

Fully revised manuscript
Relativitätsökonomie – die menschlichen Motive wirtschaftlichen Handelns
(Relativity economics - the human motives of economic action)
Wiley-VCH 2009 ISBN 978-3-527-50429-9

ABSTRACT

Relativity economics explains how the economy works.

Relativity economics resolves these contradictions and, together with new approaches, forms a synthesis of the various theories. It is a model that is based on the human motives for economic action, taking into account the rational and intuitive behavior of people and their social interactions.

The prerequisite for economic action is based on three fundamental conditions:

- the ability to act (ability),
- the permission to act (permission) and
- the desire to act (want).

The term "ability" refers to the skills and resources (know-how, capital, networks, machines, etc.) required for action.

The term "permission" describes the framework that sets limits to what is permitted - through laws, social norms or conscience.

With "willing", it is evident that every action can be expected to have both positive (P) and negative effects (N) for the actor. He places these two factors - consciously or unconsciously - in relation to each other (P/N relation), which explains the term "relativity economy". The aggregate of all P/N relations ultimately results in the P/N level of an actor. His goal is to increase this P/N level or to prevent it from falling. Its aim is to increase this P/N level or prevent it from falling (P/N theorem). The combinatorial effects within and between the factors P and N are decisive here. Their evaluation requires comprehensive consideration of all material and immaterial components.

In order to act economically at all, six premises for action must be fulfilled:

- Expectation of profit,
- basic trust,
- a minimum level of fairness,
- differences in the assessment of values or the situation,
- anticipation of the expectation and
- expected increase in the P/N level.

Although the actions of each actor are always aimed at internal effects, they also generate external effects at the same time. Business and economic events as a whole are determined by the sum of the effects of the actions of all actors. The consequences are

- Tensions among the actors result from discrepancies between internal and external effects.
- The business and national economy cannot be controlled directly, but only indirectly via the internal effects of the actors.

If the actual combined internal effects and reflected external effects deviate from the expected ones and if this threatens a significant change in the P/N level, the actors feel compelled to react. This is the key to the dynamics of the economy.

In contrast to the common price formation law of supply and demand, the price acceptance law of relativity economics can also explain price reductions when demand increases (e.g. quantity discounts) and sales increases when prices rise (e.g. for luxury goods and in accordance with the Giffen paradox) without having to resort to exceptions.

The economy prospers when the ability, willingness and permission of buyers and suppliers enable them to increase their P/N level. The players involved must grant each other a minimum level of profit (fairness) - in the sense of the P/N theorem.

The economy is not driven by material factors alone, but also by psychological, social and political factors, as these influence the P/N level. Economic downturns can therefore be caused by various factors. These include depressive moods as well as scarcity and abundance (saturation).

The economy is not driven by material factors alone, but also by psychological, social and political factors. Economic downturns can therefore be caused by various factors. These include, for example, depressive moods, scarcity and abundance (saturation).

The proposed approach uncovers previously unformulated principles and laws of economic activity and applies without exception. It makes it possible to describe economic activity in all political and economic systems.

Globally active companies can be economically superior, even if they are less efficient than companies that only operate nationally.

In the long term, one's own advantages can only be achieved indirectly by also conceding advantages to the other party.

Nature is exploited because it has no coffers.

Wars are often based on a misjudgement of the costs and consequences.

In a democracy, citizens' interests serve as an instrument of politics. Protecting them is not the primary goal.

Overall, relativity economics offers a different view of how the economy works.