Society

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This is the sixth in a series of essays on the [politics of care] and [economics of hope]. The others are listed at the end of this essay. This essay also happens to come in video form.

As with the other essays, I acknowledge the input of my wife, Jacqueline, into this essay.

What is society? It sounds like an obvious question, but modern economics rarely answers it well.

Too often economics starts with the idea of isolated individuals making rational choices in markets, as if society somehow emerges afterwards. I argue that this has the relationship completely the wrong way round.

We are not born as independent individuals. We become who we are through our relationships with other people. Families, education, communities, trust, language and shared knowledge all come before markets. Society creates the conditions in which individuals can flourish, not the other way around. In other words, society does not emerge from independent individuals. Independent individuals emerge from society.

That changes how we should think about the economy.

This is also true of markets. They are important, but they depend on trust, law, public infrastructure, education and a stable monetary system. Society creates them.

Money also only works because society collectively agrees that it does. And accounting records relationships, not just transactions. Economics has too often forgotten that fact.

If society is fundamentally a network of relationships, then its purpose is not simply to maximise GDP or consumption. Its purpose is to create the conditions in which everyone can realise their potential while respecting the limits of the natural world.

This video is the next step in my Economics of Hope series. It builds on earlier discussions about human potential, money and taxation and prepares the ground for the next question: why do governments exist, and what should they actually do?

If you enjoy these videos, please subscribe, like, comment and share to help more people discover a different way of thinking about economics.

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The Debate Ammunition for this video is available here.

This is the transcript:

In previous videos in this series, on the economics of hope, I have suggested that money is not wealth, but an accounting system that helps us organise economic activity.

I've also argued that taxation is not primarily about raising revenue. Its purpose is to make that accounting system work in ways that support society as a whole.

Those arguments explain something about how economics functions. They do not, however, answer another question that lies behind them. If money exists to serve society, what exactly is society?

At first sight that may appear to be an unnecessary question. We all live in society. Surely we know what it is? But I am not convinced that we do. Economics, in particular, has encouraged us to think in a way that obscures rather than clarifies the answer.

Most economics begins with the individual. It imagines people existing independently, making rational choices to satisfy their own wants. Society then appears almost as an afterthought. It is little more than the outcome of millions of individual decisions brought together through markets.

That story has always struck me as implausible.

None of us begins life as an independent individual. Every one of us comes into the world utterly dependent upon other people. Without care, we would not survive. Without language, we would not learn to think. Without education, we would never acquire the knowledge that allows us to participate in the world. Without families, friends, neighbours, teachers, and communities, we would never become the people we eventually are.

In other words, society does not emerge from independent individuals. Independent individuals emerge from society.

That is not simply a philosophical observation. It changes the way we understand economics.

Human beings are defined by relationships.

We exist in relationships with our families, our communities, our colleagues, and our natural environment.

We inherit knowledge from previous generations and pass it on to those who follow us.

We learn through cooperation.

We depend upon trust.

Even our sense of identity is formed through our interactions with other people.

Society is simply the name we give to this extraordinarily complex network of relationships.

If that is true, then the economy cannot be understood as something separate from society. Nor can it be reduced to markets. The economy is one of the ways in which society organises those relationships so that people can live together, meet their needs, and realise their potential.

That immediately explains why cooperation matters so much.

Markets have an important role. They help coordinate countless exchanges between people who have never met. But markets do not create the conditions that allow those exchanges to happen. They depend upon them.

Markets require trust between strangers. They require laws that define rights and obligations. They require education, because people must understand the transactions they enter into. They require public infrastructure. They require a stable monetary system. They require confidence that agreements will be honoured and disputes resolved fairly.

In short, markets depend upon society. Society does not depend upon markets.

The same is true with money. Money only works because we collectively agree that it will. Every payment records a relationship between people. Every loan records another. Every tax payment records a relationship between individuals and the society whose currency they use. Every balance sheet is nothing more than a structured record of relationships between people, organisations, and resources.

Accounting has always understood this. It does not simply record things. It records relationships. Economics has too often forgotten that simple fact.

Recognising this helps us to understand what society is for.

Its purpose is not to maximise production. Nor is it to maximise consumption, or economic growth. Those things may sometimes help us to achieve our objectives, but they are not objectives in themselves.

The purpose of society is to create and maintain the conditions in which every person can realise their potential, whilst respecting the limits of the living world upon which we all depend. Everything else follows from that.

Education matters because it develops human capability. Healthcare matters because it preserves it. Care matters because none of us remains independent throughout our lives. Justice matters because cooperation depends upon fairness. Knowledge matters because every generation begins where previous generations finished. The environment matters because there can be no flourishing society on a damaged planet.

The economy exists to support these purposes. It cannot replace them.

Understanding society in this way also explains why every successful society creates institutions.

Relationships do not maintain themselves. Trust can be lost. Knowledge can disappear. Justice can fail. Shared resources can be exhausted. Cooperation requires organisation if it is to endure.

Societies, therefore, create institutions to help sustain the relationships upon which they depend. Families are institutions. Schools are institutions. Businesses are institutions. Charities are institutions. Courts are institutions. Governments are institutions.

Each exists because there are responsibilities that individuals cannot discharge alone.

The question is not whether societies should have institutions. Every successful society always has. The real question is whether those institutions strengthen the relationships that allow people to flourish, or weaken them. That is the issue we must now consider.

And the most important institution that any society creates is government. Understanding why it exists, and what it is actually for, is the next step in developing an economics of hope.

Other essays in this series

* ***Potential***
* ***Becoming***
* ***Exergy***
* ***Money***
* ***Cooperation***
* ***Obsession***
* ***Taxation***