

Where's Copernicus now?

And

A More Philosophical View of Western Society

Two papers that explore how finance has got out of hand and needs to be fundamentally re-thought

- **Paper 1** provides a direct comparison to how Copernicus changed our views about the universe with how we should change our views on economics
- **Paper 2** re-visits Adam Smith and his view that wealth is the total goods and services provided by the people for the people – not a narrow sub-set (money)

Written for visionary people who want to make a difference in the world;

- Who are dissatisfied with the current state of economics, finance and banking and are prepared to be open-minded
- Who can create a coherent and joined-up view about issues
- Who can work together to influence how things are managed in a major way
- Who aren't afraid of the establishment

And is not confined to any one class, net worth, position, gender, or any other established demographic

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Where's Copernicus now? – Some thoughts

Masters of the Universe

The universe started from a cloud of swirling dust and gas which coalesced into centres that progressively grew and grew to develop into planets, Suns and other celestial bodies that we know and recognise today.

For about a thousand years people believed the Earth to be the centre of the universe and the heavens rotated around it, as described by Aristotle and Ptolemy who created a 'layers of the onion' model with the Moon, Mercury, Venus, Sun, Mars, Jupiter, Saturn and finally the fixed stars in nested shells with the Earth at the centre¹.

When observations, measurement and recording were quite primitive this worked well and described the universe in understandable ways and gave some substance to astrology where the constellations move from 'house' to 'house' in the outer layer of the onion and so influence everything contained within this outer shell.

As observation, measurement and reporting improved, strange phenomena began to be noted such as the movement of Mars that follows a strange heart-shaped path across the sky known as a limaçon, where its orbit appears to loop back on itself for a short period; ways to explain this had to be found if the model was to remain credible.

As astronomical observation improved further additional layers had to be added to explain the increasing complexity:

- The Platonic system moved the Sun inside the orbits of Mercury and Venus,
- The Egyptian system put Mercury and Venus revolving around the Sun with the Sun and other planets revolving around the Earth
- The Tyconic system described the Sun and Moon revolving around the Earth and all the other planets revolving around the Sun
- The last of the major Earth-centred models was that of Giovanni Riccioli where Mercury, Mars and Venus orbit the Sun; with the Sun, Jupiter and Saturn orbiting the Earth

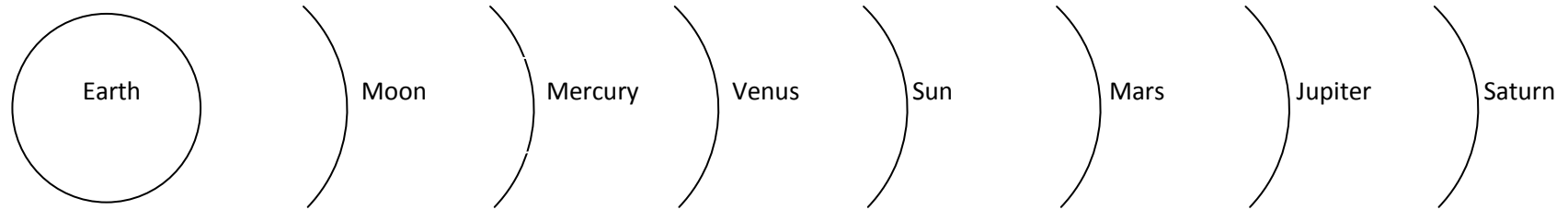
This is a wonderful example of complexity developed by brilliant minds to define and describe a model that was fundamentally flawed – a model that had lasted for over a thousand years, supported by those with vested interests such as the various religions and academics of the time.

Thankfully, in the sixteenth century, Copernicus arrived and put the Sun at the Centre of the known universe and created a much simpler model that predicted the positions of the planets, stars and natural phenomena such as the limaçon and eclipses (which had caused so much anxiety in earlier times). Developments continued, and continue to this day to better understand the nature of the universe and all within it.

The story continues to evolve as newer and better descriptions are developed to describe the ever increasing understanding and complexity of the universe. However, the description of the Medieval model is adequate to draw parallels with the financial systems we have today.

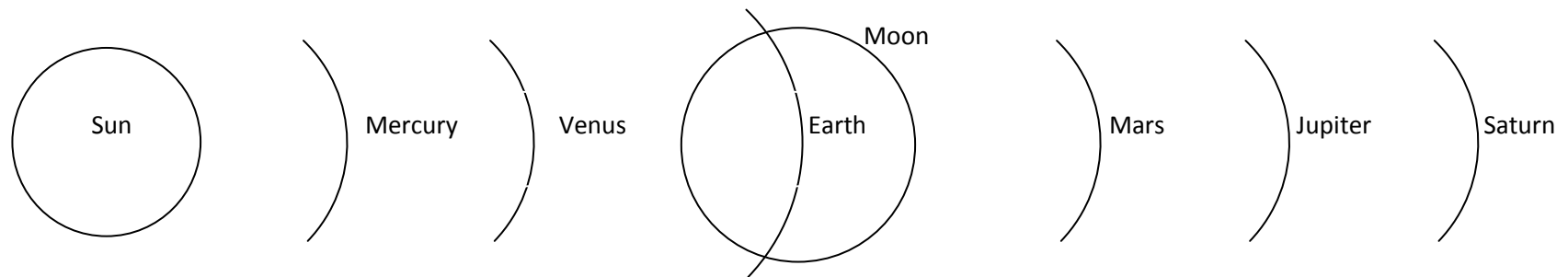
¹ Source notes: *The Book of Universes* by John D Barrow ISBN 978-1-847-92098-0

The Egyptian view of the Solar System



The Earth is at the centre of the Universe, but increasingly accurate observations created too many 'correction factors' and theologies for people to continue to describe the system with any accuracy – it needed simplifying which Copernicus did so impressively.

The Copernican view of the Solar System



Interestingly, the Copernican model remained in the background for about fifty years before influential people took serious notice (the Church, Academia, Government etc.) – about the time it would take those with personal vested interest to either retire or become inactive.

Financial Parallels

In the beginning, people traded wool, eggs or their skills in order to improve their quality of life but ran into trouble converting a dozen eggs into a quantity of wool, or a haircut. So, in time, these different and hard to value trading standards coalesced into precious metals and got called 'money'

In the early days in the UK a pound (£) was just that – a pound (lb) of pure silver which could be divided and exchanged for goods and services. Silver is quite bulky and as Medieval inflation took hold the gold standard was introduced, using a more valuable metal to keep the weight down. And as inflation continued, promissory notes were invented to take the place of bulky metal. Today, no-one ever uses a physical pound with which to trade; just the belief that a pound is worth the paper it's printed on. Money is imaginary!

This 'money' has taken on a belief all of its own and the theology of money² has led to it becoming the centre of the universe – like the Earth of ancient times; and where all human life and activity revolves around it – wellbeing, poverty, ownership, power and all the other trappings that define today's 'civilised' society.

Accompanying this argenticentric universe went a number of observations and rudimentary calculations where the original theories were represented by the statisticians' normal distribution. This worked well until new instruments were discovered – a bit like the observation of additional planets and Moons in Medieval times³ – and so various correction factors, betas and imaginary constants were added [by people who should know better⁴] to explain the deviant observed behaviours of a system that has finance at its centre and people somewhere in the planetary belt.

As with cosmology, various stellar clouds (Dollars, Pounds, Euros and all the other currencies) have coalesced into the celestial bodies we call Switzerland, British Virgin Islands, Belize and other centres of gravity, which have their own specialist cosmic rules and customs⁵.

Recently, with increasing transparency, crude observations are being made of the financial universe by outsiders who are now challenging the 'layers of the onion' model with the investment and merchant bankers at the centre of the universe and omnipotent – taking risk with other peoples' money to deliver what they take as theirs; whilst everything else revolves around them.

The second layer of this onion is the retail bankers, taking less risk with other peoples' money but acting as a feed to the merchant and investment bankers. Successive layers include:

- Commerce, which provides the activities that generate the (imaginary?) money through trade whilst providing a vehicle for the investment bankers to rake risks with.
- The workforce, which acts within commerce to provide the labour and energy to drive the commercial engine
- Traders who act as intermediaries between the creators of goods and services and the users
- Customers who make use of the goods and services to improve their lifestyle or business
- Society, which forms the outer layer, like stars in the night sky and generally predictable

In addition, there are individuals with a great deal of personal wealth orbiting the centre of the universe like satellites in their own right, whether wealthy politicians, successful entrepreneurs or determined criminals – each describing their own limaçon or having their orbit around another 'heavenly body' – acting like a Moon.

² See also: *The Theology of Money* by Philip Goodchild: ISBN 978-0-334-04142-9

³ See also *The (Mis)behaviour of Markets* by Benoit Mandelbrot & Richard L Hudson: ISBN 978-1-84668-262-9

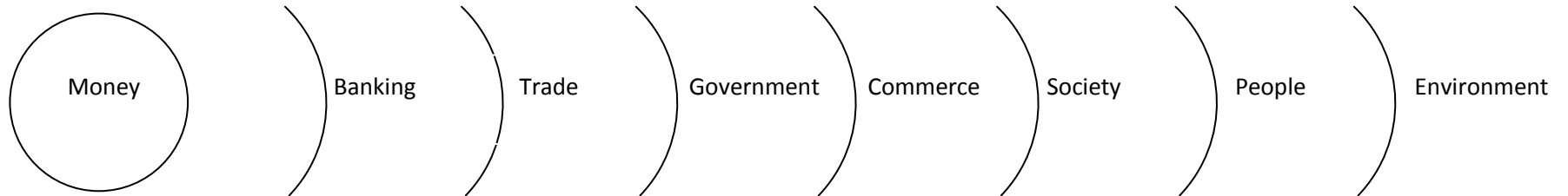
⁴ May also be referred to as Plank's Constant [pun intended]

⁵ See also *Capitalism's Achilles Heel* by Raymond W Baker: ISBN 0-471-64488-9

So where is Copernicus now we need him?

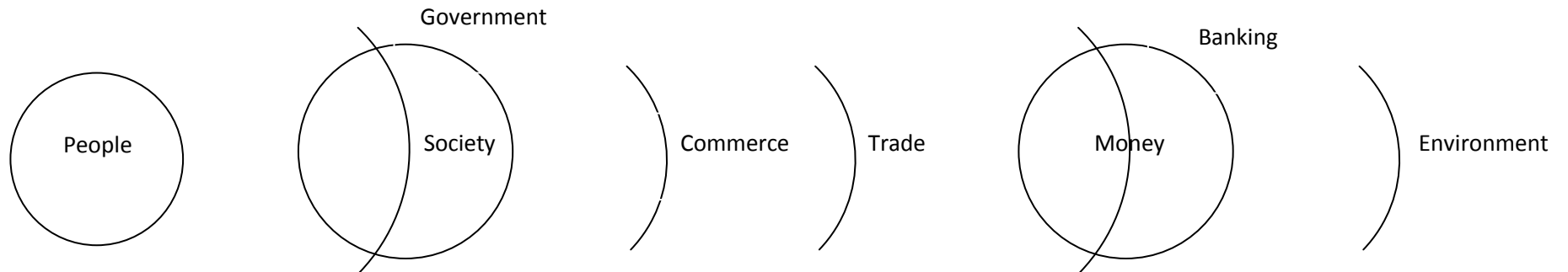
By taking a direct parallel to the development of cosmological understanding in the Middle Ages we have a financial system that may be represented by:

The Economist's (flawed?) view of the Financial System



But surely, the inequality and false gods created by a flawed system needs a visionary individual who will put people at the centre and the financial activities surrounding and serving those people to bring some sense and sensibility to this increasingly complex and threatening world.

A Copernican view of the Financial System



By putting people at the centre of things, with government a part of, and controlled by, society with commerce serving society the beneficiaries become the people who make up that society and who create and consume tangible benefits – not the bankers who create imaginary wealth⁶.

Surely it is time to take a fresh and more critical look at our financial model(s).

⁶ See *The Wealth of Nations* by Adam Smith: ISBN 0-679-78336-9 who, in 1776, saw beyond money to explore wealth as the total of the goods and services a nation's peoples provided for all of its peoples to consume – a treatise that challenged 'the state' and how 'the state' used its (and other nations') 'ordinary people' to develop empire – compare with *Captives* by Linda Colley ISBN 978-0-7126-6528-5

A More Philosophical View of Western Society (or where's Adam Smith now?)

The changing centres of gravity

Throughout the ages mankind has created societies to bring people together into ordered groups with leaders, followers and the specialists who provide the technical 'glue' to bind them all together; with politicians [of the people] to provide direction and guidance.

This 'glue' has taken many forms [and continues to take many forms] from the scholarship of the ancient Greeks, through the religion of the Western middle ages to finance today. None of these types of 'glue' is actually tangible.

Scholarship is ephemeral and based on the minds of a few people creating imaginary worlds, for example the atom is from the Greek "cannot be cut" – an imaginary particle produced from repeatedly cutting an object e.g. a crystal until it becomes so small it cannot be cut again. This was postulated as the smallest particle of matter in those days [and until very recently], had never been seen and could only be described in invented terms.

Religion likewise; mankind has an inbuilt need to believe in some greater being and even has a centre in the brain that is dedicated to belief⁷. So far, so good but when the 'specialists' i.e. the clergy, invent traditions and fabricate objects of fear to maintain and build their power base [witches for example] the population they should serve become the servants in order to 'preserve order'

Banking is following a similar road to religion. Money's original purpose was to serve the people by simplifying barter and supporting trade between different societies. Over time the 'specialists' [bankers] have assumed a position of power beyond their real status by controlling the flow of money and fabricating objects of greed which are little understood outside their particular power base. And, like the earlier manipulation of power by the clerics, the population have become the servants to an imaginary system (money) promulgated by 'experts'.

This is where we are today; but with another powerful force arising – that of communication and the need to belong⁸. Like those before, it has the capacity to promote imaginary influence whether political, celebrity or a news channel. The real 'specialists' though are those who facilitate the communication process, for example: IT companies, network providers and satellite owners.

Currently communication serves the people by facilitating sharing and acceptance, *which could provide a platform for a new approach to (or a replacement for) financial management*. The fear is that in time, the people could become even more the servants, not the served.

Summary

Mankind, in the formation of orderly society, needs a nucleus to bring the people together in a way that can be ordered and controlled.

- Originally through the 'knowledge is power' of the ancient Greeks
- Through the 'fear' of the Medieval Churches
- To 'greed' as demonstrated by modern banking
- With 'belonging and inclusion' as a possible way forward through (social?) communication

Our challenge is how to capitalise on communication to deliver real wealth and benefit whilst it a servant of the people and before the people become a servant of it.

⁷ See *Mapping the Mind* by Rita Carter: ISBN 0-75381-019-0

⁸ Rejection is the strongest of human emotions, so inclusion is a very powerful positive driver, and therefore subject to manipulation and abuse.