with spiritual hygiene they contribute to the variety of knowledge. On the contrary, the East proves sufficient, peaceful, and composed. The West generates hundreds of world visions, none of which is complete or fully feasible. And there is no surprise in this, as all of such theories aim at resolving some local issues, instead of uncovering their nature and relation with other phenomena. The main tool such theories use is the analysis of circumstances and not their synthesis.

As the result, the multitude of doctrines produced in the West do not only fail to enrich the human beings, but even deprive people of the feeling of unity of the Universe, of self-confidence, and of the chance to get to know the World they live in. In the end, people are obliged to obey the element, instead of controlling it with the help of their reason. This is how competition and market are born, instead of a plan, of cooperation, harmony, and unity. At the same time, these developments cannot protect the man of the West from personal dissatisfaction. He ends up better protected from poor harvest and flood than from spiritual defects or psychic epidemics, as he is unfamiliar with any immutable principles. “*The world wars have shown what a European is capable of when his intellect, having grown alienated from Nature, runs free*”<sup>23</sup> (C. G. Jung <sup>[17]</sup>).

The East is different because it has always seen the mental reality as the main and the only condition of human existence. The East realizes that human soul is rich enough to avoid borrowing from the outside world. This vision of the world lets an Indian build a strong body, shaping the images of his mental state into specific real forms that replace the outer world to him. For this reason, despite not always understanding the reality, an Indian retains an inner order and harmony. As opposed to the multiple environment, in Indian can boast the integrity of his inner world.

As the two civilisations we have been dealing with so far understand the main questions of the world in strikingly different ways, the life within each of them is easily disconnected from the whole reality to become artificial and inhuman. This is exactly why “*The ancient intellectual cultures*

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<sup>21</sup> Cit. ex *Leaves of Morya’s Garden I (The Call)* (Agni Yoga Society).

<sup>22</sup> Cit. ex H. P. Blavatsky, *The Voice of Silence* (Theosophical University Press Online Edition).

<sup>23</sup> [Translator’s note: Translated by me.]

*of Europe ended in disruptive doubt and sceptical impotence, the pieties of Asia in stagnation and decline*’ (Sri Aurobindo<sup>[18]</sup>).

Thus, the differences between the civilisations that we have studied above turned out to be so profound that any convergence would lead to mutual destruction. The relation between the two cultures is that of the water and the fire. *“East and West... have two ways of looking at life which are opposite sides of one reality. Between the pragmatic truth on which the vital thought of modern Europe enamoured of the vigour of life, all the dance of God in Nature, puts so vehement and exclusive a stress and the eternal immutable Truth to which the Indian mind enamoured of calm and poise loves to turn with an equal passion for an exclusive finding, there is no such divorce and quarrel as is now declared by the partisan mind, the separating reason, the absorbing passion of an exclusive will of realisation*’ (Sri Aurobindo<sup>[18]</sup>).

The West is too intellectual, too much concentrated on the outer world to see the true state of things, while India is too deeply immersed in itself, so it lacks the determination necessary for balancing the principles it lives by with what it sees and understands. And although without unilaterality the human spirit could not develop in its complexity, due to their maximalism both the western and the eastern civilisation lose half of their total and become functionally incomplete.

On the other hand, civilisations shape people and their opportunities, and determine the most appropriate economic system for them. This is why in order to survive in this complex environment modelled by the quantitative-qualitative patterns of the Universe the human beings try to adapt to this world, making it cosy and comfortable for themselves. Hence the inevitable conflict of the unilaterality of human philosophic perception and lifestyle. Besides, the spread of a foreign civilisation into an inappropriate ground unavoidably gives birth to mutants instead of healthy and well-balanced individuals.

In the light of the foregoing, both civilisations need an intermediary capable of reconciling them. Someone who would bring together the opposites and match their values in order to shape a new attitude to culture, economy, spirituality, and quality of life. They need an incentive to unite their multiplicity rather than separate it, to compose a symphony that would replace the cacophony. The Russian mentality has been the one to come closest to this ideal. This is why Russia is the only candidate for the role of the intermediary, as no other global civilisation possesses the qualities required for the mission.

### **1.1.3. Russia and Europe, collision of civilisations**

*Ages for you, for us the briefest space,  
We raised the shield up as your humble lieges  
To shelter you, the European race  
From the Mongolians’ savage raid and sieges.*<sup>24</sup>

*Alexander Blok, The Scythians*

The meeting of the East and the West on the vast Russian territory sparked a tendency for mutual complement of the opposites reflected in their cultures. As the result, Russia emerged as a natural link between the western and the eastern civilisations, as it could become a successor for neither of them. *“Russia is a bridge between the godless man of the West and the inhuman God of the East*’ (Vladimir Solovyov). *“It is in Russia that the West and the East collide and interact, not only as geographic entities but also as to two historic and cultural sources, as two flows of the world history – the western and the eastern*’ (Nikolay Berdyaev). This encounter also brought about the unprecedented

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<sup>24</sup> Cit. ex *International Socialism* (1st series), No. 6, Autumn 1961, 24—25. Translated by Kurt Dowson.

centuries-long confrontation between Europe and Russia. So, what are the main differences of these civilisations?

The western world came into existence on rather homogeneous territories – mostly rich and fertile, blessed with a favourable climate, connected to a number of seas and rivers that encouraged transportation of people and goods, as well as information exchange. Thanks to constant populations migration and wars the lifestyles of the European peoples could not diverge much. Instead, they mixed with each other to form similar tastes and culture, ideologic and religious dogmas, behavioural principles, and material and spiritual values.

However Russian mentality has been forged in quite different conditions: large swathes of land, flat country, and harsh climate. The severe environment acted as natural selection on human characters. As a consequence, the vast territories of Eastern Europe saw the formation of a peculiar world that grew to prosperity through labour and sweat, and sometimes – through blood. This skill of surviving the hardships and being content with little when the surrounding nature offered a lot, was at the origin of the generous and open Russian soul.

The strength of the Slavs resided in their tribal system that assured the unity of people and encourage kind attitude to each other. It was this system that forged the moral and combat qualities of the warriors, giving them solidarity and mutual assistance in fighting. The Slavic combat tactic did not reside in the invention of the combat order formations, as it was in the Roman Empire and other similar states, but in the variety of enemy attacking strategies during assault and defence. Hence, as the Arab writer Al-Bakri said, if the Slavs, “*this powerful and fearsome people*”, were not split into many groups and tribes, no one could have stood against them.

Many Byzantine writers remarked the bellicosity of the Slavic tribes. The politicians of the Eastern Roman Empire feared Slavic political entities. That is why Maurice, a sixth century strategist and writer from Constantinople, recommended to take advantage of the feud to fight the Slavic tribes by setting them against each other in order to weaken them. It should be noted that this strategy is still in use today, and it marks the specific attitude of Europe towards Russia.

When defending their habitat, the Russian could not count upon the poorly accessible natural barriers, so they had chosen between perishing under the onslaught of the neighbouring savage hordes and learning to fight them back. It is evident that military methods alone would not suffice here. That is why from the very beginning the Russians tried to come on terms with their neighbours, to reconcile with them in order to increase the area of their own influence. It was essential for the Russian people to avoid imposing their way of life, as well as infringing on that of the other peoples; instead they would seek to pacify the intertribal relationship. Thus, they have synthesized a new entity impregnated with the best customs and labour skills of their neighbours. As the result, a unique community of various peoples emerged; a community that always welcomed new knowledge, new cultural trends and economic tools; a community based on the principles of equality and democracy. As Procopius of Caesarea, a sixth-century Greek scientist, informed, “...*the Sclaveni and the Antae, are not ruled by one man, but they have lived from of old under a democracy, and consequently everything which involves their welfare, whether for good or for ill, is referred to the people*”<sup>[20]</sup>.

All of the above contributed to the formation of an original and kind nation, bound, despite the large variety of the peoples that made it, by means of a common and synthetic culture. This culture is at the source of unprecedented adaptability, racial, religious and human tolerance, as well as an inherent strive for unification that allowed to stretch the borders of the country to encompass one sixth of the planet. That is why “*Russia does not result from an accidental accumulation of territories and tribes, as it is not an artificially built ‘region’-based mechanism, but a living **organism** that has evolved historically and has been culturally justified and that cannot be split arbitrarily*” (Philosopher I. Iliyn).

The union thus created proved solid in the complicated history of the Russian state. The annals of the year 859 depict the Russians, allied with the Merya and the Kriviches tribes, driving away the Varangians, refusing to pay the tribute, and starting to “*govern themselves and build towns*”. The union

of Russian tribes who in the tenth-eleventh centuries united to fight the foreigners included, beside the Novgorodians, the Aesti and eastern Finno-Ugric tribes: the Merya, the Izhorians, the Votes, etc. And all tribes enjoyed equal rights.

Consequently, Russia was not familiar with national swagger, prohibition of cultural marriages, or cultural shaming. All peoples were entitled to speak their language, to live in accordance with their culture, faith and traditions. Any person, whatever his ethnicity, could live in Russia and enjoy due respect notwithstanding his national or cultural origin. Besides, ethnic differences did not prevent people from taking high posts. For instance, Semen Emin, who was elected the tysyatsky (chiliarch in Ancient Rus) of the Veliky Novgorod in 1218, came from the Emi tribe. Russian tsar Ivan the Terrible did not conceal his relation with the direct descendants of Genghis Khan and even used it for political purposes. Among Tsar Boris Godunov's ancestors was the Tatar mirza Cheta, known under the Christian name of Khazariya, who served the Moscow prince Ivan Kalita (Ivan I of Moscow), etc.

Thus, the attitude to people was determined in Russia not by their ethnicity, but by their personal qualities. For example, the author of *The Tale of Igor's Campaign* describes with great respect the life and the character of the noble Polovtsians, sworn enemies of the Russians. The Russian chronicler who draw the *Story of the Tsardom of Kazan* admires the bravery of the Tatars who defended Kazan from the Russians and provides a lyrical description of the worries of Princess Söyembikä. This attitude also explains why in 1612 Russia was liberated from the Polish intervention not only by Russians, but also with the help of the Tatars (in particular, one of the leaders of the Russian militia, Kuzma Minin, was a Tatar by origin), the Bashkirs, the Mordvins, the Chuvashs, the Ukrainians, the Cossacks, etc. And Russian history has numerous other examples of such attitude. For this reason, "*Russian unity has allowed to preserve the idea that runs through the New Testament – that of the equality of peoples and men in general, an equality that opposes the ideology of supremacy and submission*" (V. I. Sigov, G. A. Karpova, S. I. Pintsov).

The mentality of the nation thus synthesized is at the source of unprecedented adaptability, racial, religious and human tolerance. Russia has become an example of shared existence of various nations, peoples, and states that allows to avoid any discord or strife between them. Russia has managed to serve as a model of organisation of the humanity for the period when people would have lived through the stage of savagery and constant struggle.

This has broadened Russian population's view of the life and the surrounding World, has proven materiality illusory, and spirituality – infinite. Moreover, thanks to such an attitude people have realized the unity of the Universe and the actual place of the human being within it. It has reinforced their confidence in their own powers, and has given way to an initiative and an aspiration for the infinite Will.

As a consequence, Russian people do not perceive themselves as individualists in isolation, rather as a part of a whole: a community, a society, a state, a people, and the entire humanity. This is why Russian philosophy and economics views the human being not as an independent entity, but as a limited part of the Universe that is responsible both for itself and for the evolvement of the global harmony of God, Nature, and Man. "*I am speaking of the ceaseless longing, which has always been inherent in the Russian People, for a great, general, universal union of fellowship in the name of Christ*" (Fyodor Dostoevsky<sup>[21]</sup>).

While a European tries to resolve his own problems, a Russian person aspires to find a solution to the world's global issues. Where the Europeans prefer concreteness, the Russians looks for abstraction. That is why the two civilisations find it hard to understand each other. As opposed to a western man, who is mostly driven by everyday practical problems, a Russian person is tempted by perspective, horizon, and future. Indeed, "*all that is close, local, inert only exists preliminarily, only for a while, up to a certain moment, inter alia, while the only dream deep down in the heart is the dream of the Future*" (S. Bulgakov). Hence the most outstanding Russian philosophers (A. Khomyakov, I.

Kireevsky, V. Solovyov, N. Berdyaev, S. Bulgakov, Princes Trubetskoy and others) were gullible idealists and charged Russia with the responsibility for the fate of the entire humanity.

It is the feeling of complicity with the Universe that helped the great Russian thinkers to contribute significantly to the world culture, to develop extreme capacity for observation, to enter other spheres of feeling and thinking and open them up to the public. M. M. Mussorgsky transformed the opera to be in accord with the melody of human speech. Leo Tolstoy studied the objective laws of human behaviour. Fyodor Dostoevsky analysed the link between human psychology and social phenomena. N. N. Miklouho-Maclay proposed the theory of common origin of human races; L. N. Gumilyov related ethnogenesis with the Earth's biosphere. K. E. Tsiolkovsky dared to look beyond the limits of the earthly world; Alexander Bogdanov formulated the general laws of interaction between Man and Nature. P. A. Florensky claimed that the perception of the cosmic symphony is based on the acceptance of the integrity of the World, on the animation and the mutual connection of its components. A. V. Khomyakov introduced the principle of sobornost as the foundation of the life organisation that describes a multitude bound by the power of love into a free and harmonious entity.

Helena Blavatsky discovered the origins of the world philosophies and religions and established their relation with the Global Laws of the Universe, synthesizing a profound vision of the World. Although her works have been interpreted quite differently, they are still popular not only in the West, but also in the East, which traditionally views western people as savages. Brahman Rai B. K. Lahiri, who *“has never bowed his head to anybody but the Supreme Being’ admitted that he, nevertheless, “clasped his hands as an obedient child in front of this white yogini... In our eyes she is not a Barbarian woman any more; she has crossed the threshold, and every Hindu man, even the purest of the pure Brahmans, would consider it an honour and a joy to call her his mother’*. Thus, *“the understanding of the pervasive relatedness and unity of the universe achieved through the ‘live and integral vision of the mind’ serves as an equilibrium principle in Russian philosophy’* (I. V. Kireevsky).

For this reason, Russian people seek the supreme outside of themselves and find joy in the shared well-being alone. Where the West tries to resolve the main issues through force, Russia proceeds with a compromise, with an attempt to reach agreement. According to a Russian proverb, *“There is no such thing as alien trouble’*. In the West, on the contrary, they say *“It’s your problem!”* (and translated into Russian this even sounds awkward). This is why *“Russian people live happily as long as they know that injustice perseveres in the world’* (Charles de Gaulle). The grand distances that the Russians have to cross have taught them to think big: *“vast spaces have imprinted on the Russian soul’* as Nikolay Berdyaev said. This is how socialism conquered Russia, which has always strived for justice more than for rationality or its own security.

While a man of the West defends his individuality and singularity, a Russian man defends his belonging to a bigger entity. Europeans are attached to law, to private property and to man-made justice; Russians are inspired by fairness, social prosperity and justice of Heaven. In the West, it is wealth that calls for respect, and in Russia it is public recognition. Russian people believe that *fair labour will not earn you a good house*, paraphrasing a well-known proverb, which proved right in most cases.

When borrowing from others, the Russian always try to make their own contributions. Thus, the Greek Orthodox religion that was adopted in the country at the end of the tenth century has been transformed to acquire a Russian character: it still preserves some pagan elements, proving in this way the continuity of religions, the respect towards national history and the past, while preserving eloquent national traits. Russian Orthodox Church has incorporated the inherent Russian aspiration for mutual completion, for respect of other opinions and faiths. And this should not come as a surprise, after all faith is not a garment, which can be changed easily and entirely.

The processes described above impregnated Russian vision of the good, justice and morality with the fundamental principles of the Orthodox religion. It excludes such ugly exaggerations as patriotic fetishism or disdain for other peoples and cultures. This form of Christianity does not accept

the separation of God from his expression of the Truth, just as the Sun cannot be seen separately from its life-giving rays. A Russian proverb advises: “*defend the Truth, and God will be with you*’. Within Russian culture people are led to believe that only the nationalism that does not defy other people and does not contradict the Orthodox Christianity canons is worthy of respect. This religion’s mission consists in acting as a link between the ethnic civilisations and in encouraging mutual spiritual improvement and recreation of God’s peace, that is, formation of a fraternal union of peoples instead of serving as a source of discord and money-grabbing.

In Russia, people have always understood the value of multiplicity and the limitations and lack of expressiveness of clichés. Let us remember the Saint Basil’s Cathedral, with its violent colours, asymmetry of images, and unique design of the cupolas. This is indeed the symbol of Russia, powerful and original, incomparable with the others. This uniqueness is something that enraptures most and exasperates most at the same time. Fyodor Tyutchev was right when he wrote: “*Russia is a thing of which | the intellect cannot conceive. | Hers is no common yardstick...*”<sup>25</sup>

The Russians, however, always seek something proper and original. This distinguishes them from other peoples and often makes them seem stupid and pathetic. The irrationality and the romanticism of the Russians is hard, sometimes even impossible to understand. It is not rare for Russian people to fail to put their feelings and thoughts in words. Moreover, when a Russian person looks after pecuniary personal profit, something he is not skilful at, he always ends up outwitted and betrayed, for Russians are no experts in working for their own benefit.

That is why freedom is a tool for self-affirmation for Europeans, while Russian people see it as a lack of limits, as liberty, that is, liberation of the soul. Russians understand that excessive material prosperity deforms a human being as much as scarce means of existence. This is why the motivation of a Russian man has been limited by the criterion of “sufficiency”. Here “sufficiency” means an income sufficient to lead a decent life without subordinating and disfiguring the owner of this income.

Even though Russians unwillingly prove themselves worthy in the everyday life, they stand up to the challenge when an impossible feat is required from them. Russian people are not incline to squander their talents on trifles, they need something powerful that nobody else would cope with. Only then will they hit their stride. “*Russia cannot be saved through small actions*’, reminded Nikolay Berdyaev. Suffice it for a Russian person to cast off the mask he wears and make certain that he is right, then he acquires instantly the skill, the wisdom, the force and the beauty, as if by magic.

All these circumstances have influenced the Russian national character, remarked by many eminent personalities. “*Russian soul is infinite generosity*’, said Dalai Lama, the Tibetan spiritual leader. “*Russian people work diligently and gratuitously as long as there is a moral idea, righteous objective in the society*’, to quote Friedrich Hegel. Winston Churchill believed, “*The concept of good nature – living in accordance with one’s conscience – is very Russian, indeed*”<sup>26</sup>. And this has always been the attitude to Russian people. “*And asked Andrew John, his disciple: “Rabbi! To which peoples should we bring the good news of our Father in heaven?” And Joshua replied: “Go to the people in the east, and to the people in the west, and to the people in the south... But you need not go to the pagans from the north, as they know not sins and vices of the House of Israel*’ (Apostle Andrew, Apocryphal Acts). However, “*when they entered [the fold of] Christianity, the faith blunted their swords, the door of their livelihood was closed to them, they returned to hardship and poverty, and their livelihood shrank*”<sup>27</sup> (Marvazī). But at least the Byzantine Empire gave a sigh of relief.

The severe environment typical of the Eastern Europe made it difficult to survive on one’s own, people needed support and mutual assistance. That is why they tended to live in communities,

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<sup>25</sup> Cit. ex F. Tyutchev, *The Complete Poems of Tyutchev*. Translated by F. Jude (Durham, 2000).

<sup>26</sup> [Translator’s note: The attribution of these three quotations to their authors is strongly contested.]

<sup>27</sup> Cit. ex V. Minorsky, *Sharaf al-Zamān Ṭāhīr Marvazī on China, the Turks, and India; Arabic text circa AD 1120*. (London: Royal Asiatic Society, 1942).

clans and tribes, and to join effort to resolve common problems. The informal relations between the members, based on the notions of truth and justice, has a higher value than formal relationships. This, in turn, influenced the family and economic relations and the entire everyday life.

In the West, the situation was quite different: the environment and the climate allowed people to live successfully on their own. The only thing required was legalizing the relationships between them. That is why the ideologic system of a rule-of-law state flourished there, imposing unconditional rule of rights and of law: “*Let the world perish, the law will triumph!*”, “*Law is strict but it is law*’, etc. In Russia, the notion of ‘law’ is understood in a broader manner. There is definitely a need for order in the world, however “*Only the law that views itself as an obligation is efficient*’ (M. N. Katkov, Russian government official of the twentieth century). Russia believed that “*custom is more binding than a law: a law can be made up; a custom is formulated by life itself*’ (Val. Ivanov). It is not a seemingly egalitarian law invented by people that should form a basis for the life of the human beings, but God’s laws of truth, conscience and justice.

All the obscure in other peoples seems intriguing to Russians and ugly and nasty to Europeans. “*He who thinks or teaches ‘otherwise’ is sinful, a backslider, a foe, and he is fought down without mercy*’ (O. Spengler)<sup>28</sup>. For this reason, “*Great Britain has no constant enemies or friends but rather constant interests*’ (W. Churchill). Western business ethic is unfamiliar with the notion of gratitude. “*One would search in vain higher moral impulses in European politics. It is solely driven by the thirst for profit... informed people claim that at present only eccentric men with old-fashioned views pay the debts of honour, while enlightened nations do not*”<sup>29</sup> (P. N. Wrangel, the last Commander-in-Chief of the White armies in the south of Russia <sup>[22]</sup>).

Summarizing the above, Europe has chosen a different path of development. Its spiritual culture started its decline in the twelfth century, when “*a germ of the new, completely different principle emerged that consisted in... only attributing sense meaning to what one sees, hears, touches, feels and perceives through the senses*”<sup>30</sup> (Pitirim Sorokin <sup>[23]</sup>). This has given rise to the infinite European pragmatism that has become the basis for Europe’s material prosperity, though not for spiritual prosperity. As opposed to Russia who glorifies justice, the West proclaimed “*Vae victus!*”<sup>31</sup> (Woe to the vanquished). The pagan cult of power and financial prosperity has subordinated Europe and the rule of force prevailed the force of law. The mentality of wild freedom and of relentless fight for existence prevails the principles of Truth and Justice.

This explains why in Europe primary importance has always been assigned to personal well-being. The supreme valour of the western hero resides in being strong and inflicting suffering and grief on the others: “*The world belongs to those who are braver and stronger. We do not ask when we want to take somebody’s life or property. We do not rob, we take away. We have faith in nothing but in our arms force and our courage*’ (from Scandinavian sagas). “*Is it the oar of galley moves among the shadows and ice floes, or the propeller froths the sea? The Waves and the Time echo each other: woe to the weakest one, woe!*” (R. Kipling). “*The great Gaels of Ireland are the men that God made mad, for all their wars are merry, and all their songs are sad*’ (H. Chesterton)<sup>32</sup>, etc.

Needless to say, Russia has never known any such beliefs, tales, poems, national epic, songs or legends. In the existing folklore battles are not described as a process of physical elimination or enslaving of the enemy, but as a hard labour, a spiritual and moral fight against injustice, sacrilege and global evil.

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<sup>28</sup> Cit. ex O. Spengler, *The Decline of the West* (Oxford University Press, 1991), 176.

<sup>29</sup> [Translator’s note: Translated by me.]

<sup>30</sup> [Translator’s note: Translated by me.]

<sup>31</sup> [Translator’s note: In the original, *Vie victis*, incorrect].

<sup>32</sup> Cit. ex G. K. Chesterton, *The Ballad of the White Horse* (Courier Corporation, 2013), 26.

The cruelty celebrated in the western literature and art is more than a lyrical exaggeration. It determines the motives and the behaviour of western people, it is conditioned by their lifestyle, and history and armed with their ideologic and religious dogmas. The image of the foe was as essential for western man, as bloody flesh is for a wild beast. The West cannot survive without a foe and the social adrenalin he generates. This is why the West keeps making foes, real and invented ones. To vanquish them and feed its prosperity with their ashes.

A good example of this attitude is the fate of the North American natives, all of them either exterminated or locked up in reservations. The “civilized” US authorities would pay generously for each scalped Indian, be this a warrior, a woman or a child. Besides, entire populations of unique animals, such as American buffalos, jaguars, white elks, dodos and others, were wiped out. And these excessive measures were not applied only once. Europeans have completed the “civilizing mission” of the West by destroying, with a sword and a cross, the ancient cultures of Yucatan, Mexico and Peru, by annihilating the Incas and the Aztecs. Similarly, they have enslaved millions of Africans, making them work for western people. Benin, one of the most powerful and developed African states that once existed on the territory of modern Nigeria, has successfully fought the enslavers back until the nineteenth century, when the English colonizers gave it over to fire and sword.

It is interesting to point out that in Siberia, which was being conquered by Russia around the same time, not a single ethnic group perished, even among the smallest ones, and all animal populations were preserved. Siberia never knew any reservations, deportations, slavery of the natives or their total extermination.

This has been true throughout the course of history. It was not by chance that British historian Stuart Laycock entitled one of his books *All the Countries We’ve Ever Invaded and the Few We Never Got Round To*. Out of 193 UN member-states, 171 have been attacked by Anglo-Saxons. This estimation does not cover the numerous hybrid and information wars that are waged all over the planet. In 2004, the Congressional Research Service made an attempt at assessing the total number of military conflicts that the US has ever participated in. The result was the astronomic figure of 261 acts of aggression or “*actions to defend democracy*” across the world. Furthermore, the majority of these attacks were launched against known weak adversaries, which makes it evident with whom the initiative lies.

Moreover, such interventions were not military only. As US President Dwight D. Eisenhower admitted, “*Hitherto applicable norms of conduct do not apply... We must... learn to subvert, sabotage, and destroy our enemy by more clever, more sophisticated and more effective methods than those used against us*”<sup>33</sup>. As the result, entire nations are made fools of, the leaders who do not suit the US are removed, confrontations between different groups within the same people are set up, governments are overthrown, and civil wars unleashed. The rivers of blood are to satisfy the American thirst for global hegemony, and there is an endless number of examples to support this claim.

Besides shaping the state philosophy in Europe and the US, actively employed in practice, such psychology has assured its own continuity, and has almost become official. Its fruit is state policy driven by deception, cynicism and avarice. This system completely ignores the notions of Truth and Justice, or else uses them as required.

Though it is evident that the West still has many romantics who are truly grieved by the troubles of the others, however this sympathy should not be associated with the state politics.

Without any doubt, throughout its complex history Russia has not always been an amorphous and invariably just power. But then, is there any country in the world that could have escaped this fate and that would have always been right? For justice’s sake, it might be pointed out that per each offensive of the Russian army there were eight defences. Russians fought back the Khazars, the Pechenegs, the Cumans, the Mongols, the Tatars, the Swedes, the Polish, the Lithuanians,

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<sup>33</sup> Cit. ex S. E. Ambrose, *Eisenhower: Soldier and President* (Simon and Schuster, 1991)

the Hungarians, the Croatians, the Turks, the French, the English, the German... Often Russia did it at the cost of numerous victims, mostly among the local civilian population. Here lies the fundamental difference of the Russian and the western civilisations, the differences of their visions and understanding of the limit between what is allowed and what is forbidden.

As the result, the West developed an unprecedented aggression towards all other peoples, in particular, towards Russians, as people of different cultural values. Indeed, the European hatred for Russia has existed for a long time. It is even more deeply rooted than state competition or ideologic discord. For instance, the motto “*Drang nach Osten*” (“*drive toward the East*”) was coined in the times when Russian tribes living along the Volkhov and Dnieper rivers were completely unfamiliar with statehood. It was first proposed by Charles the Great in the eighth century, then it was taken up by the first leaders of the Holy Romain Empire; later – adopted by the Anglo-Saxons.

This hatred was evoked by Mikhail Lomonosov, Alexander Pushkin and Ivan Turgenev. “*There is no other nation about whom as many lies, absurdities and calumnies have been made up, as there have been about Russians*” (Empress Catherine the Great, 1729—1796). “*We should not deceive ourselves. The hostility of Europe is too evident: it does not reside in the chance combinations of European politics, or in the ambition of any of the state leaders, but in the key European interests*” (N. Danilevsky, nineteenth century). “*And there is not a piece of slander that Europe would not circulate against us*” (Fyodor Dostoevsky)<sup>34</sup>.

In total, the centuries-long western policy towards Russia may be described in the following way: “*Europeans need an ugly Russia: barbarian, so that they could ‘civilize’ it according to their own taste; dangerously big, so that they could split it; aggressive, so that they could set up a coalition against it; reactionary and religiously decaying, so that they could break in with their propaganda of Reformation and Catholicism; and economically insolvent, so that they could claim its ‘unused’ territories, its raw materials, or, at least, its profitable trade agreements and concessions*” (philosopher I. A. Iliyn). Though these words were written 90 years ago, they still ring a bell with the modern people.

Moreover, throughout its history, whenever Europe was in trouble, it was helped out by Russia, who *never saw its assistance returned*. On the contrary, Europe always allied with the enemies of Russia, be it during Russia’s struggle against the predatory eastern hordes, the Time of Troubles, the wars against Turkey, all other wars or even the present day international terrorism counteraction. “*No Russian service for the all-European causes (the Seven Years’ War, fight against Napoleon, the rescue of Prussia in 1805—1815, the rescue of Austria in 1849, the rescue of France in 1875, the peaceful politics of Alexander III, The Hague Conferences, or the sacrifice in the war against Germany in 1914—1917) is valid in front of this fear; no noble and selfless actions of the Russian leaders were capable of stop this European ranting*” (I. A. Iliyin).

The West has always been hostile to Russia. Thus, as the February and the October revolutions of 1917, together with the liberals, the Bolshevism and the subsequent events, were not born in the Russian soil, they were welcomed by the “progressive’ movements of the West. Besides, “*All [revolutionary] movements in Russia emerged under the influence of Western Europe and bore the imprint of the prevailing European beliefs*” (Prince P. A. Kropotkin).

Even during World War II, besides the official allies of the Nazi Germany (Finland, Romania, Slovakia, Croatia, Hungary, and Italy), the USSR had to face 18 thousand **volunteers** from the occupied Netherlands, 12 thousand Danish, Swedes and Norwegians, 6 thousand French, 4 thousand Walloons, and 4 thousand Spanish (data provided by the Major General of Wehrmacht von Buttlar). The Hitlerites were well supplied with raw materials and arms from France, Slovakia, Poland, Sweden, the Netherlands, Denmark and even Switzerland, so the USSR was in fact fighting against entire Europe.

<sup>34</sup> Cit. ex F. Dostoevsky, *A Writer’s Diary*. Translated by Kenneth Lantz. Abridged edition (Northwestern University Press, Evanston, Illinois, 2009)

A real genocide of Russians, including their history, culture and language, was under way after the collapse of the USSR in the Baltic countries, in Ukraine and many CIS countries; it has been invariably and cynically welcomed by the advocates of “*human rights*’ in the West. If it views the adversaries of black people as racists, those of the Jewish – as anti-Semites, and those of Russians – as human rights activists. These are links in one and the same chain, the result of one centuries-long policy. Useless to call for truth and justice, to try to evoke the nobility or even basic decency. For all of these are absent.

The fundamental incompatibility of the Russian and the western world is further proven by the observation that as soon as Russia became closer with the West, it faced decline, new troubles and cataclysms. Indeed, only friendship with the Anglo-Saxons can be more devastating than the war with them. “*To be an enemy of America can be dangerous, but to be a friend is fatal*’, warned Henry Kissinger. The West has actually taken advantage of Russia’s credulity to proceed to information attacks against the country, to deceive, to rob and to humiliate. N. Berdyaev claimed that Marxism first appeared in Russia as an “*extreme form of westernism*’. It conforms better with the western struggle for existence than with the Russian struggle for the truth. This is why there is no surprise in the deplorable result of such assimilations, as the desire to impose foreign ideas in an unsuitable soil cannot result in success. Besides, the current “*reforms*’, ugly and deceptive as they are, were not conceived in Russia.

“*The West has been and will be God’s punishment for us, which we still fail to realize. We are stuck in the western mud up to the ears, and we are good. We have eyes, but fail to see; we have ears, but fail to hear, and our heart is ignorant*’ (Theophan the Recluse of the Vysha Monastery). This thought is echoed by professor Yu. M. Osipov: “*The tragedy of Russia lies in its interaction with Europe*’. For this reason, only then Russian revival started when the country discarded western values and was nourished by its own roots. And this is precisely what we witness today.

Thus, the confrontation of Russia and the West is of fundamental nature. It is produced by the collision of different civilisations, and not only by simple disagreement with certain actions, ideology, leaders, or their policy. Due to its uncompromising stand, the West cannot reconcile itself neither with Russia’s difference, not with its religion, its originality or wealth.

The processes described above have left us too different from one another. While a western person defends his individuality, a Russian affirms his belonging to a greater entity. Western people are attached to law, to private property and to man-made justice; Russians are inspired by fairness, social prosperity and justice of Heaven. Where they attempt to resolve problems by force, we act through compromise and agreement.

On the other hand, western society has also created a unique culture, has produced greatest philosophy, painting, music, architecture and poetry. Western pragmatism has improved economic systems, social structure and everyday life. It has generated modern science, education and art. Thus, it has significantly influenced all aspects of the daily life in Russia and the entire world. This attitude has also shaped the mind of the Russian westernists, who adore western culture and do the best to introduce western values on the Russian territory. Above all, the west has in many ways been regarded as a standard of “*good*’ development.

The considerable differences between the European and the Russian civilisations, cultures, and values prevent the efficient implementation of the said achievements in Russia. Our country is thus relegated to the position of permanent lagging behind, of imitation and longing for applause. For instance, Russian people tend to believe that “*human being is superior to the property principle*’ and that the idea of “*natural law*’, which serves as the basis of the Western European moral, is understood through the ideals of Virtue, Justice and Truth. Is it possible then for Capitalism to be as successful in Russia as it is in the West?

On the contrary, the model based on the activity of smaller groups, where “*one is for all, and all – for one*’ has proved most productive in Russia. The main rules of such system are described

in paragraph 2.3. This set-up employs the group initiative, inherent of Russian people, as well as original thinking and collective talent. “*These factors precisely have contributed, from the initial stages and throughout the history, to the formation of common, group structures for governance, of collective, often artel-type forms of labour organisation; they have laid the foundation of the further development of corporations*”<sup>35</sup> (academician L. T. Abalkin [24]). Where Russians abandoned these principles, and tried to follow blindly the foreign rules of organisation, of human relations, and property, they inevitably failed. This entailed useless lamentations on the originality, incapacity, backwardness, stupidity, lack of culture and mystery of the Slavic soul. However, it would suffice to give up foreign authorities and let Russia live in accordance with its own principles.

For this reason, the ideology of unlimited private property has failed and will fail to get rooted in the Russian soil. The principle that preconizes that the more money a person has, the more rights this person enjoys, will never be understood by the Russian people. It is evident that the western principle of money-grabbing that is not conducive to the well-being of the society is regarded by Russians as deeply immoral.

At the same time, it should be admitted that Russian society has not been able to find its proper economic system that would conform as much as possible with its culture, faith, harmonious vision of the world, sobornost and reality of life. That is why during the entire past millennium Russia has been forced to use western-made surrogates. This brings a feeling of disharmony in the economic relations and fundamental national values. Science starts rushing frantically from one fashionable western doctrine to another. And the West, with a certain desire of profit, keeps supplying new doctrines. Sometimes it is done through information media, and sometimes – through collaborators, by means of disinformation and force. Besides, the West enjoys shamelessly the opportunities that such methods provide.

In the light of the foregoing, the sanctions imposed on Russia by the West are, in reality, beneficial for the country. They finally oblige it to look for its own ways of resolving the problems that have accumulated and of resorting to its advantages based the country’s specific features. Russia is forced to propose an alternative society organisation, a new world order inspired by the national roots, experience and history not of Russians, but of all other peoples as well. The present book is dedicated to the description of one possible type of such organisation.

## **§1.2. Economic objectives and tools**

### **1.2.1. What is economics?**

*...the reason for some gods to be overthrown, and for others – worshipped, has always been and still is not religion, but politics...*

*V. I. Sergeev*

Let us consider this phenomenon in greater detail. The term “**economics**” is derived from the Greek word *oikonomike* which means “*the art of managing a household*”. For the first time it was mentioned in the fifth century by Xenophon, who put it as a title for his work. In it he considered the rational rules for household and agricultural management with the view of increasing profitability. Later the scope of economy as a science was expanded to encompass the entire range of economic activities. It was also then when first discrepancies in interpretation emerged.

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<sup>35</sup> [Translator’s note: Translated by me.]

Plato, for instance, believed that the purpose of an ideal state was to “*banish meanness and covetousness from the souls of men*”<sup>[25]</sup><sup>36</sup>. Aristotle distinguished between the true economic activities aimed at producing goods for home and for the state, and other activities seeking to make profit (this second type was known as *chrematistics*)<sup>[26]</sup>. In fact, he considered the latter type of economic activities perverted. In particular, the philosopher was indignant at the interest that let the usurer make profit without participating in the production of useful goods, but just by transforming money into a source of new money. This, according to Aristotle, distorted its nature, for money is meant for exchange, and not for making non-productive profit.

One of the first economists, Jean-Baptiste Say claimed in 1803 that economics “...*teaches about the constitution, the distribution and the consumption of wealth*”. Some modern scientists believe that “*economics is a discipline that studies the way a society with limited, scarce resources decides upon what should be produced, how and for whom*” (S. Fisher, R. Dornbush, R. Shmlenzi). But there exist other definitions: “*There are four main ways to acquire wealth: violence, lawful transfer, gift and exchange. Among the four, only the last one is related to economics*” (Jacques Leon Rueff). The problem is that people try to use economics in all of the cited cases.

The most complete definition of economics seems to be given by A. Marshall who considers that “*Economics is a science about the regular human vital activity*”. Nevertheless, this definition does not specify what “*regular human vital activity*” is and how it can be achieved. So, let us try to elaborate on this idea.

Political economy as a science was thoroughly studied by Gottfried Wilhelm Leibniz (1672—1716). His theory was based on the vision of the world as a system of energy and material flows. That is why Leibniz’s understanding of economics was modelled on the principles realized in heat engines, as well as some other technological advances of the time. Thus, Leibniz believed that the level of efficiency of an economic process is determined by the amount of total human effort saved. Consequently, he introduced the idea of the “*market basket*”: while its contents remain unchanged, less effort is required of the society to produce it.

On this assumption, Leibniz formulated the main purpose of economics: increase the productive capacities of human labour through technical and organisational measures. The result of this approach was the theory of “*natural law*” elaborated by Leibniz; it later served for justification of universal moral. According to this theory, an individual person is responsible not only for himself but for the entire humanity – both his rights and obligations to the society were thus detailed. Besides, Leibniz studies the basics of harmonious and self-consistent economic organisation of human beings, as well as many other questions<sup>[27]</sup>.

Leibniz had his disciples. One of them, Jean Charles Léonard de Sismondi viewed political economy not as a study of wealth and the ways to increase it, but as a science of the social mechanism improvement for the benefit of the human beings. He considered economics a moral science dealing with human nature, not only with economic relations. Similarly, David Ricardo explored economics as a complex system with its objective economic laws whose functioning is supported by specific mechanisms related to the prevailing trends<sup>[28]</sup>. One of the first Russian economists, I. T. Pososhkov (1652—1729) adopted a similar approach and studied the issues related to national economic development, instead of looking for ways to assure active trade balance. He saw labour as the source of prosperity and condemned wealth as a symbol of self-interest that contradicted the moral principles of the society<sup>[29]</sup>.

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<sup>36</sup> [Translator’s note: Cit. ex Plato, *Laws*. Translated by Benjamin Jowett (Cosimo Classics, New York, 2008). In the original, this quotation is attributed to Plato’s *The Republic*, wrongly.]

Later, the works of Sadi Carnot, S. A. Podolinky, Lyndon LaRouche, P. G. Kuznetsov and other eminent scientists elaborated the idea of economy aimed at common benefit and not at profit. However, at present this economic approach has been abandoned.

**The economic theory presented in the monograph continues the traditions of the said economic school.** It views economy as an integral and self-consistent system, as a structure built in accordance with harmonious principles that do not contradict the laws of the Universe, but are bound together by a strict and consistent logic. The purpose of such economy is attainment of material and spiritual well-being both of individual people and of the society in general.

The theory of G. Leibniz was contradicted by the human society model proposed by J. Locke (1632—1704) <sup>[30]</sup>. According to the latter, the state should be built upon the principle of personal freedom. “*No man is entitled to limit the other man’s life, health, freedom or property*”<sup>37</sup>, established this theory. Locke presented property as an integral part of any economic process. Moreover, he believed that the human soul is a “*tabula rasa*” later imprinted with experience, and that the behaviour of every person is conditioned by their personal benefit. According to Locke, social instincts were underdeveloped in humans, and moral was not employed in economic activities. Thus, John Locke **can be considered the founder of ideology of classical liberalism.**

The essence of the theoretical foundations of this doctrine is the following: the liberals admit and even insist on the relations between personal freedom, private property, and the society’s economic prosperity. Besides, the individualism of this approach, which became one of the founding principles of the European civilisation, was not considered egotism and narcissism of people, but respect for the individual, and an absolute priority of every person’s right for self-realisation in this world.

The implementation of liberal ideas in everyday economic processes is due to Adam Smith (1723—1790). In his work <sup>[31]</sup> Smith presented the concept of economic person driven by egotism and thirst for wealth. The author claimed that when a person acts solely in accordance with their own selfish interests, they do not only increase their capital, but also multiply their wealth. Based on this assumption, Adam Smith introduced the famous idea of the “*invisible hand of the market*” that manages on its own all economic processes. He considered money as a source of wealth and as a technical tool that simplifies exchange of commodities.

At the same time, none of the above-mentioned scientists have defined the limits of liberal doctrine application, that is why economics did not prevent the liberation of ones through restricting the freedom of others. On the contrary, it enabled certain individuals to make profit without bearing any responsibility. It did not oppose to living at the expense of others, whatever harm this way of life inflicted upon Nature and the society. Moreover, this doctrine infused western mentality economic system with the Darwinian struggle for existence, which justified any methods that assure personal success. Thus, the economic functions of production and distribution were separated from one another. **As the result, the ideological basis of capitalism emerged.**

***It is this vision that is still applied today to the entire global capitalist system.*** It is part of the foundation of all present-day economic theories. What is more, this particular vision is studied and implemented by the modern economic science and economy, it is thoroughly supported by the legal framework and legislation, as well as justified through the history of human development. As the result, liberal economy gets a moral excuse not to serve the society in general but to satisfy the interests of specific individuals. The economists have been led to believe that this type of organisation is the only one possible and they fight against the multiple drawbacks of liberal economy by liberal methods: they are enslaved by the rudimentary profit-generating economy just because they are unfamiliar with other possibilities.

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<sup>37</sup> [Translator’s note: Translated by me.]

The logical consequence of this situation has been the desire to govern this amorphous human mass with the help of such universal tool as money. For this reason, all the current and previous reputed economic theories have to a certain extent been focused on financial instruments and the methods of making various types of profit. This is why “*economics is mostly interested in the study of methods of setting monetary price for commodities and services sold at the market*”<sup>38</sup> (Ludwig von Mises [30]). As the result, economics has moved to serve business rather than the society in general, to care for income and profits, rather than general well-being. Furthermore, little attention is given to developing efficient labour factors.

This narrow-mindedness of economics has made this science groundless and largely remote from the reality. The objectives of various social strata have drifted apart, which in itself is a sign of regression. For instance, the acquisition of foreign goods often produces additional income, however, it leads to repression of local manufacturers. Moreover, the very citizens of a country become out of demand within such economy. Hence additional profit is made by certain individuals at the expense of others. This is an objective controversy that needs to be resolved.

Such economy actively employs the principle of differentiation of labour, and rarely – its cooperation. Competition has become dominant, and initiatives that unite people fail to be integrated in this system. Social responsibility of all enterprises has been forgotten. But on the other hand, all profit-generating activities, including criminal ones, have been justified. This is the main reason of the soaring crime rate, devouring corruption and ruinous permissiveness that all modern states are living through.

Such situation can be easily explained. Indeed, the focus of any economy can lie either with its productive functions, that is, with human labour, or with the distributive functions, represented by money. It is evident that where efficient labour is encouraged, the well-being and the quality of life of the population grows. On the contrary, if the income of money owners is stimulated, if rent and profit are to increase, then the number of wealthy people grows, while the rest of the population goes poor and dies out.

For a country to be successful, it should support production instead of consumption; it should create suitable conditions for those who generate real values instead of virtual ones. Economics should encourage fair work and condemn harmful activities as counterproductive. Then the moral and ethical environment will change dramatically, and order and benefit will replace chaos and evil at the rudder of the society. Economics should teach people to improve the productive and moral mechanisms that exist in a society; it should not act as a bad doctor who makes the best of his patients’ conditions. Economic science should make dishonest people fair, and not vice versa. “*Among the ancients, we never come across an investigation into which form of landed property, etc., is the most productive, creates the greatest wealth... The enquiry is always about which form of property creates the best citizens*” (K. Marx)<sup>39</sup>.

In the light of the foregoing, the capitalist model of economy only pushes the humanity further towards a dead end. It is suited for energetic, selfish and cruel people. Therefore, it primarily creates appropriate conditions for such individuals, while the rest of the society is seen as a nutrient medium for them.

At the same time, if nature created humans different it was not for some of them parasitizing the others. In reality, different human qualities are required to reinforce the general human ability to survive, to adapt to any developmental scenario and to explore the world compared with the same abilities of a separate individual. For this reason, an economy focused on one type of people only is inevitably weaker, less vigorous and more defective.

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<sup>38</sup> [Translator’s note: Translated by me.]

<sup>39</sup> Cit. ex K. Marx, *Marx 1857—61. Marx and Engels: Collected works*, Vol. 28. Translated by Ernst Wangermann (Lawrence & Wishart, Electric Book, 2010).

Karl Marx described economics as a science that studies “*historically determined forms of production and exchange, as well as corresponding social relations*”. Therefore, the USSR, where this understanding of economics was put into practice, defined this science as a branch of knowledge related to the study of the objective social development laws and to the formulation of practical recommendations in the area of production and distribution of material goods. Such economics served the society more than specific individuals. It put more emphasis on the peculiarities of class war rather than class cooperation, and encouraged collaboration over competition.

The governance within such system turned out to be overcentralized, as the result, the ruling elites acquired all-embracing power. The worker became just a cog in the production machine, well cared for (the Soviet social security system is still unrivalled), but deprived of all rights. And this lack of harmony eventually conditioned the collapse of the socialist system.

Resuming what has been said above, it is possible to conclude that neither the capitalist, nor the socialist economic models is perfect. Neither of the two has reconciled labour differentiation and cooperation, the private and the common, the functioning of the active and the passive social forces. Therefore, the economic success of both capitalist and socialist countries was less impressive than it could have been provided the current scientific, technological and human intellectual development.

In order to elaborate the harmonious approach to this phenomenon, we shall consider that ***economics is a science that studies the mechanisms of increasing human labour productivity and assuring better life quality for the population***. Importantly, the life quality of the current generation, as well as of all the subsequent generations. Economics should encourage human integration in the Natural ecosystem; it should abide by the laws of this ecosystem and increase the moral and cultural level of the human society. This science is supposed to reinforce the moral principles of society, instead of annihilating them. It should stimulate a coordinated evolvement of the entire human society and consider a human being as part of the Universe executing its specific functions, and not as an ordinary consumer, who pursues his selfish goal or become a victim of the desire of others.

This monograph is dedicated to the description of the main rules and forms of such organisation.

Without any doubt, this will be a completely different economics. Therefore, neither the capitalist, nor the socialist theories is fully suitable for it. The main objective here is *not prioritizing the interest of any of the parties*, as we can witness in the current economic relations, but enlarging the scope of economic activities so that everybody could have their fair share.

The harmonisation of economic relations will render the society more human, it will become stronger, kinder, and more spiritually developed. Besides, an enormous amount of human energy will be liberated and directed towards production rather than struggle for existence. The ultimate goal will be prosperity for all instead of well-being of the privileged few; normal life instead of bare survival. That is why the economic model corresponding to these principles will be called ***harmonious economics***. This means self-consistent, orderly, where parts will be coordinated with the whole to make one organism that will oppose the chaos.

Harmonious economics will resort to both differentiation and cooperation of labour, and complete both individual and social functions of production to integrate both the strong and the weak into society. Money will become obedient servant of humans, instead of capricious master that it is now. Taxes will no more function as a mechanism for income alienation, but as a tool for income increase.

Such economics will benefit entrepreneurs as much as wage workers. The rules of conduct will encourage the exchange of labour products, as well as fairness and harmony of human relationships, and will not destroy them any more. All types of property will exist and prove useful through fair competition. This means that none of the useful factors will be abandoned but all of them will be combined harmoniously. Such organisation will be very natural, as in Nature all things rationally coexist.

If the purpose of economics is well-being of the few at any expense, then capitalism is the best model to apply. If it is needed to reinforce the state at any expense, then the socialist model is the best choice. But if the country seeks prosperity of the entire nation and of every single individual in it, then neither of the model is sufficient. Such a purpose requires a fundamentally different type of economic ideology. And it is obvious that different economic doctrine cannot be created following the same standards or share common rules or ideology.

### 1.2.2. Fundamental purpose of harmonious economics

From now on we shall hold that the mission of economics is encouraging harmonious integration of humans in the Natural ecosystem, abiding by its laws, increasing the productivity of human labour and assuring smooth development of society. In this event, the model to emulate is not the economic organisation of the US, of Japan or any other state, as we have been trying to do, but the natural order of things. Obviously, none of the countries mentioned is ideal. It is better to use nature as the perfect standard rather than resort to any surrogate models. This does not mean that the experience of others should not be taken into account; however, it should be applied selectively, as part of the coordinated system of natural patterns.

How can the purpose of economics be formulated so as to reflect this principle?

When studying the harmonious laws of economic organisation, we shall from now on consider that the *purpose of economy* as any other productive activity *is satisfying the needs of individuals and of the entire human community*. Indeed, “*Consumption is the sole end and purpose of all production...*” (Adam Smith <sup>[31]</sup>). John Keynes echoes this idea: “*Consumption – to repeat the obvious – is the sole end and object of all economic activity*” <sup>[33]</sup>.

So, it is not the generation of profit, income or money at any expense, as it might be concluded from the present-day economic theories, but working out the ways to assure best life of the individuals. Without any doubt, this assumption does not exclude the existence of income, however, it is not dominant, and is not achieved at the cost of others. The source of income is in increasing the productivity of common labour, not in the redistribution of its results.

Here, besides the everyday needs, prospective future needs also should be taken into account, not for one current generation, but for the subsequent generations, as well. Achieving this is the main mission of economics. All other purposes should be subordinated to this one, as otherwise they are pointless. Economics is meant to serve all people, not only some of them.

Thus, economics does not function for the sake of production process, for generation of structures, values, profit, or money, for serving ideology or idols, but for satisfying the needs of people. This includes all people: rich and poor; white, yellow and black; young and old; clever and stupid; strong and weak; healthy and ill. If God has created them all, it is because they are all needed, and it is not human business to rectify God's plans. Economics should work for people, and people should not serve economics. Therefore, it is doubtless that **the sole criterion of economics perfection is the completion of its function.**

Despite this idea being evident, history has known many variations in the way economic policies of countries have been interpreted. For instance, socialist system presented the purpose of economics as reinforcement of the state and construction of the material and technical basis of communism: “*Our goal is communism!*” was the most popular motto in the USSR. Nevertheless, a significant part of communist construction projects did not return the expenses; excessive emphasis on social needs led to underestimation of private needs of individuals, and excessive centralisation caused communism to degrade. All these factors eventually conditioned the insufficient productivity of socialist economics.

The main purpose of capitalist economics is generation of profit and increase of income, whatever the consequences for Nature and the society. At the same time “*workers themselves appear*

*as that which they are in capitalist production – mere means of production, not an end in themselves and not the aim of production*<sup>40</sup> (K. Marx [34]). As the result, human labour and human beings themselves, despite being the real drivers of economics, have stopped being the main object economics serves.

Indeed, economics is being used mostly for making money, and not for providing people with means of existence. Today economics is dominated by business – a legal way of generating personal profit – and not by entrepreneurship, which allows achieving personal well-being by means of useful activities, not at the expense of others.

If focus is made on profit and income at any expense, notwithstanding the actual economic structure, money and money alone gets to the rudder of economics. This gives privilege to materialized labour over human labour. Consequently, the prestige and the cost of wage labour drops, and the population is exploited by the ruling elite. As the result, social inequality emerges, the crime rate soars, and the society suffers respective losses. This is why states with such structure inevitably turn out to be unproductive.

In authoritarian communities, the purpose of functioning of the government institutes is glorifying the leaders' personalities. Suffice it to remember the famous saying of the French King Louis XIV, "*I am the state*". Countries that live by nationalist ideology prioritize the prosperity of certain peoples at the expense of the other. States with a huge social gap see the poorest social strata die out, only to have them substituted with those recently deemed relatively well-off. At the same time, the said deviations from the above-mentioned ideas do not benefit anybody, but contribute to the overall degradation.

Summing up, it may be declared that none of the evident purposes of modern economic systems conforms with the principles of harmony either in ideology or in practice. Besides, substitution of the true purpose with preliminary results is indeed dangerously misleading.

Economic ideology is supposed to encourage fair labour over dishonesty. Only then will the moral and ethical environment undergo significant changes to let order and usefulness govern the society, replacing chaos and money-grabbing at its rudder. Economics should stimulate people to improve the productive and moral principles of the society, instead of taking advantage of social ills for selfish purposes.

### 1.2.3. Human needs, commodities and production means

*I have fed you with milk, and not with meat: for hitherto ye were not able to bear it, neither yet now are ye able.*

*Corinthians 3:2*

The definition of the main purpose of economic activities provided above is, in fact, incomplete, for it does not specify what human needs are, nor gives a list of them, nor explains the conditions of their existence and satisfaction.

**Needs** shall be understood from here on as an inner state of psychological or functional feeling of insufficiency of certain factors becoming evident depending on the situation. These are typical both of individuals, and communities, social groups or even the society in general. Needs act as inner incentives for human activity.

Indeed, needs are the main driving force for a human being. Depending on their nature, needs can be divided into vital, spiritual and, social needs. The first category is related to the body's need for food, dress, dwelling place, motion, rest, health, etc.

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<sup>40</sup> Cit. ex K. Marx, *Theories of Surplus Value in Economic Works of Karl Marx 1861—1864* (Progress Publishers, Moscow).

The spiritual human needs include the aspiration for personal freedom, for knowledge, for satisfaction of intellectual requirements, aesthetic tastes and harmony, for beauty, culture, morality, and for kindness and empathy. Among spiritual needs we find love and hatred, passion, and level of satisfaction. An important role in every man's life is played by procreation, communication with other people, friendship and competitiveness. Moreover, factors of psychological comfort are classified among spiritual needs of human beings: self-confidence, prestige, self-realisation, self-respect, authority, etc.

Among social human needs there are security, equality, personal safety and the safety of one's children, and confidence regarding one's future. We all want to live surrounded by healthy, happy, kind-hearted, beautiful, and confident people. Besides, we demand from others a high level of mass culture and morality. There also exist specific social needs, such as need for labour, for mental and physical activity, for creativity and creation of new values.

These series are, undoubtedly, conditional and do not cover the entire range of human needs, nor delineate exact borders between different needs.

The needs depend on individual features of people, their living conditions, their gender and age, culture and education, their health, experience, traditions, religion, and national preferences. Besides, the needs are not immutable. With time, they develop, change, and evolve. They are influenced by the social environment of a person, by weather and nature, by the season and the place of residence, by the level of production development, and by the level of personal satisfaction. Moreover, the more one has, the more one needs.

Every individual, as a member of the human species, has certain needs similar to those of other people, human communities, or the society in general. For instance, all reasonable people wish to live in a clean and orderly place, in a country with a low crime rate, with a fair and experienced government, with a strong state structure, with a sound legislation and public order. At the same time, it would be hard to find two people with identical needs.

In fact, the individual perception of each need by different people varies; what some consider the sense of life, other discard as insignificant. Take music away from a melomaniac, there is nothing you could substitute it with. "*The stifling of the individual may well be the stifling of the god in man*' (Sri Aurobindo, <sup>[16]</sup>). This is why there should be respectful attitude to the entire range of human needs. It is evident that satisfying just the needs of an average person, as conceived by planned economy and practiced by the current market economy, would not make anybody happy enough.

On the other hand, human needs cannot be studied just as a random set of factors. In fact, they constitute a harmonious complex that reflects the person. Besides, some needs only exist together with other. For instance, the desire for luxury cannot emerge unless the hunger is satisfied. A trendy hat demands a fashionable dress to be worn with. Nevertheless, the level of correlation and interchangeability of various needs is different and does not impact their importance. The failure to satisfy some needs for a long time might disrupt the inner harmony of a person, and even disfigure them.

However, not all needs may be easily welcomed. For example, thirst for power and selfish ambitions of certain individuals often mean loss of freedom and poverty of others. From the social point of view, only the needs that can be satisfied without violating moral and ethical norms, trampling the rights of other people, of the society, or descendants, are worthy of respect. And it is such needs that we are going to address in this monograph. Other needs should be managed with the help of educational or psychiatric institutions, or law enforcement agencies. Furthermore, the impossibility of their satisfaction should be enshrined in the basic principles of economics and state organisation.

It should be mentioned that **when the interests of an individual, a community, and the society match each other and combine harmoniously, this condition is observed without failure.** And the fuller the implementation of this principle, the higher the level of society civilisation, and the more grounds to class it as a human society.

On the other hand, human needs are not abstract, they are made evident through certain conditions, things, and services that a human being requires. Therefore, everything that satisfies human needs, everything required for a decent living, that supports and restores human health, increases life tonus, encourages and assures procreation, etc. is classified in the group of **commodities**. Among these we find food and water; clothes and housing; medical assistance and sport facilities; spiritual wealth and clean nature. Besides, this group includes the goods and services that are provided to people by service sector actors, as well as by spheres that satisfy social needs (such as governance, science, education, healthcare, and defence).

Human labour is also classified among commodities, because, on the one hand, it satisfies human needs related to self-realisation; on the other hand, it is the driving force of production. Though, in fact, *all other commodities can be described in this way, too*. That is why the more they satisfy human needs, the more productive human labour is. Many things can be obtained by humans directly from nature without additional effort, the rest are produced by the people themselves. In the remaining part of this monograph this latter category will mostly be considered.

As a rule, needs exceed the total amount of commodities available, which stimulates people to act and develop, becoming an instrument capable of managing them. There exists an optimal correlation between the needs and the number of commodities to satisfy them. If the correlation exceeds the optimal value, that is, almost all needs are satisfied, this decreases the desire to work, and slows down development. However, if this correlation is below the optimal, then the needs become extinct, and the individuals live through degradation. Countries with huge property inequalities witness both these tendencies, which can lead to catastrophic results.

At the same time, if within a state there exists a tendency to satisfy one's needs not through labour and productive talent, that is, by way of contributing to the productive efforts of the society, but through appropriation of goods generated by others, this inevitably entails destruction of both the production and the moral systems. Whether it comes from the top or from the bottom, such destruction contributes to the degradation of the state and the society. This has already been the case numerous times and history; similar situation can be witnessed across the world today.

For practical economics the classification of commodities into *individual, collective and public* is essential, for they are consumed in different manners. Individual commodities include the items that a person and their family members use outside of interaction with other people: housing, clothes, food, household items, cultural items, etc. Collective commodities category embraces the things that a person uses jointly with other people at the place of residence, work, or rest. These are medical services and police; utilities services and public transport; cultural, religious and sport facilities; roads, means of communication and many other things. Finally, public commodities are government entities and the army; higher educational institutions and communications; defensive structure and security systems; scientific, cultural and educational institutions. To sum up – all the services that satisfy the needs of all people belonging to a state and a society.

This classification explains why the *distribution* has a more significant impact on *production*, and *expenses* – on *earnings*. In fact, all commodities possess a certain duality of nature. On the one hand, they satisfy human needs; on the other – encourage production. Collective and public commodities are consumed by humans differently from individual ones, and the dependence of people on such commodities is quite different. Therefore, for each group of commodities specific distribution forms may be worked out to stimulate as much as possible their production and eventually improve the life quality and the morality of people.

All commodities depend on the production process. And in order to function properly, the production process, in its turn, requires commodities to satisfy its own needs. These needs include work tools and industrial facilities; freight transport and communications; energy, repair base, industrial communication, etc. This signifies that *materialized* labour and **production means** are

required by enterprises as much as commodities are required by people. They serve as a catalysator that makes live human labour more efficient.

Strictly speaking, the classification of labour products into commodities and production means is rather conventional, because providing a person with commodities corresponds to their productive labour. Besides, production means satisfy natural needs of people for work and development, and influence their mental, physical, and moral state. Moreover, *the more productive qualities productive means have, the better their ergonomic properties, the better their design, and the higher their efficiency.* This rule serves as yet another argument to support the unity of the World and the reality people live in.

Nevertheless, commodities and production means are not equal. Indeed, **only commodities are the purpose of production.** *The production of production means is only necessary to the extent in which it saves social labour and contributes to the commodities production.* Otherwise, production of production means becomes an excessive consumption of labour and resources, and is harmful for the society. This has happened quite often, both under socialist system and in modern capitalist states, due to the desire to optimize monetary flows, instead of regulating social labour consumption.

For example, in the USSR, production was brought to this state thanks to the active application of the “Law of exponential growth of production of production means’ formulated by K. Marx and elaborated by Vladimir Lenin. However, no limits were defined, that is why the production growth rates for group **A** (production of production means) in the USSR exceeded almost 8-fold those of group **B** (commodities production). As the result, industry developed rapidly, while the quality of life in the country stagnated.

But then, the more production means are produced, the more resources are required for their servicing, reproduction, and maintenance, not to mention significant social labour expenses for repair. This means a lower amount of labour allocated for commodities production.

Therefore, the absence of real market regulators and social criteria that would help assess objectively the production efficiency in general, keeps pushing the society to the limit beyond which production stops serving people and starts exploiting them. The same happens when economics is tempted to increase the efficiency of money expenditure – a typical desire for capitalism – instead of improving production – the results are completely different.

In reality, *the production of production means is an intermediary stage in the process of commodities production.* It is similar to semi-finished products and other unfinished goods. Specifying the roles of production means and of commodities helps establish an optimal relation between the two, and propose qualitatively new criteria and methods for economics improvement compared to the principles of profit maximization used at present.

### **§1.3. Social labour productivity and its constituent factors**

*There will come a time when our descendants will be amazed that we did not know things that are so plain to them.*

*Seneca*

#### **1.3.1. Structures of modern economics**

The choice of economic model, that is, the choice between profit-oriented economics and social well-being-oriented economics, is of significant importance. In fact, it determines everything. In other words, the question is: does economics function to increase the number of millionaires or to decrease the number of the hungry? Accepting one or the other economic concept, the humanity actually

becomes its captive. “*By choosing our gods we choose our destiny*”, warned Virgil. It is the same as taking a tram. A person makes a free choice to board a tram, but then moves along the tram route in the vehicle, whether they want it or not and whatever their opinion of it might be.

When profit is the economic priority, then economics resembles hunting grounds where all seek prey and luck. The economic spheres that generate biggest profit (that is, the territories where more animals live, where more natural resource can be mined, where wage labour is cheaper, etc.) have a higher appeal. Various actors of the economic process employ different tools: the first use production, the second harness finance, the third benefit from property, the fourth resort to deception, burglary, or ideology. But eventually there is not much difference between the groups. Economics that holds profit as a priority inevitable turns into a plant for manufacturing of useful goods. And this is where the difference lies.

When profit is placed above everything, the demand for personality sovereignty emerges. On the contrary, if economics prioritizes public interest, there is a need for state regulation. If the first system is aimed at distribution of commodities, the second contributes to their multiplication. The first system appreciates active, cunning, and lucky people, while the second values those who create useful products, are efficient, fair and professional. Thus, every economics proceeds to a selection of people by their qualities. Only those who conform with the given standards have a chance of being successful. That is why the structures of these two types of economics are absolutely different.

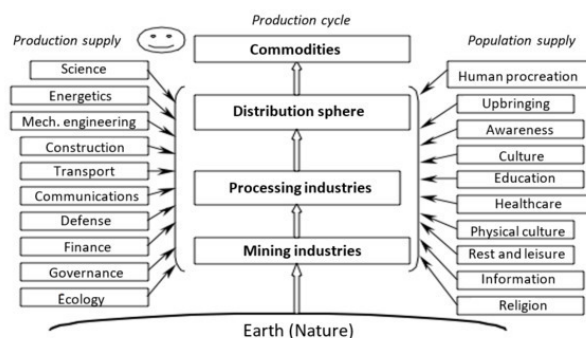


Fig. 1. Modern economics structures

In the light of the foregoing, let us consider the general nature of human interaction with Nature in the process of human economic activities that are aimed at better supply of the population, and not at profit generation. It can be seen in Figure 1. Upon analysing the graph, it becomes evident that the Earth (Nature) is the actual source of all goods, and various forms of labour only help acquire these goods and transform them into consumption-ready products. However, natural wealth is only useful when it is supplied through labour. Only then will it provide a productive field for human activity and increase human labour productivity.

In order to describe the peculiarities of social labour differentiation and its various forms, let us split the *Production cycle* into the following stages. First, humans have to **obtain** resources (by growing, rearing, catching them). Then these resources are **processed** (i.e. are transformed into a sale-ready product). Afterwards, the products are **distributed** (transported, advertised, sold, etc.). And only then they may be **consumed** by human beings. These are the stages of *the Main production complex* that forms the trunk of the social production organisation tree, as well as its roots and nutritional medium.

But these factors alone do not define the nature of commodities production process. Efficient functioning of the system described above it is essential to employ *Labour ensuring production factors*. This means development of **science**, which broadens human capacities and finds the best

ways of natural potential realisation. Besides, the production complex should be supplied with energy (**energetics**), production means should be reproduced (i.e. machines should be built and technologies should be implemented (**mechanical engineering**)). Industrial premises, roads and communications should be **constructed**; **transport** and **communication means** should be updated. The system should be protected from aggression by country's neighbours or even certain citizens (law enforcement agencies and **defence**). Well-coordinated work of this complex organism of labour differentiation is supported by **finance** and trade that assure exchange of commodities between different economic actors. The process described above cannot be productive without reasonable **management**. Moreover, special measures to protect the natural habitat of humans should be undertaken (**ecology**).

However, all this is not sufficient. For human beings are not only the object every economic system serves, but also the main production force of economics. This is why there should also exist *Labour ensuring human factors*. These include, first and foremost, **human procreation and reproduction of work force**, without which any economic activity becomes senseless and unfounded. Besides, this category embraces the **upbringing** of the population and shaping of its **moral principles** through **increasing awareness, developing culture, and giving education**. For the work force to be productive, it should be capable of working and healthy (**healthcare**). It should practice **physical education** and sport, and have access to true **information**. As opposed to mechanical labour factors, human beings need **rest** and useful **leisure** – prerequisites of any production activities. Besides, people should continuously broaden their knowledge regarding the vision of themselves and of the World; the human soul should be harmonized and cured to reinforce man's moral principles, make him more human (**religion**), etc.

The functioning of this system of social labour differentiation and cooperation is determined by the state of production forces; however, it is evident that without the factors listed above, neither efficient work, nor normal vital activity of humans are possible in the given conditions. Therefore, poor functioning of the mechanical engineering sector impacts social labour results as much as low qualification, poor culture, low morals, and poor health of the workers do. Moreover, none of the labour types is self-sufficient, and cooperation is what makes them efficient. At the same time, one should not forget that *no type of labour except Main productive labour has any value alone. Only increase of labour by way of increasing the quantity and the quality of commodities can justify its existence.*

Under socialism, only labour in the sphere of material production was deemed productive, while other types of labour were considered auxiliary. Under capitalism, only labour that generates income and profit is seen as productive; there is no demand for other types of labour. Within harmonious economics any labour is considered **productive** as long as it is *socially required* (academician S. G. Strumilin<sup>[37]</sup>). And any labour is declined the qualification of productive when it does not contribute to increasing labour productivity. Such labour should be done away with.

In accordance with the harmonious principles, **the key problem consists in assuring coordinated functioning of all the links of the social labour distribution chain** in order to minimize human efforts employed for production of all types. Otherwise, the system presented in Figure 1 turns into a collection of poorly related elements, of selfish and competing industries, enterprises, and individuals. The struggle of such different economic sectors that do not share any executive functions is indeed impossible. What could healthcare and mechanical engineering, science and education, culture and transport compete for?

Then the economic symphony all these parts are to perform turns into a cacophony, and destructive competition takes place of coordinated actions. This is the main issue with the social production organisation, and the efforts of all producing structures as well as individuals should be directed towards resolving it. It is evident that neither money accumulation, nor the income

of intermediaries or renters alone increase the productivity of social labour. On the contrary, they distract part of the work force from real values production, and creates additional hindrances for it.

From the graph presented above it follows that only the proper functioning of all of the parts of the system allows favourable conditions for general economic prosperity. If the work of any of the parts is disturbed, the total system efficiency drops. While capitalism prioritizes the financial sector, socialism puts production sector above all. Neither of the approaches contributes to better functioning of economics.

### 1.3.2. Social labour productivity as key indicator of state functioning

In order to work out measures for increasing the productivity of human labour, it is necessary to select a single criterion for the functioning of the entire economic system presented in Figure 1 as a self-consistent whole. It would be the first step towards organizing efficient work of individual structures. Without such indicator, any human or enterprise activity would be subordinated to limited market objectives, and would lose its global direction. Only the existence of a criterion with all of the mentioned qualities, capable of bounding all economic sectors together, makes it easy to understand what is right and what is wrong in the society organisation; where progress is made and where it is substituted by regression; what should be done and what should be avoided. Thus, this criterion should serve as a compass to indicate the right direction and to warn about any deviations.

Unfortunately, not all modern economic macro indicators, such as GDP (gross domestic product), GNP (gross national product), or national income, possess to a sufficient extent the qualities discussed above, therefore, they **cannot serve as valid criteria of total economic productivity**. The reason is that these indicators are tightly related to money, the financial sector and income, they are all profitability-oriented. However, money is an ambiguous category.

In fact, GDP – general indicator of goods and services production – is based on the aggregate wages in a country, income and rent, profits and amortization payments, that is, a real mixture of different things. As the result, it depends both on sources of real values and on others that utilize them, such as interest rate, property and rent, – and generate nothing real at all.

In fact, it is estimated that in the past 1,000 years the GDP of some countries has grown 100- to 500-fold. Does this mean that their population has consumed equally more bread, meat, or milk, or worn as many times more clothes? And if this is not so, then what is the actual sense of this indicator? As academician S. G. Strumilin<sup>[37]</sup> wrote, 1,000 years ago a wage worker in Constantinople could buy a sheep with the daily wage; 500 years ago, he could buy but half a sheep; now he does not even earn enough in a day to buy a sheep leg. This is true for other similar indicators as well. Therefore, the real progress economics has made in this time remains quite unclear.

This should not come as a surprise, as these indicators are typical products of the liberal economic philosophy that is aimed at profit generation, and the way these indicators are achieved does not seem to be important. This conceals the real influence of economic factors on the indicator, and makes it more suitable for drawing comparisons than for actual assessment. An increase in the GDP does not always correspond to an equal improvement of the life quality of the population, or an increase in its real labour productivity.

There is no merchandise or service that would be fully manufactured by one producer. Even a farmer uses farming tools that have been manufactured by others. Besides, farming requires fuel and lubricants; managers, builders, and financial experts. The worker should be protected from the inner and outer aggression; legal framework should be worked out, etc. This is true for all other products of human labour, too. As the result, **in reality, the entire society is engaged in the production of any goods or services**. And only the result of works of all participants of the labour process can determine the efficiency of the production process.

A universal indicator of the functioning of the entire economics and organisation system as presented in Figure 1 – not tied to intermediary results – is the final effect of the system. This means **the total number of commodities that are produced by the society, per one citizen**. This indicator characterizes the *efficiency factor of social labour*, and serves as the result of all economic activities. *All other products of labour – machines and equipment, raw materials and semi-ready goods, resources and scientific research, even finance, are intermediary; they are only necessary to the extent where they contribute to increasing the quantity and the quality of commodities produced.* Current indicators reflect this criterion only to a certain limited extent, as much as they conform with it.

As a standard for measuring the actual efficiency of human labour we suggest using **Social labour productivity (SLP)**, which depends on **the quantity of commodities** (whether tangible or intangible) **produced in the entire state by one average** (generalized) **worker in a unit of time**. It is important to remember that any labour that is required in the society is deemed productive.

This indicator is integral and directly related to the main purpose of economics – satisfaction of human needs. The social indicator ignores intermediary results that masquerade this purpose (quantity of coal mined, steel, machines or equipment produced, amount of profit, income, level of inflation, etc.). On the contrary, it is based on the objective of economic activity formulated above, i.e. satisfaction of human needs. Moreover, it does not depend solely on production but on distribution as well; on level of wage labour exploitation; on the economic and political doctrine implemented in the country; on the quality and intensity of labour differentiation and cooperation; on the functioning of all state structures and social institutes. This indicator bounds all of these factors into only coherent system.

The **SLP** is determined not only by the state of development of science and technology, of education and culture, of medicine and sport, but also by the social and national state policies, by their morality and humanity, by ecology and demography. It depends on the types of property existing in the country, on security and diplomacy, on economic relations and types of money used, too. In this light, let us elaborate on some features of this indicator.

Obviously, with **SLP** we are dealing with a *qualitative* indicator, not a quantitative one. Consequently, direct assessment of **SLP** is impossible, for it is impossible to assess quantitatively all human needs and to compare the commodities that satisfy these needs. However, this type of assessment is often used in everyday life, when we distinguish between “warm” and “cold”, “good” and “bad”, without saying exactly how warm or cold something is. Besides, almost all economic indicators cannot be measured precisely, be it labour, money, **GDP, GNP**, exchange, or consumer cost. This is quite logical, as economics is interested in the qualitative description of these factors, not their quantitative assessment. It is the dynamics, the dependence on various circumstances, and their impact on economic situation that matter, not the numerical result of their measurement.

At the same time, the **SLP** can be fairly precisely assessed right now. Suffice it to observe that the higher the **SLP**, the higher the quality of life in the country. Therefore, the closest similar indicator – one measurable from the point of view of quantity and dynamics – *would be the nominal average income of a worker*. This corresponds to the actual value of the consumer basket (including both its tangible and intangible contents) for an average worker.

Moreover, further we will provide a description of the method of calculating the social labour intensity of commodities (SLIC) to assess its value and dynamics, which can be implemented at any enterprise separately (Subsection 3.1.2). This value is directly related to **SLP**, as any decrease in the **SLP**, all other conditions being equal, leads to an automatic **SLIC** increase, and vice versa. This allows stimulating the dynamics of production development, as well as determining the factors that condition it.

The unit of time for which **SLP** is calculated may be equal to one hour, one year or the average life expectancy. Thus, one can consider hourly, daily, monthly, yearly or secular **SLP**. Each of the values provides different information. For instance, secular **SLP** allows assessing the total quantity

of commodities that a person produces in a lifetime. Besides, it helps establish the impact on **SLP** of such factors as average life expectancy, quality of nutrition, daily schedule, and balance between labour and rest. It also depends on the length of work leaves, the functioning of sports, healthcare and wellness facilities, ecological situation, etc.

Yearly **SLP** may be used to assess the efficiency of social labour differentiation and cooperation, the impact of various reforms and reorganisations. Hourly **SLP** is more flexible and dynamic. It helps to study the influence of various small and big organisational measures, psychological factors, technical equipment and many other factors in the labour efficiency at enterprises. None of these indicators contradict the other, on the contrary, they form a single information data base useful for optimisation of social labour in general, as well as of specific parts of this system. Besides, they make it possible to assess the actual efficiency of economic and other structures.

**SLP** is significantly different from the industrial and other specific criteria of labour productivity which are used nowadays. Indeed, as the production of any item or service engages the entire society, and not just a part of it, specific criteria will not be able to correctly assess the real labour productivity of the society as a whole. Moreover, they often do more to conceal it, for many of these criteria are interdependent. For instance, income increase in financial or trade sector often entails suppression of other sectors of economics, etc.

It is obvious that a single social criterion is free of this drawback. This means that all kinds of technological and organisational novelties, property limits, and new state institutes are useful provided that they contribute to **SLP** growth. By consequence, economy has no place for selfishness, politics, ideological speculations, clan struggle, etc.

Thus, **SLP** is not solely an economic, but also partially a philosophic criterion related to the vision of the world. If any type of activity does not increase **SLP**, then it should be diminished or altogether abolished. If the social value of any type of labour is low, the share of income it produces should be limited. If the salaries of scientists, engineers, doctors, teachers, and the wages of workers are lower than the average in the country, this means their labour is in low demand. But when the income of government officials, businessmen, finance experts, tradesmen and criminals are much higher than the average, then these activities conform more with the nature of the existing state. Now is it realistic to expect, in such conditions, that the real production would be restored, the country – renewed and start developing to pass to the industrialized category?

The notion of **SLP** is based on the assumption that all saving of social labour is useful, and vice versa. Therefore, this indicator may be used to optimize the work of various services, to assess the efficiency of administration, the reliability of public transport; to adjust the salaries of various categories of workers, etc. For example, is a train carrying 1,000 passengers is half an hour late, is there an excuse for the circumstances that caused the loss of 500 pers./h of social labour? If production increase does not entail **SLP** increase, then production rates should be slowed down. If reorganisations, measures and reforms implemented cause **SLP** to drop, they are, without any doubt, too aggressive. If a nanny at the kindergarten helps save the efforts of dozens of parents, this is her actual labour productivity. And this has nothing to do with the work force cost, as it does now.

Another example: today advertising consumes the time of millions of people, as well as enormous material resources amounts, while it generates profit for an insignificant number of businessmen who want to sell their products, often foreign-made. Similarly, traffic congestions take huge time, increase the fuel consumption, and accelerate destruction of roads and vehicles. Besides, they increase the demand for these commodities, and by consequence – the income of certain individuals and the tax revenue for the budget. Products of low-quality foods and counterfeit drugs kills people, but then it also helps boost the income of their producers. Consumption of tobacco and alcohol ruins the nations' health; however, it increases the profitability of their manufacturers, excise tax revenues for the state, etc.

### 1.3.3. SLP suppressing factors

The accelerating decrease in the social labour productivity in most countries as ‘world civilisation’ develops and establishes there, despite considerable scientific and technological progress, indicates the existence of some underlying phenomena that actively counteract progress. What are they?

In order to understand this situation, let us turn back to the labour differentiation scheme presented in Figure 1. Why does the performance of this industrial relations mechanism continuously get worse? What prevents this system from being properly efficient? What are the main drawbacks of the current economic doctrine, why is its ideology deformed?

This issue is difficult to understand not only because of its multifaceted nature, but also because its causes and consequences have intertwined into such a tight knot that untying it turns out extremely complicated. Moreover, should we even try to do that? To find out, let us start by drawing a simple list of the key **SLP** suppressing factors.

As it has already been mentioned, none of the structures present in Figure 1 is self-sufficient, and only united they have force. Nevertheless, the current economic model does not provide a clear order for *distribution of jointly produced income*, which further complicates the work of the forces that bind these structures together. Administration has failed to manage it, and the present-day monetary mechanism aimed at executing this function works poorly in the current conditions (for more details, see Subsection 3.2.2).

For this reason, each of the economic sectors pursues its proper interests, and does not care for the common benefit. This breaks the coordination of actions, and constructive cooperation is replaced by destructive competition. The desire to appropriate the bigger part of public income overpowers the task of increasing its aggregate value. Modern experts in the sphere of finance, energetics, trade, housing and utilities and others, with their absolute lack of restraint, are a vivid example of this tendency. For instance, the share of energy-related expenditures in the Russian enterprises price structure has already exceeded 50%, which does not correspond to the number of work force employed in the sector and, therefore, undermines the competitiveness of national economics.

If across the world the correlation between the income of producers and trade in the prices of items is about 70% to 30%, in Russia this proportion has literally been reversed. The profit from management, trade, and credit and financial services has become incommensurably higher than the income of science, education, awareness, light industries, or healthcare. It would be erroneous to assume that the most prosperous economic sectors employ the most intelligent, hardworking, experienced and qualified people. Besides, it seems too naïve to believe that such system better stimulates real values production.

Furthermore, the result of such confrontation is easily predictable. Russian fable writer I. A. Krylov described this situation in his fable: “*A Crawfish, Swan and Pike combining | resolved to draw a cart and freight... However much they work, the load to stir refuses. | It seems to be perverse with selfwill vast endowed; | The swan makes upward for a cloud. | The crayfish falls behind, the pike the river uses...*”. That is why “... *the cart remains there, still*”<sup>41</sup>. However, the ideologists of modern economics seem to be completely unaware of this; at least, they do their best to ignore the problem.

Another global factor suppressing **SLP** is the actual lack of interest on the part of all economic structures in seeing real (non-monetary) results of their activities. This applies not only to wage workers and administrators, but also to politicians and businessmen. The actual result of their work is concealed by financial success, personal benefits, fixed salary, profit, preferences, which belong

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<sup>41</sup> Cit. ex I. A. Krylov, *Crawfish, Swan and Pike*. Translated by C. Fillingham Coxwell. (Librivox recordings).

to a different category. That is why the existing incentives for work organisation often fail to help social production to flourish, moreover, they end up suppressing and degrading it.

Indeed, money as a purpose of economic activity does not constitute a real value; it is nothing but a trade instrument. It is a generally accepted equivalent for exchange of commodities, a social convention, artificially enabled to substitute real goods. Unless backed by real things, money is empty, and at present no backing is provided for it. That is why the general acceptance of such “conventions” cannot contribute to actual prosperity. For instance, various forms of rent, racketeering, crime, corruption, inflation, drugs, etc. generate significant income for some people, but is far from benefiting the society in general, rather, they destroy it.

Huge losses are also born by the humanity as the result of disharmony between production and Nature, i.e. as the result of the desire to use up the natural rent, to make momentary profit without taking global consequences into account. As the result, modern expanded production is by no means expanded. On the contrary, it shapes vital activity by way of destroying its very foundation, i.e. natural habitat. Thus, for the past several decades we have shamelessly live at the expense of Nature, squandering, like thoughtless barbarians, the wealth it has accumulated over millions of years. We now live at the cost of future generations.

Therefore, *if the natural mark-up is included in the cost price of products, the profitability of the major part of modern enterprises will be **negative!*** To quote an example, in order to return the Volga river to its pre-industrial state, to restore fisheries and farmed lands, to rebuild the houses and the infrastructure of all submerged territories, much more energy would be required than has been generated by the hydropower plants constructed on the river. One might wonder: what kind of economics are we dealing with, and what is the actual efficiency of its production relations?

And still, one of the most powerful influences on the structure, the ideology, and the very lifestyle of the society is exerted by **exploitation**, i.e. **by unequal exchange of products of labour** between economic actors and individuals. Born as simple cannibalism, this phenomenon has by now acquired most sophisticated forms; it is not only revered, it is universally desired. The market itself, in its current form, fully connives in this. As the result, a capitalist system has evolved, within which poverty is strongly tied to the excessive wealth of certain individuals.

The extent of exploitation is truly planetary, this phenomenon knows no borders. One finds it in the way economic structures and the state itself are organized, and in the ways the ruling elites are selected. It is behind the destructive wars, which break out or smoulder across the globe; behind the suicidal consumption of human and natural resources.

The existence of exploitation, as well as that of any complex phenomenon, can be explained by a number of reasons. Among these, physical violence: threats, burglary, gangsterism, theft, and indemnities. Besides, there is ideological pressure, through deception, fraud, ideologic and religious dogmas, and intellectual slavery. Moreover, one should not forget about administrative racketeering in the form of bribery, extortion, corruption, and distribution of privileges. Financial factors also enter into play here, among them, usury, speculations, monetary and price swindles, and stock exchange speculations. Even private property of production means often poorly stimulates production, but suppresses it rather effectively. Money capital is also engaged here: it represents the easiest to become dependent on, and the simplest scheme to deprive people of what they have earned.

In fact, neither power, nor property or capital on their own have a positive or a negative charge. They are like a sword, which can serve the good or the evil, depending on who holds it. All depends on who, where, and how acquires them, and the purpose they are used for. If their mission is to fulfil their natural function – increase the productive capacities of the society and improve life quality – then they are useful. And if they are only employed for personal enrichment, then they could be dangerous. Eventually, this is what determines the entire image of the society, the expedience of its existence of the administration itself, of private property, of labour, and capital as we know them today.

And this situation has always existed. Plato wrote, “*Whenever they’ll possess private land, houses, and currency, they’ll be householders and farmers instead of guardians, and they’ll become masters and enemies instead of allies of the other citizens; hating and being hated, plotting and being plotted against, they’ll lead their whole lives far more afraid of the enemies within than those without. Then they themselves as well as the rest of the city are already rushing toward a destruction that lies very near*” [25].

In reality, private property is a complex phenomenon with lots of positive and negative qualities. However, it cannot be attributed any exceptional qualities, as modern ideologists do. Therefore, it would be erroneous to assume that everywhere where private property exists the society is prosperous, and stagnates in its absence. In fact, “*The property theory is mostly a science about morality*” (Léon Walras). And the property phenomenon itself reflects a specific combination of rights and liabilities of the owners before the society that has created these production means (not to be confused with private property!).

Indeed, the form of production means ownership is established by no other than the priorities that function in the society. If state priorities prevail and are mostly used to satisfy state needs, then the state will be recognized as the owner. If individual interests dominate, then private property will prevail. And, finally, if the property is used for the well-being of the entire society, then its forms are to assist this task and contribute to a better life for all.

Concerning private property, it is not as important to know who the owner is, as to understand to which extent it is productive from the point of view of social benefit. It is essential to assess to which point each owner can use productive forces better than hired managers can. At the same time, with the existing form of property of production means, too often it is not the talented and qualified individuals that manage it, but those who hold the legal title of ownership. For clarity, let us imagine a plant with 3 funnels. A person arrives to the plant and presents a paper certified by an official stamp; the document states that its holder is entitled to own the plant. But what can this legal deed change? Will the plant grow a fourth funnel? This is rather unlikely.

In fact, the following changes will take place. On the one hand, there appears the owner who is **personally** interested in the results of the enterprise. On the other hand, he gets the right to do to the plant whatever he chooses: appropriate circulating assets, sell the equipment in demand, or ruin the plant completely. All these actions will be deemed legally founded. Thus, this person could use his property not for work, for developing his own talents and skills, but for living a better life, for showing off, building a luxurious estate, buying yachts, and going on international cruises. This was the case after property privatization in post-Soviet Russia.

Here neither qualification, nor talents play any role. By consequence, the struggle for property (not competition – struggle) intensifies; property becomes desired, and everyone thinks themselves worthy of it. In such situation, personal interest of the owners in the production results would not be of much help, for such interest is very rare. In the end, there might be a form of labour remuneration that would make the worker personally interested in the results of production as the owner is (See more in Subsection 4.1.2). Then both the owners and the workers of plants would start collaborating and become partners, instead of competitors.

In reality, each type of property has its proper niche where it is more efficient than others. For instance, small businesses mostly live by the energy, enterprise, and simple luck of their owners. Therefore, for them, private property is preferable. Medium enterprises function better using the cooperative property form, because it best combines the entrepreneurial qualities of the owners with the collative benefit of the business. However, this would not be sufficient for the functioning of large businesses, as they demand a higher level of professionalism, organizational skills, a broad mind, and a respect of social interests. What they require is professionalism, management skills, and broad thinking. That is why such large organisations are usually run by specially hired managers, instead

of the owners themselves. In this last case, the public property form is the most appropriate for big businesses, including strategic economic sectors and monopolies.

The above explains why the advanced economies have all types of property that prove their respective advantages in fair competition. And it is not the political forces, the selfishness of individuals, or the ideological dogmas that manage it, but the very nature of the coherent structure of the society and productive competition within it.

Countries with established capitalist traditions see their business and political elite formed through years-long natural selection process. They have a reliable legal framework; the culture of liability imbued to the society provides this framework with the said sources of income and power. However, post-Soviet states knew no selection of this kind, and the experience of civilized private management had been interrupted. As the result in most cases power and property were dished out in an emergency mode, that is, to whoever came by. And no requirements as to the social liabilities of these owners were imposed on them. On the contrary, the allocation of former social property often led to personal enrichment, instead of its employment for the benefit of all. That is why there should be no surprise that most of such liabilities have not been discharged. Liquid assets are sold and appropriated, premises are rented or abandoned. What could be the usefulness of such “private property”? !

What is more, while in other countries it is mostly unprofitable businesses that are privatized, in Russia the privatized ones are the most profitable and lucrative. While across the world natural rent is a significant addition to the state budget, in the Russian Federation it is mostly appropriated by private individuals. Thus, according to President Vladimir Putin, advanced economies allocate 80% of oil industry profits to the budget, and only 20% is receivable by the natural resources producers; in Russia this ratio equals 50% to 50%.

As the result, as academician A. S. Lvov has formulated it, more than 70% of all entrepreneurial class income in Russia is due to the rent, and only 30% – to productive activities. For the same reason, over 44% of the GDP in Russia is brought in by the rent. Thus, when during the discussion about the restructuring of Russian debt at the beginning of the twenty-first century, Paris Club Chair referred to the huge active foreign trade balance enjoyed by Russia, the former Prime Minister M. Kasyanov admitted that, in reality, the trade proceeds were owned by private individuals, and not by the state.

For what real merits have such people been allocated social property, do we actually need such “property owners”? This question is ever more topical today, when, in the modern Russian conditions of privatization, the ownership of public funds has often been passed over to those incapable of using the property in a decent or efficient way. It is true that an increased income of private individuals can be considered fair and useful as long as it is compensated by an additional social benefit. But when such income grows at the expense of social benefit, then it cannot be deemed fairly earned, on the contrary, it has been appropriated and results from exploitation.

When the nominal GDP in Russia dropped by 35.6% between 1989 and 2005, the share of state budget in the GDP also decreased, from 47.3% in 1985 to 16.8% by 2013. This means that budget revenue got almost 5 times smaller. In other words, the income of the property owners in this period increased not through improved economics, but through legalized robbery of the state and society.

	1992	1993	1994	1995	1996	1997
<b>Actual GDP amount, %.</b>	100	85.8	59.3	47.9	40.0	38.5
<b>Number of privatized property items, %</b>	0	19.2	37.2	46.22	50.4	52.47

Table 1. Correlation between the actual GDP amount and the privatization rates in Russia <sup>[11]</sup>.

Summing up, it may be admitted that in most cases privatization in Russia has no social benefits. So, the secret of market economy, if any, is not pinned to private property but to development of competition. To demonstrate this idea, let us use the statistics data on the dynamics of the actual GDP in Russia and of the number of enterprises privatized in the first five years after the privatization reform. This data is presented in Table 1. It should be pointed out that privatization was at the core of the 1990s reforms, and in that decade, most of the privatization transactions were passed.

Let us calculate the correlation coefficient between the two factors mentioned in the table to assess their influence upon each other. The resulting figure is negative, and it equals **0.992**. This value is so close to 1, that *it can be asserted that the more enterprises in the 1990s Russia went private, the worse* the economics functioned. And this conclusion is not at all surprising, as “as long as there is any property, and while money is the standard of all other things, I cannot think that a nation can be governed either justly or happily”<sup>42</sup> (Thomas More).

This signifies that the privatization model adopted by Russia was the major reason of the large-scale economic collapse of the country. By consequence, *unless the interests of authorities and property owners coincide with those of the people and the state*, such occurrences will be frequent. Unless private property is made productive, its further use is destructive. In the industrial development conditions, “*Private property is less and less wholly private. Free enterprise has become progressively less free*” (P. Samuelson and W. Nordhaus <sup>[35]</sup>).

Such “state policy” has driven Russian government into bankruptcy. It has lost the capacity to govern the country in the market conditions. That is why all state programmes are poorly financed, and the economics has got out of control. The salaries of civil servants, that is, the salaries assured through the budget, often drop below the living wage, and the population is exploited beyond imaginable. Its purchasing capacity has decreased, but on the other hand, the number of millionaires keeps growing. What is the sense of such politics, and why during the entire reform its course has not once been adjusted, like it was done in China, for instance? Does this mean that despite the lack of social benefit, some people find this situation satisfactory?

In summary, it is exploitation, that is, the parasitism of the few through appropriation of the values created by others, that constitutes the key reason of the accelerating economic degradation in Russia and across the world. Only the most naïve or cynical persons can see any progress in the insatiable egotism of certain people, deprived of any talent, morality, or knowledge, but craving for wealth at any expense. This phenomenon that is behind the majority of human troubles, all the wars, violence and crime, has become a scourge of the humanity.

In addition, it is reasonable to limit the middle class to those who are not exploited by others, but neither exploit anybody themselves. That is, these are the people who earn their living honestly and are not robbed by anybody. The middle class cannot be defined through the concept of the average income, for it is too vague. Thus, if 30% of the richest people and an equal share of the poorest people are excluded, the remaining 40% will constitute the middle class. But if 20% of each of the extremes is not included in the category, then the middle class embraces 60% of the entire population. However, a criterion varies with the statistics trickery is not appropriate for the assessment. Furthermore, the policy of middle class expansion should be given a completely different approach.

One more factor that leads to **SLP** suppression is usury. Without generating anything useful, it depresses the real economics, forces the producers to support the money owners, and sucks the resources out of production. The source of usury lies in the money deficit, which is inevitable in economics. In the past, when money was guaranteed by gold reserves, the valuable metals available were not sufficient for serving all the trade flows in the country. But even after this guarantee was

<sup>42</sup> Cit. ex T. More, *Utopia* (Roubert Foulis, 1743), 39.

withdrawn, the said deficit has been artificially maintained. The only reason for this is letting money generate more money, whatever the cost for production and society may be.

Besides, the foreign economic activity influences social performance, SLT and the population's quality of life, too. If the foreign trade balance is positive, it means that the country exports convertible goods paid for in uncovered paper money. For certain years Russian import exceeded its export by almost three times. Thus, our country was selling its goods at foreign markets for one third of their nominal value. This made certain private individuals richer, but on the other hand, limited the usefulness of such trade. All other people suffer from it, the state is ruined, and social labour productivity decreases. In the end, the country becomes a donor for other states, whose balance of foreign trade with Russia is negative. However, the government makes of the positive trade balance a feather in its cap and does its best to increase it ever more.

### 1.3.4. Productive economic factors

Social labour productivity depends from many factors; however, it is most significantly influenced by human beings and their interest in the results of the labour. To be precise, it is human intelligence, education, qualifications, knowledge, physical strength and agility, and health that really impact labour productivity, as well as human energy, decisiveness, honesty, discretion, decency, common sense, tact, and communication skills. The desire to work, and the individual and social labour culture also play an important role in the SLP.

That is why everything that helps people develop the above-mentioned qualities, contributes to the SLP increase. Among these: fair wage distribution, efficient education and upbringing methods, the health both of the parents and the child, psychological and moral family, workplace and social environment, physical education and sports, ecology, and the entire infrastructure for life and leisure.

The works of W. Petty, A. Smith, A. Marshall, T. Schultz, G. Becker, and many others reflect the idea that the reproduction of high-quality work force is productive. Thanks to the contributions of these authors, the work of progressive managers to improve people has ceased to be seen as unproductive expenses, but has become the main source of flourishing for companies and the society, not less important than capital investments in the main funds. That is why, in the twentieth century, advanced economies accrued human capital faster than material capital. For instance, the US economic recovery is at least 15—30% due to the increased level of education among the work force.

Thus, in advanced economies human investment exceeds generously the investment in the main production means. Table 2 presents the correlation between the US investment in the so-called “social expenses” and production investment, taken for 100% <sup>[36]</sup>.

	1970	1980	1985	1990
Education	50	42	45	55
Healthcare	54	63	76	101
Social security	90	107	123	162
Total for the three spheres	194	212	244	318

Table 2. Correlation between “social” expenses and production investment in the US, %

The data provided above allows to see that the US allocates as much for healthcare and social security as for education. It is also evident that if these expenses did not pay back, they would not be

so significant. The expenses for reproduction of work-force in the US in 1947—1989 alone increase 5.5 times, while those for reproduction of fixed capital – by 3.7 times only. As the UK Prime Minister Tony Blair said, “*Knowledge-based economy has people as its main resource*”. This idea was supported by Bill Clinton, who believed that “*Sustained growth requires investment in human capital, education, healthcare, technology, infrastructure*”<sup>43</sup>. However, modern Russia would rather save on its people.

Social labour productivity is highly dependent on the labour and living conditions of workers. Therefore, all measures that improve the labour ergonomics increase its productivity, as well. But one of the biggest impacts on SLP is that of the extent of people’s satisfaction: the higher it is, the more significant their contribution in the production process.

Let us consider a specific example. To keep a worker idle – like a machine – about 2 Mcal of energy is needed. If the worker consumes 3 Mcal, he can use one 1 Mcal for useful work only, that is 33% of the energy received from the food he eats. Then, if the same worker consumes 4 Mcal of food, he can use 2 Mcal for work. This shows how the increase in the amount of food eaten every day by 25% lets the worker do twice the amount of work he did before. This is why academician S. G. Strumilin concludes that “*the more we want to save on economy, on income and food norms, the bigger damage we will suffer*”<sup>44</sup> [37].

Eminent entrepreneur Henry Ford believes the same: “*Wages is more of a question for business than it is for labour. It is more important to business than it is to labour. Low wages will break business far more quickly than it will labour*”<sup>45</sup> [38]. *Saving on people is, thus, a costly approach*, however promising it may seem. That is why **all unpopular measures are**, in the end, **regressive (sic)**.

SLP considerably depends on the technical equipment of labour, and this subject has often been brought up by authors. However, there is no definite answer here. In fact, machine production and maintenance require so much effort, that their use does not always help to save social labour. That is why the science that works out progressive principles, machines and technologies is believed to be one of the major production forces of the society. Plato wrote that “*there is nothing more powerful than knowledge, it always and everywhere overpowers pleasure and all other things*”. “*Our economy is not based on natural resources, but on intelligence and application of scientific knowledge*” (Philip Handler, President of the US Academy of Sciences). And advanced economies do understand this.

As the result, American companies are the only to spend more than \$15 billion on training and education of their personnel annually. For the implementation of the Equal Opportunity in Education Act adopted in the US in 2002 alone \$26.5 billion was allocated. The total costs of education in advanced economies amounts to 5—6% of their GNP.

In Russia, however, they have never reached 1%, and in the years of crisis dropped further to 0.23% of the GDP. As the result, the salaries of professors employed at the Russia’s Higher education system were 1.5 times lower than the average for the country. The salaries of other academic workers are too shamefully low to quote here. Teachers in Russia do not earn enough to afford a minimal living standard. Doctors and nurses, however essential their work might be, are struggling to make both ends meet. It is evident that such stimulation neither stimulates the country’s development, nor creates proper conditions for the SLP increase or production acceleration.

Thus, the state as such, in order to assure its proper functioning, relies on quite specific expenses, just like a house or a complex piece of equipment require regular maintenance. Otherwise, they turn into a ruin. That is why a redistribution of the national income to private individuals beyond reasonable level turns out to be mortal for the country.

<sup>43</sup> Cit. ex J. Godwin, *Clintonomics: How Bill Clinton Reengineered the Reagan Revolution* (AMACOM Div American Mgmt Assn, 2009), 195.

<sup>44</sup> [Translator’s note: Translated by me.]

<sup>45</sup> [Translator’s note: The original incorrectly references these words, the quotation is cited from *Today and Tomorrow* by Henry Ford (Garden City Pub. Co., 1926), 151.]

### 1.3.5. Labour differentiation and cooperation

*The science of equilibrium is the key of occult science. Unbalanced forces perish in the void.*

*Eliphas Levi*<sup>46</sup>

Still, one of the most efficient factors that increase SLP is **improvement of labour organisation**. It does not require as much time and money, however, its efficiency is superior to that of all other factors combined. Besides, notwithstanding all other conditions, only harmonious organisation is capable of shaping harmonious economics, and of creating conditions for the implementation of all highly-productive advances. This factor remains the backbone of any enterprise or economy restructuring. All the rest is nothing more than its result.

We are not considering here the factors related to the scientific labour organisation, such as specialization, and introduction of rational labour methods and techniques, because all of them have already been studied in great detail. This approach reduces organisation to building an optimal structure for production based on the combination of **two dialectically different factors, i.e. labour differentiation and labour cooperation**. Without providing an ample description of these phenomena, we will just point out some of their properties that would be interesting for the current analysis.

In the process of evolution, it has been remarked that professional **labour differentiation** in space and time increases significantly labour productivity. This tactic helps split human activity into specific functions and operations, none of which are meaningful on their own, by all of which when combined creating a completed product. Such organisation makes better use of the individual workers' capacities, improves their qualification and instruments of production, and assures rational consumption of work time. As the result, among workers there are more and more experts in a narrow field of specialization.

This factor influences the formation of all social organisation structures (see Figure 1). Besides, the more complex and specialized production, the deeper labour differentiation. "*How far the productive forces of a nation are developed is shown most manifestly by the degree to which the division of labour has been carried*" (K. Marx and F. Engels<sup>[39]</sup>). Thus, the division of labour types according to their functions is one of the most powerful factors of progress.

On the other hand, labour differentiation leads to the need for agreement and unification of separate workers and worker groups within the common working process, for interaction of all levels of production from individual employees and teams to entire enterprises, subindustries and sectors of economy. This association and interaction between the separate specialized workers in the labour process bear the name of **labour cooperation** (from Latin *cooperation*). This phenomenon is one of the key factors of labour organisation.

Labour cooperation converts labour quantity into higher quality thanks to "*the creation of a new power, namely, the collective power of masses*" (K. Marx<sup>[40]</sup>). Cooperation is followed by joining of the results of differentiated labour; as the result, labour productivity increases faster than aggregate labour consumption. It is this correlation that allows resolving global issues: developing science, education, culture, building defence from enemies, constructing canals, dams, roads, and other structures that serve a public purpose, and bring collective benefit.

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<sup>46</sup> Cit. ex Manly P. Hall, *The Secret Teachings of All Ages an Encyclopedic Outline Of Masonic, Hermetic, Qabbalistic And Rosicrucian Symbolical Philosophy Being an Interpretation of the Secret Teachings concealed within the Rituals, Allegories, and Mysteries of all Ages* (H.S. Crocker Company, Incorporated, 1928).

Rational combination of labour differentiation and cooperation shapes all economic structures. For instance, workers unite to make a team, teams form workshops, which are parts of companies, enterprises, plants, and economic sectors.

On the other hand, the state is a cooperation of its regions, a region is a cooperation of districts, areas, etc. Thus, labour differentiation and cooperation can apply both within production framework, and depending on the territory; they function both in space and time.

In literature on economics this structure is called “**organisation hierarchical tree**”. Figure 2 shows such tree for a random plant. However, this structure is applicable to other types of organisations as well, including the state. In each case it is determined by a series of objective and subjective factors, by the production and organisation type, its level of development, management, production and human relations, type of property, etc.

At the same time, as it is easy to see, each link, each cell of production has **both labour differentiation and labour cooperation**. For instance, if we analyse the organisation tree from Figure 2, from top to bottom, we will notice the division of all structures into a number of cells. But when you move from bottom to top, then all the cells combine in cooperation to create a bigger structure. Thus, labour differentiation and labour cooperation are interdependent instruments of organisation. Labour differentiation pattern determines the reasonable level of labour cooperation. And vice versa, cooperation allows to deepen labour differentiation processes. When a worker does not have to do everything in life himself, he can specialize in his profession even more. At the same time, he would be more interested in cooperating with other workers and units.

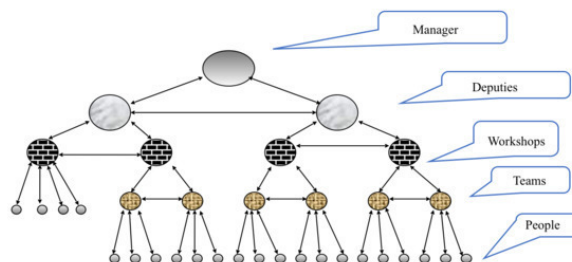


Fig. 2. Modern enterprise “organisation tree”

This is why labour differentiation contributes to a more intense labour cooperation within professional or territorial unions. Moreover, without cooperation with other structures labour differentiation is not efficient and cannot be allowed. A metallurgist will only work well when a farmer provides him with food to eat. The same level of interdependence is observable with all other professions.

On the other hand, the impact of the above-mentioned factors on people is not uniform. Labour differentiation makes workers more egoistic, and limits their circle of interests to personal problems. Cooperation, on the contrary, makes people part of a bigger entity, more important than a single person. This elevates the man, enlarges his scope of interests including other people in it, helps understand his place in the hierarchy of the community, the society, and the entire Universe. Thus, the man becomes wiser and more far-seeing. The combination of the factors mentioned generates the variety of human characters, promotes a dialectic unity of the humanity, and integrates people within each other, within their communities and the World.

This means that ***no labour differentiation is possible without cooperation, just as no cooperation is feasible unless the components of the whole are divided***. Every unit is created through labour differentiation of a bigger entity, and all divided labour is reunited in a bigger structure. And this does not depend on property form, on fashion, on organisation name, or nature of its activities.

Every enterprise, every organisation possesses dual qualities. On the one hand, its mission is to satisfy the needs of its employees, on the other hand, to satisfy social needs. “*Capitalists and workers are equally wrong in thinking that enterprises exist for the sake of income. They disagree on who should have this income. In reality, enterprises exist for satisfying social needs*”<sup>47</sup> (H. Ford<sup>[38]</sup>).

It is evident that without social functions any enterprise loses all sense to exist, as if the workers and the owners were not interested in the results of their own labour. Absence of social functions turns organisations into business mechanisms, that is, hospitals then work for the profit of doctors, schools – for teachers, banks – for their own gain, administrative services become ordinary tools for enrichment, and armies serve the well-being of generals.

On the other hand, labour differentiation and cooperation generate additional types of work, not required before, like coordination, supply, control, accounting, and management. It would be hard to classify them as anything better than social labour waste if they did not create conditions for labour differentiation and cooperation, and did not help save social labour to a greater extent than they consume it. However, this is not always the case. In certain conditions the amount of supplementary labour is inexcusably large and its efficiency (i.e. the capacity to save social labour) derisory.

The managing and controlling structures often expand disproportionately to the actual need in them and to the results of their own work. This happens very often. That is why the problem of balance between various types of divided labour, of organisation of their cooperation, and of coming up with methods to determine the nature and the way of labour remuneration is rather complex. It will be described in greater detail in 3.1.

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<sup>47</sup> [Translator’s note: Translated by me.]

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