

The Shamans Among Us: A World in Perpetual Conflict

The Deleterious Consequences of Economic Models

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Economic models are mere policy proposals; they are not the consequences of any economic system based on “natural law or even good theory,” they are not scientific; they are merely ad hoc. Furthermore, deleterious consequences often result from these models. Economists also routinely simplify things to a point that makes them even impossible to describe coherently. But there’s much more. Rodrik has posted two pieces that imply that rather than bringing about a world in which everyone lives happily ever after, economic models result in a world in which everyone lives in perpetual conflict.

There is an Afterword in Dani Rodrik’s book *The Globalization Paradox* which he has posted on line titled, “[A parable for the world economy](#).” For reasons obvious to anyone who reads it, he felt it necessary to supplement it with another piece titled, “[The economics of a parable, explained](#)” which really doesn’t explain very much. Yet both pieces together reveal much that Mr. Rodrik seems to be unaware of. So here’s what I found in it.

Rodrik’s Parable (which is more accurately an allegory)

Once upon a time in some undefined place, whose description sounds very much like an island, there were a number of villages, at least two, widely separated by both distance and a dense forest. One of those was a little fishing village at the edge of a lake whose poor inhabitants lived off the fish they caught and the clothing they sewed (out of what, Rodrik doesn’t say) and had no contact with the other villages, since they “were miles away and could be reached only after days of travel.”

But then the stock of fish in the lake plummeted. The villagers went to the village shaman (read economist) and asked for help. He told them to set up a fishermen’s cooperative which would decide how much fish each man could catch in a month until the fish stock is replenished.

“The villagers weren’t happy to be told how to run their business, [when did these impoverished villagers merely trying to eke out a living become ‘businesses’]” but they understood the need for the restraint and in no time, the lake was overflowing with fish.

Problem solved? Well no.

Even though the villagers’ access to fish was now restored, the shaman had another (unsolicited) idea. (What else would one expect from a shaman?)

The shaman said. "Since you seem to be interested in my help, would you like me to give you another idea?" "Isn't it crazy that you all have to spend so much of your time sewing your own clothes when you could buy much better and cheaper ones from the villages on the other side of the forest?" Has this shaman read Ricardo? And how could the shaman have known about the better clothing available in the other village? After all, the villagers, "had no contact with the other inland villages."

Oh, well, I guess shamans just know such stuff.

The villagers asked, "what can we sell in return?" So now these poor villagers who originally were just trying to eke out a living are also buying and selling?

"I hear the people inland [aren't lakes inland?] love dried fish," said the shaman. But from whom did the shaman hear this? Does he talk to God, perhaps? Maybe just hears voices in his head.

So the villagers dried some of their fish and started to trade with the villages on the other side of the forest. The fishermen got rich on the high prices they received while the price of garments in the village dropped sharply. My oh my! How Rodrik's simple little fishing village has changed. Now it has wampum and a market, a pricing system, rich fisherman, and, sadly, impoverished garment makers. What a wondrous place the shaman had wrought. But it wasn't!

"Not all villagers were happy. Those who did not own a boat and whose livelihood depended on the garments they sewed were caught in a squeeze. They had to compete with the cheaper and higher-quality garments brought in from the other villages and had a harder time getting their hands on cheap fish. They asked the shaman what they should do."

In the beginning of this "once upon a time allegory" the village had one problem to solve. Thanks to the village shaman, the village's problems have increased faster than the fish.

But, of course, the shaman has solutions. More and more and more solutions. Now he suggests an increase in taxes. Taxes? Where did they come from. "The shaman said, 'You know how every family has to make a contribution during our monthly feast?' 'Yes, ' they replied. 'Well since the fishermen are now so much richer, they should make a bigger contribution and you should make less.'" The fishermen weren't thrilled, but it seemed like a sensible thing to do to avoid discord in the village and soon the rest of the village was happy too. So once again, the shaman had brought happiness to the poor, fishing village. Aren't economists, oops, shamans, wonderful?

Well, no! The shaman had still another idea. "Imagine how much richer our village could be if our traders [traders?] did not have to spend days traveling through the dense forest. Imagine how much more trade we could have if there was a regular road through the forest." "But how?" asked the villagers. "Simple," said the shaman. "Organize work brigades to cut through the forest and lay down a road."

So first the village consisted of garment makers and fisherman. Now it also has businessmen, road builders and traders. What about fish dryers, packagers, backpack or cart makers, and only Rodrik knows who else?

Before long, the village was connected to the other villages by a paved [paved?] road that

cut down on travel time and cost. Trade expanded and the fishermen [or traders] got even richer.

But, as time passed things turned sour. “The road gave villagers from beyond the forest easy access to the lake and allowed them to take up fishing, which they did in droves. Since neither the council nor the fisherman’s cooperative could enforce the fishing restrictions on outsiders, the fish stock began to deplete rapidly again. The new competition also cut into the earnings of the local fishermen. They began to complain about the feast tax being too onerous. The “road had made it easy to come and go—and evaded their obligations altogether. This made the rest of the villagers furious.” Ah, yes, that damn little wonderful road! It was time for another trip to the shaman.

All agreed that the situation was unsustainable; the road had made them all poorer. The fishermen wanted a change in the rules that would reduce their contributions to the monthly feasts. Others wanted an end to the fish trade with outsiders. Some even asked to blockade the road. But the shaman, not realizing that had he never proposed building the road, none of this would ever have come to pass, had still another suggestion: Place “a toll booth at the entrance to the access road, and everyone who comes in and out should pay a fee.”

“But this will make it more costly for us to trade,” the fishermen objected. “Yes indeed,” the shaman replied. “But it will also reduce over-fishing and make up for the loss in contributions at the feasts.” “And it won’t cut off trade altogether.” “The villagers agreed that this was a reasonable solution. They walked out of the meeting satisfied. Harmony was restored to the village. And everyone lived happily ever after.” Sure they did! The solution created so many problems that Rodrik had to write another piece in which he describes what could be an infinite number of additional problems. [Read it.](#)

But even Rodrik either doesn’t recognize or chooses to ignore some major problems: He ignores the fact that the shaman’s suggestions are mere policy proposals; they are not the consequences of any economic system based on “natural law or even good theory,” they are not scientific; they are merely *ad hoc*. Furthermore, none of these deleterious consequences would have occurred had the shaman not said, “Since you seem to be interested in my help, would you like me to give you another idea?” From that point on, everything that needed fixing was a worse problem caused by the shaman.

Shamans routinely simplify things from which they then draw conclusions but the simplifications are too simple to even be described coherently, as this parable/allegory is. The “little fishing village” has all of the ingredients of an advanced industrial economy although it is never described that way. The ingredients are found, piecemeal and unexplained, as the allegory progresses. How many economic models are similarly constructed?

But there’s more, much more, but I’ll mention just one. Once the villages had established a trading system, the various village shamans would surely have begun thinking of their own village’s interests in the other villages, and their shamans would have begun to make suggestions about how to “protect” those interests. And when one village decided its interests required more of what the other village was willing to provide, some shaman would have suggested raising an army and merely taking what his village wanted. An army would have been raised by telling the young that they were going to be engaged in serving their village by protecting it and that it was noble to die for their village. They would all be honored as village heroes. But in truth, all they would be is canon fodder for the sake of

plunder, and the shamans' suggestions, rather than bringing about a world in which everyone lived happily ever after, result in a world in which everyone lives in perpetual conflict. Thank you Mr. Shaman Rodrik and your fellow shamans. You have made all of this perfectly clear. World trade leads to world war.

Henny Youngman often told this joke: I went to my doctor and told him, it hurts when I do this. My doctor said, well, don't do that.

Shamans of the world, your doctoral degrees are in witchcraft. Stop telling people to do things that hurt.

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