BENEFICIAL ECONOMICS

Significant advances in the domain of economics that have potentially beneficial practical significance

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BENECON REVIEW SUMMARY

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The first Beneficial Economics Review 2021-2022 media release was sent out last week.

This document provides an overview of the contents for journalists.

The Benecon Review identifies *The Real Incomes approach to economics and Real Income Policy (RIP*) as the most significant recent developments in economic theory and policy. This work has been led by the British economist and systems engineer, Hector McNeill since 1975. McNeill is a graduate of Cambridge and Stanford Universities and the Director of the George Boole Foundation Ltd.

RIP builds on the position of Nicholas Kaldor which, contrary to Milton Friedman's position, considered the demand for investment to be endogenous to supply side production sector requirements and which, being productivity oriented, achieves non-inflationary growth. Work under the real incomes development demonstrated that the Quantity Theory of Money (QTM) cannot account for the results of 12 years of quantitative easing (QE). McNeill extended the Cambridge Equation, a version of the QTM that includes savings and developed by Keynes, Marshall and Pigou by adding around 9 missing variables covering different asset classes. This Real Money Theory (RMT) provides a map of where QE funds go. It explains the imbalance between the significant rise in asset prices and depression in supply side production or the real economy. The RMT also serves to explain how the asset price inflation leaks into supply side inputs to create a cost of living crisis.

McNeill concluded that most inflation is in response to rises in input costs and that macroeconomic money volumes have little effect on product prices because they are set by companies in relation to their costs. The policy instruments of Keynesianism, monetarism, supply side economics and modern monetary theory all assume inflation to be demand pull and this is why the policy instruments of interest rates, money injections, taxation, government borrowing and spending can have no direct impact on cost-push inflation. Their impact is to depress the economy.

The RIP proposition tackles inflation by incentivising price-setting strategies by companies combined with medium term physical innovation leading to a quantitative more-for-less production state. The policy encourages immediate relative price moderation or reductions while working towards lowering unit costs over a period during which government subsidises the medium term reductions in margins. Under inflationary conditions, the effect is that companies will gain an immediate market penetration while raising the purchasing power of consumers. This is a more effective solution to the cost of living crisis, for example, than subsiding consumers to purchase essentials that continue to rise in price.

RIP provides corporate rebate on a Price Performance Levy according to the degree to which companies absorb inflation and reduce unit costs. The levy is paid according to a measure of price productivity known as the Price Performance Ratio. This ensures that rebates are only paid against delivered relative price reductions and rising productivity gaining a more effective return to government revenues foregone manifested in real economic growth.

Further information can be obtained at: [Real Incomes Approach to Economics]

[Cambridge Economics Network]

[The British Strategic Review]

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