

## Introduction

### 1.1 Life and Living

*... every individual necessarily labors to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.*

Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*

In this passage, Adam Smith set out the mechanism of the “invisible hand” by which every individual strives for his own betterment through interaction with other like-minded individuals. Through this division of labor in a free market, the interests of society as a whole are achieved.

Adam Smith’s work is generally viewed as the starting point of modern economics. As an academic discipline, economics now embraces virtually the entire range of human activity. Earlier works of economics

concentrated on broadly defined factors: consumption, production, exchange and distribution. Increased specialization into the individual disciplines of micro and macroeconomics was followed by greater specialization into more specific topical areas such as the environment, resources and energy, within the levels of both management (micro) and governance (macro).

The current application of economics is so wide that its sub-disciplines touch on almost every aspect of human life. The consequences of various economic activities on the micro scale have shaped and will always shape and change individuals' behavior towards people, resources and the living environment. On the broader or macro scale, it can change a nation's wealth and global economic "well-being." In an ideal world, what we gain from macroeconomics can lead us to prosperity and peace, but unfortunately, it can also as easily lead to ruin and war.

The fall of the Berlin Wall in 1989 and the subsequent breakup of the Soviet empire are generally considered as events that heralded the end of communism, and the triumph of capitalism. Unchallenged by any major opposing power, the Washington Consensus in the early 1990s attempted to impose American-style free market values on the rest of the world.<sup>1</sup> Unfortunately, this has led to widespread discontent over the maldistribution of wealth — in many cases, wealth has been drawn away from the people in the countries it purported to help, and towards those who are already wealthy.<sup>2</sup> Too often, the very rich simply want more and more, not just from the environment but from fellow human beings as well. We hope Bill Gates' and Warren Buffet's donations of billions of dollars to charity will set a good example for others to follow.

Although the market system has been built mostly by the rich, since the very poor cannot afford to be consumers, it has also been built on the backs of the poor, who provided cheap, if not slave, labor. Like it or not, the exchange system within the market economy may have profited the rich, but worsened the situation of the poor. The system, which relies on the "invisible hand" of the marketplace, works on a mechanism that pays

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<sup>1</sup> J. Williamson, "Did the Washington Consensus Fail?" Outline of speech at the Center for Strategic & International Studies, Washington, DC, November 6, 2002.

<sup>2</sup> J. Stiglitz, *The Roaring Nineties. A New History of the World's Most Prosperous Decade* (Penguin Books edition, 2003).

no regard to human welfare. The only thing that matters is money or the price that one can pay. Under such circumstances, only the government can help to relieve the situation of the poor, but its hands are tied by the difficulties involved in intervening in the marketplace. Acts that regulate free trade and affect market operations are of course against capitalist ideals. Free market capitalists believe “the sky is the limit.” Unfortunately, the sky has no limit. What the rich fail to understand is that Earth’s resources are limited.

Technology and science are the engines that drive the human race forward in a remarkable story of progress. In the United States, the average life expectancy has risen from about 49 years in 1901 to 77 years at the turn of the millennium. This has been aided by a drop in infant mortality from about 165 to 6.5 per 1000 births over the same period.<sup>3</sup> Prior to the invention of the electric telegraph in 1835, the fastest means of communication over distance was the hand-delivered letter. The worldwide web, which came into being only in 1991, has made the term “global village” more appropriate than ever. Video-conferencing is now available virtually for free to anyone with access to the Internet. Prior to the development of the first horse-drawn public transport in London in the 1830s, the main form of locomotion was walking. Today, at least one survey suggests there are more automobiles in the USA than people who are legally qualified to drive them.<sup>4</sup>

Technology has revolutionized our lives in every way, from how easily we enter life, and how we live it, to when we leave it. Such progress is not without cost, nor our successes without setbacks. Over 40% of the world’s population already face a serious water shortage. Fossil fuels, mostly laid down by generations of dying organisms over 300 million years ago, may be exhausted within the next 50 years (<http://www.hubbartpeak.com/summary.htm>), after perhaps 125 years of peak production and consumption. Beyond the effects that this depletion will have on our lifestyles, most scientists believe our rapid consumption of fossil fuels to be the main factor behind global warming. Meanwhile, the millions of deaths that result from emerging infectious diseases such as HIV or AIDS,

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<sup>3</sup> The World Factbook, 2005 (<https://www.cia.gov/cia/publications/factbook/index.html>).

<sup>4</sup> “America’s Love Affair with Cars, Trucks and SUVs Continues,” *USA Today*, August 30, 2003.

and the catastrophic effects of Hurricane Katrina and the Boxing Day tsunami of 2004, are warnings from nature. They serve to remind us of what nature can do and how we should not take it for granted.

Despite these developments, both good and bad, the sad thing is that we have not seen any earth-shaking changes in the last 100 years in the field of economics, particularly the ownership-based doctrine. Perhaps to some, there is no need for change, since honoring “ownership” is believed to be an undeniable human right. The only thing that seems to have changed is the expansion of exchange activities in both depth and extent.

Ownership-based economics is an endless struggle in search of short-term equilibrium between two players (the seller and buyer), without any thought to the true cost of human labor, resources or environmental health. If this is all there is, then the draining of resources, the pollution of the environment, and the depletion of global resources will continue in order to create more personal wealth. In truth, the magic of the market economy is the seduction of those who wish to become rich in a hurry. This is exemplified in the glamor of the stock market, which is nothing more than shifting money around, without adding value, but giving individuals the dream of becoming rich in a day. However, it makes many people happy, including the banks, large corporations and the government as well. This is the exchange system where the money game is played, which, following the downfall of communism, is the only game in town.

This “magic” for the rich is built on a single, simple word: ownership. Without ownership, there is no exchange system or market economy. In fact, there will be no such thing as the learned discipline of economics. It is because of human greed for the right of ownership that we live and suffer today’s harsh realities. Some of these realities are illustrated in the following collection of economic or economic-related human situations. While most are based on real events, a few are fictional. They are intended to illustrate how economics impacts our lives, leading to the deliberation of the doctrine of stewardship-based economics; how this doctrine must lead to a change in the individual’s attitude towards people, the environment and resources, as well as a system to improve the distribution of resources without a total departure from the market economy.

### *A total population of one*

At the beginning of the school term, the author typically poses the following question to his senior and MBA students:

Imagine all the resources of the world are yours: countless millions (or even billions of dollars), vast private residences, gold, diamonds, and every luxury imaginable. Unfortunately, you are all alone; no other human beings and no animals. How do you feel? What would you do?

There have been many different answers, but the same answer has been given every term without exception: “I would prefer to die, or kill myself.” Some elaborate by stating: “What am I going to live for if there is no other living human being besides myself?”

The economic reality of the above is that there is no economics if there is no human interaction. In this case, resources, even if unlimited, have no meaning. Life, for most of us anyway, is only worth living in the presence of others.

### *One bowl of cooked rice*

In June 1992, the author gave a talk to a mixed audience of approximately 300 participants in a Southeast Asian country. The topic was: “Entrepreneurship — innovation and creativity.” In the midst of deliberation, a participant raised his hand and asked a question: “Prof Kao, my question may not refer directly to what we know about entrepreneurship, but it may be related. Is it possible to have a strong government and government control, yet still allowing entrepreneurial spirit to flourish?”

The author did not respond to the question directly. Rather he asked the audience: “Suppose the 300 or so of you in this audience, a mixture of young and old, men, women and children, had not eaten for several days. You are all in need of food, and we have only one bowl of cooked rice. Who should we give the rice to?”

There are a number of options: give to the children, the women, the young, or the old. Divide it evenly or leave it in the middle to see who can get the rice and have it all to himself or herself.

The various answers given surprised the audience. Finally, one young lady courageously said: “I’ve got it, give it to the strongest and smartest one who can go out and find more rice so that we can all have something to share.”

This is obviously a hypothetical situation, but the message about economic reality is clear. When there is a shortage of resources, what we need to do is to find more and create more with innovative ways. The one who has the food owes it to all the other members of the group to share with them what he or she can find. Sharing is not about being stupid; it is a means of survival. Innovation and creativity for the better use and development of resources is not just meant to benefit the individual who created and innovated, but must also be for the common good.

### *We need your business*

Phuket, with its beautiful beaches, reasonably-priced hotels and good food was a tourist paradise. The town had a fair-sized shopping neighborhood, and every effort was made to give visitors the time of their lives. Tourism provided jobs, and the sizeable regional economy depended on it. Europeans and Singaporeans were regular visitors. Unfortunately, Boxing Day, 2004 changed all that. The tsunami disaster devastated the area, ripping the region apart. Thousands were killed indiscriminately, both tourists and locals. Many businesses were utterly destroyed; a few could possibly restart again but many had hardly anything left to rebuild. Those who survived the disaster displayed the remarkable resilience that characterizes the human spirit; picking themselves up and starting their lives all over again as many other ordinary people have done throughout history. Some moved elsewhere to start again, others started up new ventures and new lives right where they were, in hope of better days ahead. The following is a short conversation between a tourist and a survivor of the disaster.

*T (tourist): How are you doing?*

*S (survivor): Not good, sir. One day I may get a few dollars (US dollars are most favored), then, nothing the next. We do not see tourists anymore.*

*T: Yes, I can see why tourists would stay away. The beaches are still not clean, with debris everywhere. Some people told me they had spotted*

*bodies drifting not too far from the beach. It is so sad to see the suffering of people like yourself. Some of us feel bad coming here for our holiday, when the circumstances remind us all the time of what you people have gone through. We just do not have the heart to enjoy ourselves when we know people like you are suffering. I can appreciate why most tourists are staying away from here. Nevertheless, it is not all bad; some of my friends have made sizeable contributions to help the people here to pull through this difficult period.*

*S: Yes, sir, we appreciate the help from all our international friends. However, what we need is your business. Your contribution and that from others helped to give us a lift during the difficult period, but it is business we need, so that we can continue to make our economy sustainable.*

This is an economic reality. Charitable contributions are an economic reality, but they can only serve the immediate short-term needs of the people to help pull them through a difficult time. The people need to be able to make a living for themselves, sustaining the economy through their own efforts.

### ***Economic reality of begging***

On a cold winter's day, the author passed by a local pharmacy. In front of the shop was a person begging on his knees, his face pressed to the ground, as if he was praying. It seemed like he wanted to hide his face, or perhaps he preferred not to look at any passers-by. The author looked at him for a few seconds, for no particular reason nor with any expectation. However, the look seemed to be a form of communication in itself; the beggar raised his head. He looked young, in his twenties, and had an appealing look with his two big eyes. Making brief eye contact with him, the author noticed that he seemed to wish to express himself. The author placed a dollar coin in his baseball cap on the ground in front of him, and assuming he was not a Torontonion asked him:

*“Where is your hometown?”*

*“Thank you very much, sir. I am from the coast.”*

*“Can you get a job?”*

“No, sir.”

“Begging is not a solution.”

“I know, this is just a temporary thing. I will eventually find something to do, instead of this. I need food and warmth in this cold weather, and I have no other way to get money or food for now. By the way, sir, I know begging is not the right thing for a young person like me to do. I ought to go out and find some work to earn a living, and to serve others in need. What I am doing is not particularly wrong in this society. I do not sell anything, but I appeal to people’s kind hearts. As they pass by, they understand how we who beg feel inside. In a way, I feel begging is an exchange like selling things. People give me a dollar to relieve their conscience.”

As he talked, he sounded like someone who has an understanding of people. The author finally asked him:

“How much education do you have?”

“College,” he responded with no expression.

This is a reality of economics. Begging is not considered an admirable or useful function. It is not accounted for in any economic analysis. But economic analysis does not deal with the reality of life. What happens if a person needs food and shelter in order to survive? Private ownership is protected by the law; to take what is lawfully protected is punishable by the law. The young beggar was right — in the market economy, everything is for sale, and the only difference is the price. Here, the beggar’s price is the relief of the giver’s guilt.

### ***War and peace***

It was late afternoon, May 20, 2005. At Chicago’s O’Hare International Airport, incoming passengers from Hong Kong mingling with countless passengers from other parts of the world, lined up in front of a US immigration checkpoint. The line was very long, filling up the arrival hall from the edge of the checkpoint back to the escalator that led to the hall. There were eight stations opened for visitors and those in transit via US

to other countries (e.g. Canada), and four for US citizens. The hall was packed solid.

Those waiting can often do nothing but wait and subject themselves to the people who are in a position of authority. Initially it was an orderly process, though the immigration officers seemed to be taking their time asking questions. Armed personnel stood nearby as if worried that the “tourists” might strike anytime. In one instance, one person seemed to spend an inordinate amount of time with no less than five armed officers surrounding him. Tensions perceptibly built up among the incoming passengers, perhaps due to a combination of fear, worry and simple impatience. Some of them began to show signs of displeasure over the seemingly “endless” waiting. In a few, aggressive body language was clear.

Boredom was heavy in the air when, like a sudden rain shower, it was replaced with excitement. A man in one line suddenly yelled out: “We are late!” At the same time, he raised a card with the words “We are late” written in bold letters, and started across the line under the plastic barriers. There was a sudden commotion as the sounds of “We are late” were repeated over and over. Others responded: “So what? Everybody is late, you will just have to wait for your turn.”

This incident possibly precipitated another. A group of three or four young people of Asian origin rapidly went under the barriers and approached the woman officer in charge of directing people to each of the eight stations, presumably to ask to be moved up the line. The two incidents seemed to cause something to snap in the rest of the queuing passengers. Various people shouted angrily: “Get back to your place,” “You are no different than anybody else,” and “Get back!” At the same time, a few others similarly attempted to jump the line.

The disruption and shouting continued despite the attempts of a few security personnel to take charge of the situation. It looked as if the order in the crowd was on the verge of breaking down completely. Suddenly, a few voices were heard saying: “Look, they are opening up more lines!” An immigration officer was opening up two more stations. All of a sudden, there was no more shouting or line jumping. Everyone returned to his or her original place in the line.

The US immigration authority is the supplier of the service (resources) here and the packed crowd going through immigration represents the

demand. The demand is not just for service, but also for immediate service, and the supply that meets this demand is what is required to prevent “war.” The key point here is that the supplier controls the resources (immediate service) and is able to alter the course for either peace or war. This is an economic reality: a perceived shortage of resources causes conflict, and the struggle for resources can easily lead to war if measures are not taken to ease the tension. The supplier is often the one who is in control.

### *A couch and two armchairs*

Although everyone has the right to own, no one can own anything beyond nature’s imposed limitation on the human lifespan. Given a long enough time, no one owns anything, though in a short period of time, everyone owns something. Ownership is at best custodial — stewardship is the only real solution.

However, this is usually not recognized; if it were, there would be far fewer wars, which often originate from the claim for ownership. The entire North American continent was occupied long before Columbus, Cabot and Champlain came to the “New World.” Nevertheless, the land was claimed by the Spanish, French and English by decree, resulting in suffering and problems for the native peoples that continue to this day.

On a more personal level, the author recently observed a situation in the waiting lounge of a lobby where all the seats were occupied except for a couple of seats next to a couch that was occupied by a man in his early sixties or late fifties. He was seated on one side of the couch with his briefcase placed next to him on the couch. Minutes later, a group of four people, including an elderly man, exited from an elevator and entered the lobby. When the man sitting on the couch saw the four newcomers approaching, he immediately took his briefcase from the side of the couch and placed it on one of the seats that was not yet occupied. The elderly man, who seemed to have some physical difficulty, approached the seated gentleman and asked if the seat was taken. The man replied, “Not at the moment, but I have someone coming to see me.”

The late Milton Friedman advocated the “right of private property ownership,” saying “you can’t have a free society without private property.”

This is an economic reality. Ownership has been given primacy over moral obligation. Unfortunately, the distinction between normal and obscene ownership is often not made.

## 1.2 Bubble Economy and Job Loss

From 1996 to 2003, an excess money supply and questionable fiscal economic policies contributed to a global information technology expansion that resulted in a fictitious demand for high technology shares, equities, and property. The burst of this bubble was followed by interest rate hikes, resulting in plunging consumer and business demand, manufacturing oversupply, plunging profits and stock prices, and trillion-dollar non-performance in the banking industries of Japan, China, and Taiwan. Trillion-dollar losses resulted in the US. The collapse of the IT industry, the mounting home and automobile loan defaults, and credit card delinquency — common features in countries as diverse as Hong Kong, USA, Korea, Singapore, and Malaysia - led to huge write-offs to maintain an acceptable capital ratio to keep the stock markets going. The deflation of the bubble affected investors and money traders, but the real hardship was on those relying on wages for a living.

This is another story of how the realities of economics affect people. General Motors has been the number one in the automobile industry for longer than anyone can remember. The tables have now been turned. Toyota, with its expansion into the China market, may soon overtake it. On June 12, 2005, GM announced its intention to lay-off 25,000 out of 110,000 wage-earners from its US operations. Cost cutting was one of the reasons given, the challenge of dealing with workers' pension payments was another. Clearly, this will not be the only case where the economic growth in China will result in jobs being lost in other countries. This is not a matter of theory, but a reality.

While countries have survived, and the banking industry had to sell off bad loans to asset management companies or write them off, individuals who experienced bad investment losses must work hard to find ways to recover in the post-bubble economy. Some made good, but others did not. The real losers are the wage-earners, who are directly affected by job-cutting and downsizing. They are all the “realities of economics.”

### 1.3 The Aging Population

Some 50 years ago, the average expected human lifespan in most developed countries was about 60. This is changing, with life expectancies in some countries heading towards 80. As a result, there are many new challenges to society, from health care and pension provision to the voice of the elderly in government.

Health care will likely top the list for those countries which are less prepared for the needs of their aged where there is a lack of a robust social security system. On a smaller scale, though it may not seem to be an important societal change, one also needs to look at parking spaces in public places, supermarkets, shopping malls and government buildings, as the population profile and age distribution change.

As seniors form a bigger part of the population, more and more elderly people will be supported by fewer and fewer working younger persons under the current system. If like the entertainment industry where actor Macaulay Culkin could earn millions of dollars even before he was a teenager, then all would be well. In reality, who will be willing to share their earnings to support the old, and based on what system? In Britain, middle-aged wage earners are told not to expect to retire at 65, despite having contributed to pension plans for years under this promise. Should the old continue to earn their keep until the day they die? Everything changes. This is an economic reality.

### 1.4 Petroleum Sales Tax

Only a few who use petroleum and petroleum products, and pay for them at the pump are likely to have looked at how the price is determined. Most simply pay without any question. At the retail level, petroleum sales tax and other taxes could amount to as much as 50% of the pump price. Government has the right to impose taxes as required, but no one seems to question the government seriously as to where the tax money goes.

Petroleum and petroleum products are non-renewable resources. Ideally, the tax collected from petroleum sales should be largely used to find new sources of energy, reduce pollution and restore what has been taken from nature. However, politicians who need support to get into

office build roads instead because it is the simplest “solution” to the problem of traffic congestion. It makes the politicians popular with the voters, as well as the companies that make money from the building of roads and cars. Having more roads typically leads to an increase in the number of cars, or at least a higher usage of cars, since, for example, it becomes easier to commute from a home in the country to the big city. This makes commuting a more attractive prospect for more people, compared to living in a crowded, expensive city. More cars mean not only more pollution, but also greater congestion. The solution? Build more roads!

The economic factors compound one another, as the entire economy evolves with the number of cars made and the number of cars on the road. Conservation is not popular because it is difficult and fewer individuals make money from doing less. This too is a reality of economics.

### 1.5 Black Gold and War

We need oil, and we need to put our hands on it before it dries up or falls into someone else’s hands. Metaphors can kill. The discourse over the decision to go to war in the Gulf or not was a panorama of metaphors. Former US Secretary of State James Baker saw Saddam Hussein as “sitting on our economic lifeline.” President George W. Bush portrayed him as having a “stranglehold” on our economy. General Schwarzkopf characterized the occupation of Kuwait as a “rape” that was ongoing. The US President said that US was in the Gulf to “protect freedom, protect our future, and protect the innocent,” and that we had to “push Saddam Hussein back.” Saddam Hussein was painted as a Hitler. It is vital to understand the role played by metaphorical thought in bringing us into this war.<sup>5</sup>

If in the words of President George W. Bush, there is such a thing as the “axis of evil,” then this may give him the “right” to engage in wars

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<sup>5</sup> Part of a paper “Metaphor and War: The Metaphor System Used to Justify War in the Gulf” presented by George Lakoff, Linguistics Department, UC Berkeley (Part 1 of 2), on January 30, 1991 during the Gulf War, at Alumni House on the campus of the University of California at Berkeley. An earlier version had been distributed widely via electronic mail, starting on December 31, 1990.

against Iran and North Korea. North Korea has no oil, but Iran does have this black gold. The way to deal with “evil” can be anyone’s guess. Unfortunately, “if you do not listen to me, I will kill you” seems to be the simplest solution, but with the most dire of consequences.

The price of a war is hard to account for. The war *against* Iraq, then, *in* Iraq, and finally *for* Iraq has cost the American-led coalition over 2500 servicemen and women (as of June 2006). The number of Iraqi lives lost is unknown, but generally reckoned to be over 100,000. The official war may have ended, but the fighting continues. Trillions of US dollars have been borrowed from the public, with an eightfold increase in the interest rate. These are all part of the cost of war, and they too are realities of economics.

## 1.6 The Trinity of Economic Power

It is not fair to compare the trinity of economic power (currency, interest and taxation) with the axis of evil, particularly in what we would call economically advanced countries. While the trio of economic power can be angels from heaven, they can also be a death warrant.

Currency and interest, which seem inseparable, work side by side. Currency, known to most of us as cash, controls the money supply. Interest rates are used by the central bank to regulate economic growth. Rates are raised to help slow down economic growth, and lowered to stimulate it.

Today, in most parts of the world, the American greenback is the most influential currency, but the euro has the edge in EU countries. In UK, the British still hold their sterling highly, and to some extent the Commonwealth countries too. China is now one of the largest holders of the US dollar, so is Japan, though they are not in a prime position to be influential. In some countries, particularly those that are less economically stable, the wealthy tend to use the US dollar as the medium of exchange, but pay their workers in local currency. If the country’s economy is doing well, everyone benefits from it and no one complains. If the economy does poorly and the rate of inflation is high, the wealthy are protected, but what the workers receive will decline.

The use of interest rates to govern currency circulation has been an effective means to control currency flow. Although it is effective, the pitfalls of manipulating interest rates give the rich a winning edge and put them in a position to squeeze the poor. Small borrowers pay high interest rates, particularly for credit card debt. What is seldom noticed is that taxes levied by governments have a built-in bias that tends to favor the rich, even though most countries adopt progressive income tax rates. To encourage investment and capital flow in stock trading, the capital tax rate is less than that for wage earnings. The marginal rate, which still applies to low income taxpayers, in fact discriminates against the poor. For example, if a family's income is subject to a tax rate of 20%, the utility value of 20% is far greater than the 50% tax rate imposed on a high-income family. A 50% tax rate on a high-income family may simply mean the family gets to enjoy fewer luxuries, whereas a 20% tax on a low-income family may mean taking food away from its table.

The market economy is essentially about facilitating the flow of capital. The rich have more to gain, since the poor have less or no money to flow. Unless a poor person happens to win the lottery (generally, the lottery is a taxation on the poor), the poor typically have little capital to exploit opportunities in the market economy, as compared to the rich. The discriminatory nature of the trio (currency, interest and taxation) is an important economic reality.

### **1.7 Stewardship-Based Economics is About the Purpose of Life and Living**

Economics, as the author sees it, is a learning and methodological discipline that deals with finite resources and the finite lives of people.

Most contemporary economic theories claim that an individual has the right to private property ownership, but do not consider what stewardship responsibility is. At the very least, this ignores the causes that lead to human conflict and the depletion of resources that are only part of the consequences. Ownership breeds greed, thus making the environment, both human and natural, a hunting ground for the satisfaction of greed. Unfortunately, greed, like fire, can never be quenched by being fed.

At an extreme, if the world has only a population of one, there will be plenty of resources but no such thing as economics, as that one person may find no purpose for living. Similarly, if there is only one bowl of rice, and self-interest is the only consideration rather than the community as a whole, it will inevitably lead to conflict and ultimately war. Traditional ownership-based economics does not take either of these into account; it considers only the immediate state of the individual and the immediate contest for resources or goods.

In contrast, stewardship-based economics, according to the author, is a knowledge discipline that deals with the livelihood of people on a global basis, taking into consideration both the finite nature of life and of resources. The contrast with contemporary and traditional ownership-based economics is fundamental. Where traditional economics is based on the right of private property ownership, the author's definition is based on the theory that "individuals are all custodians of property. They may make proprietary decisions, but they must assume stewardship responsibility."

### ***1.7.1 The purpose of life and living***

It is not uncommon to hear people ask the question: What is the purpose of life? Confucius said that "food and sex are part of human nature." To the author, food is for survival, and sex is for sustainability. Humanity as a whole is the absolute reality of economics. We seem to have attained a high level of understanding of economics, life, and living for today. To many of us, especially those living in the developed world, we seem to have plenty today, but what about tomorrow?

Figure 1.1 attempts to sketch an overview, but it shows clearly that economics will always be confronted with the long-term problems of sustainability, so long as we continue with the idea of the individual right to ownership. The challenge is to get to the root of the problem. Poverty is the problem, and the root of this problem is ownership. Taking the long view, one can see that ownership cannot be a tangible reality for human beings because our lives are finite and we have to give up ownership eventually. The challenge is to change our mindset that we are not owners of the planet, but stewards.

## Stewardship-based economics

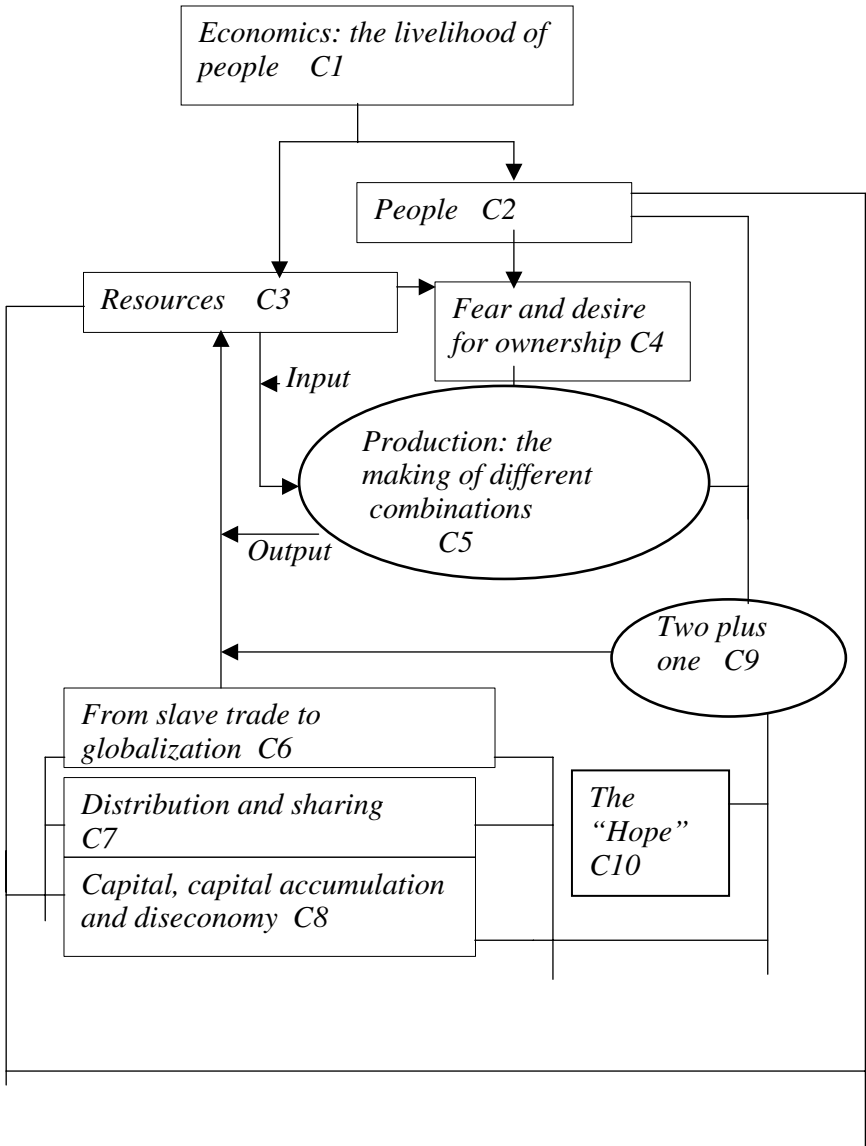


Fig. 1.1 A summary of stewardship-based economics.

### From ownership-based economics...

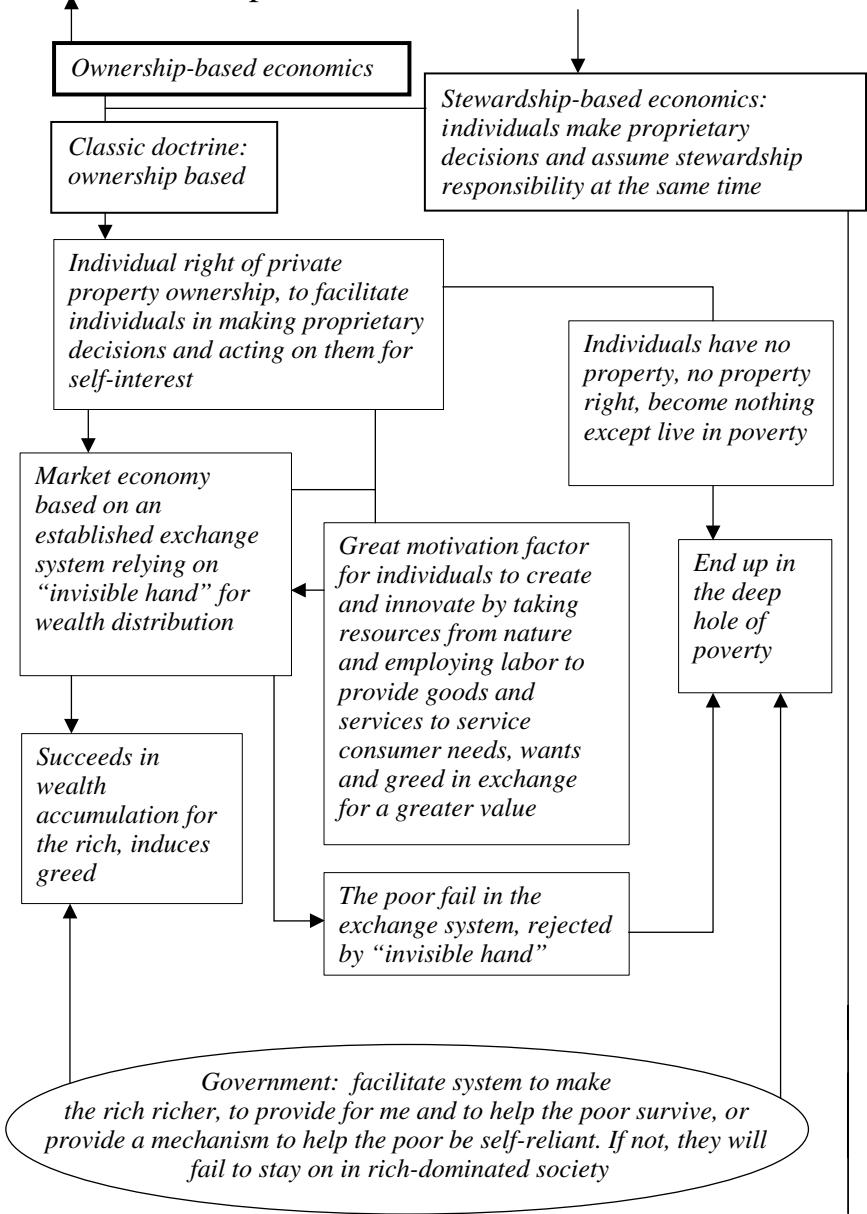


Fig. 1.1 (Continued).

# To Stewardship-based economics ←

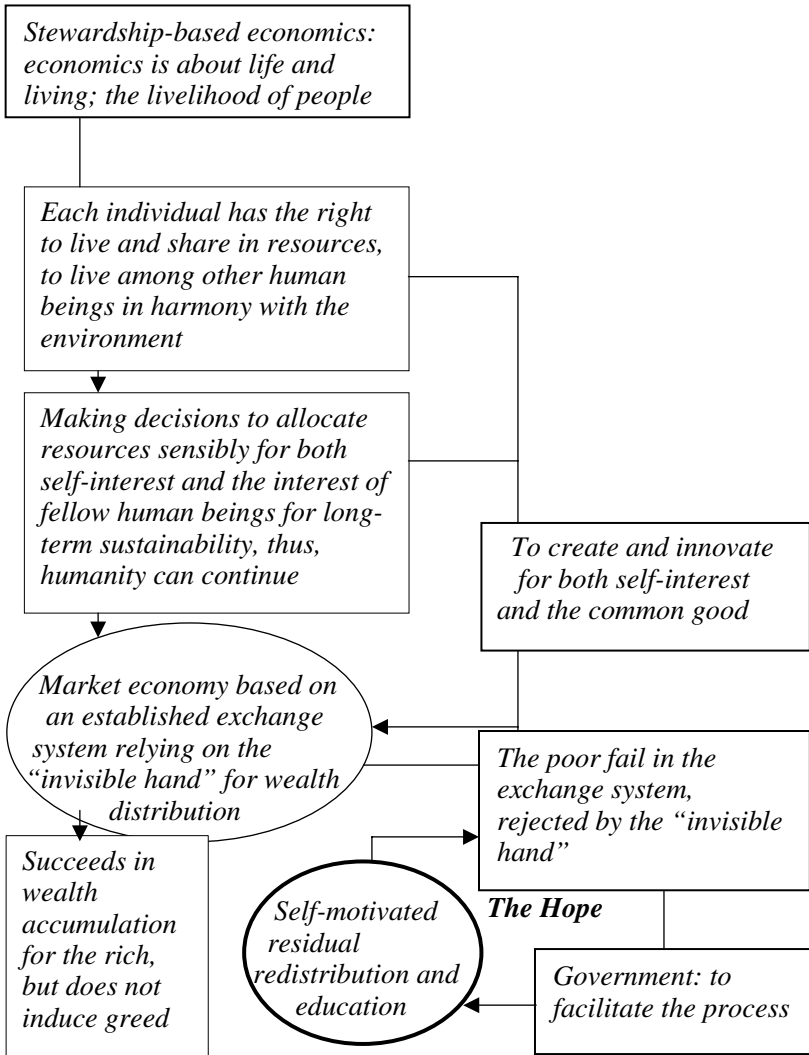


Fig. 1.1 (Continued).

**Questions for discussion**

1. What do you see as the difference between ownership and stewardship? Since ownership is endorsed by the law, how can stewardship be integrated into it? In corporate reporting, the reporting has been used to discharge management's responsibility. Why?
2. "Poverty is created by man, only man can solve the problem." Discuss.
3. Earth is our home and it gives us everything we need. Why do we have people in abject poverty?
4. Economics deals with man and resources. If we do not have such a thing as a market economy, will we be able to live and enjoy life as we do now? (This refers to everyone, not just the well-to-do.)
5. Is greed part of the discipline of economics?
6. What do the rights of private ownership mean? Does it mean that the owner can do what he or she wants as long as it does not affect what he or she does not own? For example, should the owner of a completely isolated tropical island be allowed to destroy the rainforest, fish endangered fish species, and drive a high-speed motor boat, with no regard to the state of the coral reefs?
7. Do you know where your water comes from? Should the government privatize the collection of rainwater?
8. Do you use credit cards to make purchases? If you do, and miss a payment, do you think it is all right to be charged a 32% rate of interest?

**Appendix: Communication of Terminologies in Economics**

Economics as it is known to us	Stewardship-based economics
Consumption	People, fear, people and resources Chapters 2 to 4
Production	Production, the making of different combinations Chapters 2 to 4 and 5
Exchange	From slave trade to globalization and capital Chapters 5, 6 and 8
Distribution	Privatization, social justice and stewardship Chapters 7, 9 and 10