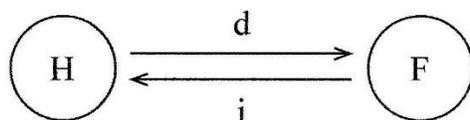


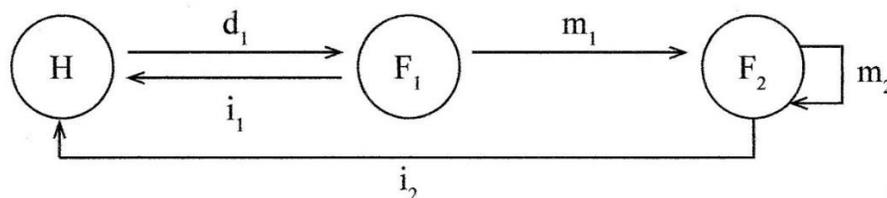
The Key Diagrams¹

We start now with the standard diagram of current economic texts and move fairly smoothly to a diagram that points to that new science of economics that is to save us from global disaster. I wish you to come with me slowly and quietly from the standard diagram, through two transition diagrams, to the central scientific diagram of future economics.

We start with the standard Household to Firm diagram of the first weeks of elementary economics, with the obvious meanings for the symbols of Households, Firms, income, and demand:



There is an easy way to add the second type of firm, which supplies not consumer goods, but stuff for the first type of firm: maintenance and innovative stuff, which I'll symbolize as m_i . (Think of m as pointing to maintenance and more!! I am thinking of innovation of course.) Here you are:

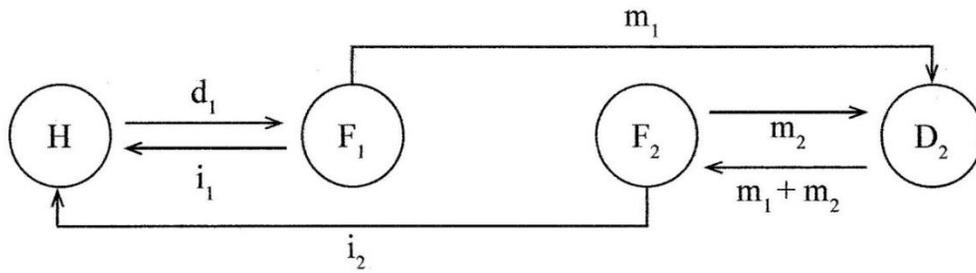


Notice now that F_2 is in the same boat as F_1 as regards maintenance and innovation. But we don't want to add F_3, F_4, \dots . I won't go into the simplification of packing in all the series of F_n into F_2 .

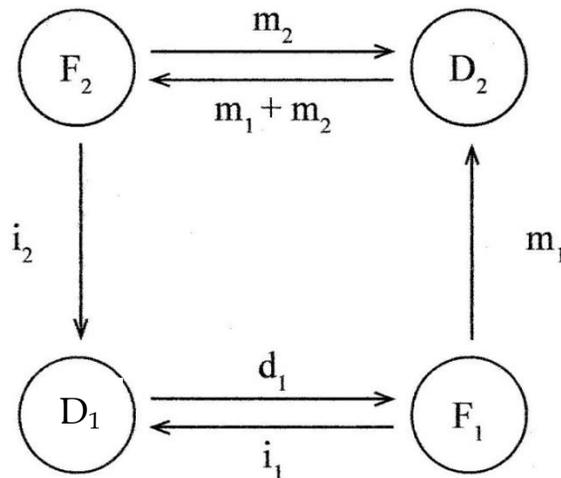
I just claim here that it works empirically as grounding decent measurements of business flows.

But how do we get that into the diagram?

¹ Philip McShane, *Piketty's Plight and the Global Future* (Vancouver: Axial Publishing, 2014), 11-14.



We can make this neater by thinking of two types of demand and, if you wish, replacing Households by D₁, with flow d_1 and making, e.g., d_2 -type flowings from D₂, the demand of firms for capital stuff, marked in the diagram as m . Next, we find that we get a more workable diagram by laying the transactions out in a square and adding the flow lines:



This would be the beginnings of a new economics of measurable flows, one that would yield norms of financing, of profit in both normal and innovative economies, etc. etc.