

# Capitalism

Dyrehaugen Web Notebook

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# 1

## Capitalism



“Capitalism is not [only] an ‘economic system’, but a whole social order”

“Capitalism” means “an economy controlled by whoever already has capital”

Capitalism is a human invention

Rulers **invented** capitalism\* basically to extract more from the peasant communities by compelling farmers to extract more from the land and expelling surplus land labour into new industries.

Capital is God

Capital is a real god, the demiurge of the world, which controls us. It demands we sacrifice of our own humanity and nature to it. The ruling class is possessed. We need to band together to overthrow it, and thereby initiate a new epoch of democracy and human flourishing.

Capital is in control, and so everything is out of control.

Evolving Capitalism.

Jason Hickel: People assume that capitalism is a system defined by markets and trade. But these pre-existed capitalism by thousands of years. What distinguishes capitalism is that it is organized around perpetual expansion and accumulation, which is euphemistically referred to as “growth”. This requires: -enclosure to generate proletarianization -artificial scarcity to generate competitive productivity -an extractive relationship with nature and labour to enable surplus accumulation -“frontiers” where nature and labour can be cheapened and costs externalized Such a system is incompatible with ecology, and incompatible with any vision for a world that’s free of poverty, exploitation and structural inequality. We need to have an open conversation about whether such a system is actually worth clinging to in the 21st century.

Kate Raworth: It's just an ultimate absurdity that in the 21st century, when we know we are witnessing the death of the living world unless we utterly transform the way we live, that death of the living world is called ‘an environmental externality.’

## 2

# Value

*Mark Carney*

For over 12 years, I had the privilege and challenge of being a G7 governor, first in Canada and latterly in the UK. During this time I saw kingdoms of gold rise and fall. I led global reforms to fix the faultlines that caused the financial crisis, worked to heal the malignant culture at the heart of financial capitalism and began to address both the fundamental challenges of the fourth industrial revolution and the existential risks from climate change. I felt the collapse in public trust in elites, globalisation and technology. And I became convinced that these challenges reflect *a common crisis in values* and that radical changes are required to build an economy that works for all.

Can the very act of valuation shape our values and constrain our choices? How do the valuations of markets affect the values of our society?

We are living Oscar Wilde's aphorism – knowing the price of everything but the value of nothing – at incalculable costs to our society, to future generations and to our planet.

Mark carney in The Cuardian



# 3

## Accumulation (Growth)

Accumulation is *elite accumulation!*

Growth is a problem over and above capitalism. Like it or not, growth is bound to come to an end, the question is how; and whether this will happen soon or too late to avert planetary disasters. There is too much superfluous activity under capitalism, which serves nothing else but the need of capitalists to extract surplus value and make profits.

Growth requires accumulation and accumulation comes with exploitation.

Like a snake biting its own tail, economic growth is limited because it is inevitably based on the unsustainable exploitation of reproductive labour and ecosystem provisioning.

If socialism means the end of exploitation, it also means the end of endless accumulation. Again: this is socialism without growth.

Kallis-Parrique

Degrowth from a standpoint of a purely rational approach to fundamentally shifting an economy that is currently heating the world to death, guaranteeing centuries of mass death and destruction. The only way to slow the rapid race to collapse civilization and accelerate extinctions is to stop the homicidal political economy that rules the globe. Given the natural limits that thermodynamics and terrestrial ecologies impose on human economies and non-human populations, degrowth is inevitable: it's just a matter of deciding whether human agency will play a positive, benevolent role in the process, or continue to maximize the chaos and violence involved.

On Hickel's 'Less is More'

Capitalism has always required "frontiers", external to itself, from which to extract cheap nature and cheap labour. It should come as no surprise that such

a system produces perpetual ecological crises and keeps most of the world's population below subsistence levels of income. (Jason Hickel)

What we call "growth" is ultimately a process of enclosure, commodification, and elite accumulation. That anyone would regard this as a reasonable objective for the economy, or indeed as a proxy for human progress, is testament to the totalizing ideological power of capital. (Jason Hickel)

The apparent paradox of high and rising average standard of living despite a mounting environmental toll has come at a great cost to the stability of humanity's medium- and long-term life-support system. In other words, humanity is running an ecological Ponzi scheme in which society robs nature and future generations to pay for boosting incomes in the short term

Bradshaw: Underestimating Avoiding Ghastly Future (pdf)

### 3.1 Differential Accumulation

Differential accumulation is an approach for analysing capitalist development and crisis, tying together mergers and acquisitions, stagflation and globalization as integral facets of accumulation. The concept has been developed by Jonathan Nitzan and Shimshon Bichler.

The concept of differential accumulation emphasizes the powerful drive by dominant capital groups to beat the average and exceed the normal rate of return. This concept is tied to a definition of capital as a social category rather than a material category (as seen by neo-classical thinkers). "Capitalism is not an 'economic system', but a whole social order, and its principal category of capital must therefore have an 'encompassing' definition."

...capitalization is a forward-looking process. What is being accumulated are claims on the future flow of profit. The pace of accumulation therefore depends on two factors: (a) the institutional arrangements affecting profit expectations; and (b) the normal rate of return used to discount them into their present value. The effect of rising industrial capacity on these factors is not only highly complex and possibly non-linear, but its direction can be positive as well as negative. But then if capital is not 'tangible', how should its accumulation be measured? Surely, the mere augmentation of money values tells us little about power, particularly in the presence of inflation or deflation. The answer is rooted in the relative nature of power. The power of the absentee owner is the power to control part of the social process, and that becomes meaningful primarily against the power of other owners.

## 3.2 Real and Financial Capital

Bichler Nitzan

*Fisher's House of Mirrors*

On the neoclassical side, the duality of real and financial capital was articulated a century ago by the American economist Irving Fisher. This was the beginning of a process that contemporary commentators refer to as financialization, and whose logical structure Fisher was one of the first theorists to systematize. Table 1 and the quote below it outline his framework:

PRESENT CAPITAL		FUTURE INCOME	
QUANTITIES (REAL)	<i>capital wealth</i>	$\bullet 1 \rightarrow$	<i>income services</i>
VALUES (FINANCIAL)	<i>capital value</i>	$\leftarrow \bullet 3$	<i>income value</i>

The statement that “capital produces income” is true only in the physical sense; it is not true in the value sense. That is to say, capital-value does not produce income-value. On the contrary, income-value produces capital-value. . . . [W]hen capital and income are measured in value, their causal connection is the reverse of that which holds true when they are measured in quantity. The orchard produces the apples; but the value of the apples produces the value of the orchard. . . . We see, then, that present capital-wealth produces future income-services, but future income-value produces present capital-value. (Irving Fisher, *The Rate of Interest*, 1907, NY: The Macmillan Company, pp. 13-14, original emphases)

In this quote, Fisher draws three basic links: (1) the stock of capital goods, which economists consider as wealth, generates future income services; (2) future income services generate corresponding future income values; and (3) future income values, capitalized in the here and now, give capital its financial value. The real capital on the asset side of the balance sheet is made equal to the financial capital on the liabilities side.

Admittedly, this is merely the ideal state, the ultimate equilibrium a free, rational economy is bound to achieve. Sadly, though – and as neoclassicists are at great pain to admit – we are not there yet. In practice, the here-and-now economy is constantly upset by shocks, imperfections and distortions that, regrettably, cause finance to deviate from its proper, real value and equilibrium to remain a distant goal.

The benchmark is real or actual capital. This is the yardstick, the underlying quantity that finance supposedly matches or mismatches. At some point, be it at the beginning or the end of the process, the capitalized value of finance must

equal the quantity of wealth over which it constitutes a claim. In other words, the entire exercise is built upon the material quantity of capital goods. The only problem is that nobody knows what this quantity is or how to measure it.

### 3.2.1 Cambridge Controversy

During the 1960s, there was a very important controversy in economics, pitting heterodox professors from Cambridge University in England against some of their orthodox counterparts at MIT in Cambridge, Massachusetts. The U.K. economists claimed that orthodox economics was built on a basic fallacy: it treated capital as having a definite quantity while, in fact, such a quantity cannot be shown to exist. Capital, they demonstrated, can rarely if ever be measured in its own “natural” material units. And their U.S. counterparts eventually agreed. Reluctantly, they conceded that real capital was merely a “parable”. Like the ever elusive God, you can speak about it, but, generally, you cannot quantify it.

This Cambridge Controversy, as it later came to be known, has since been buried and forgotten. The textbooks don’t mention it, most professors haven’t heard about it and certainly don’t teach it, and the unexposed students remain blissfully ignorant of it.[4] The reason for the hush-hush is not hard to understand: to accept that real capital has no definite quantity is to terminate modern economics as we know it. In order to avoid this fate, the dismal scientists have taken the anti-scientific route of keeping their skeletons in the closet. They have ignored their own conclusions, gradually erased the very debate from their curricula and syllabi and fortified the walls surrounding their academic religion to ward off the infidels.

### 3.2.2 Aggregation

The basic reason that real capital cannot be measured is aggregation. Capital has no “natural unit”: there is no simply way to compare and add up its components.

#### *Utils and socially necessary abstract labour time (SNALT)*

But the economists haven’t given up. Instead of measuring utils and SNALT directly, they go in reverse. God is revealed to us through his miracles, and the same, argue the economists, holds true for the fundamental quantities of economics: they reveal themselves to us through their prices. For a neoclassicist, a 1:2 price ratio between a Toyota factory and a BP oil rig means that the first entity has half the util quantity of the second, while for a classical Marxist this same price ratio is evidence that the SNALT quantity of the first entity is half that of the second.

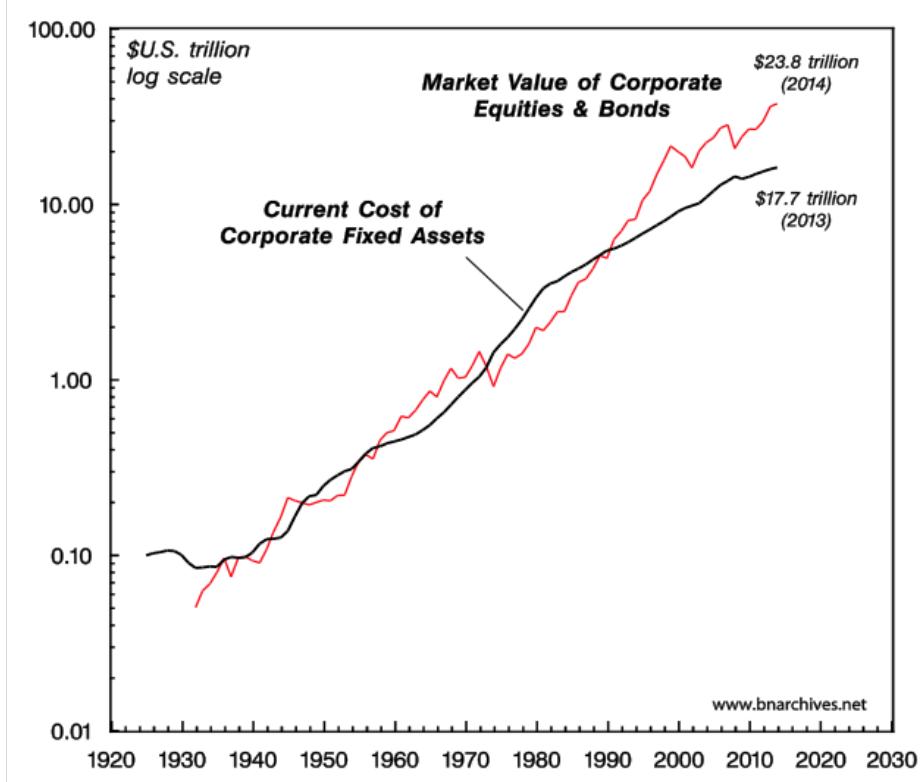
This reverse solution is the bread and butter of all practical economics. It is a common procedure that all economists use and few, if any, question, let alone

critique. It is employed by everyone, from official statisticians and government economists to Wall Street analysts and corporate strategists.

It doesn't work – at least not in the way it is supposed to. The mismatch thesis claims that the quantity of financial capital deviates from and distorts the quantity of real capital. But as it turns out, the quantity of real capital – the thing that finance supposedly mismatches and distorts in the first place – is in fact totally nominal.

In every other science, this inability to measure the key category of the theory would be devastating (think of measuring Newton's gravitation without mass or distance). But not in the science of economics.

*Tobin's Q*



Tobin's Q offers a sweeping measure of the financial-real mismatch. It computes, for every year, the ratio between the market value of corporations in the numerator and the replacement cost of their plant and equipment in the denominator. If finance matches reality, the two magnitudes are the same and Tobin's Q will equal 1. If there is a mismatch, Tobin's Q will exceed or fall short of 1.

The historical mean value of Tobin's Q isn't 1, but slightly above 1.2. Second,

it demonstrates marked variations in Q, ranging from a low of 0.6 to a high of 2.5. These variations are not random, but rather cyclical and persistent.



### *Intangibles*

The reason that capitalization tends to be larger than “real capital”, they say, is that fixed assets are only part of the picture. The other part is made of equally productive intangible assets.

Intangibles, many economists argue, have become more important since the 1980s’ onset of the “information revolution” and “knowledge economy” – exactly when Tobin’s Q started to soar. According to this view, corporations have accumulated more and more invisible assets in the form of improved technology, better organization, high-tech, synergy and other such knowledge-related blessings. These intangibles have in turn augmented the quantity of capital, and have therefore led to larger capitalization. Accountants, though, remain conservative, so most intangibles don’t get recorded as fixed assets on the balance sheet. And since the capitalized numerator of Tobin’s Q takes account of these intangibles while the fixed-asset denominator usually does not, we end up with a growing mismatch. By the mid-2000s, some guestimates suggested that intangibles have come to account for 80 per cent of all corporate assets – up

from less than 20 per cent 30 years earlier.

Intangible capital is computed as a residual, deduced by subtracting from market capitalization the value of fixed assets. Now if we accept this method – as most economists do – we must also accept that intangible capital is a highly flexible creature, capable of expanding rapidly

### *Irrationality*

So what do the economists do to bypass these implausibilities? They add irrationality. This have certainly loosened the grip of strictly “rational” neoclassical economics over matters financial. Nowadays, market capitalization is said to consist not of two components, but three: tangible assets, intangible assets and the “irrational” optimism and pessimism of investors. And it is this last component, many now believe, that explains why Tobin’s Q is so volatile.

### *Boom and Bust*

During good times – that is, when real accumulation is high and rising – investors get excessively optimistic. Their exuberance causes them to bid up the prices of financial assets over and above the “true” value of the underlying real capital. Such overshooting can serve to explain, for example, the Asian boom of the mid-1990s, the high-tech boom of the late 1990s and the sub-prime boom of the mid-2000s. In this scenario, real capital soars, but financial capital, boosted by hyped optimism, soars even faster.

The same pattern, only in reverse, is said to unfold on the way down. Decelerating real accumulation causes investors to become excessively pessimistic, and that pessimism leads them to push down the value of financial assets faster than the decline of real accumulation. Instead of overshooting, we now have undershooting. And that undershooting, goes the argument, can explain why, during the Great Depression, when fixed assets contracted by only 20 per cent, the stock market fell by 70 per cent, and why, during the late 2000s, the stock market fell by over 50 per cent while the accumulation of fixed assets merely decelerated.

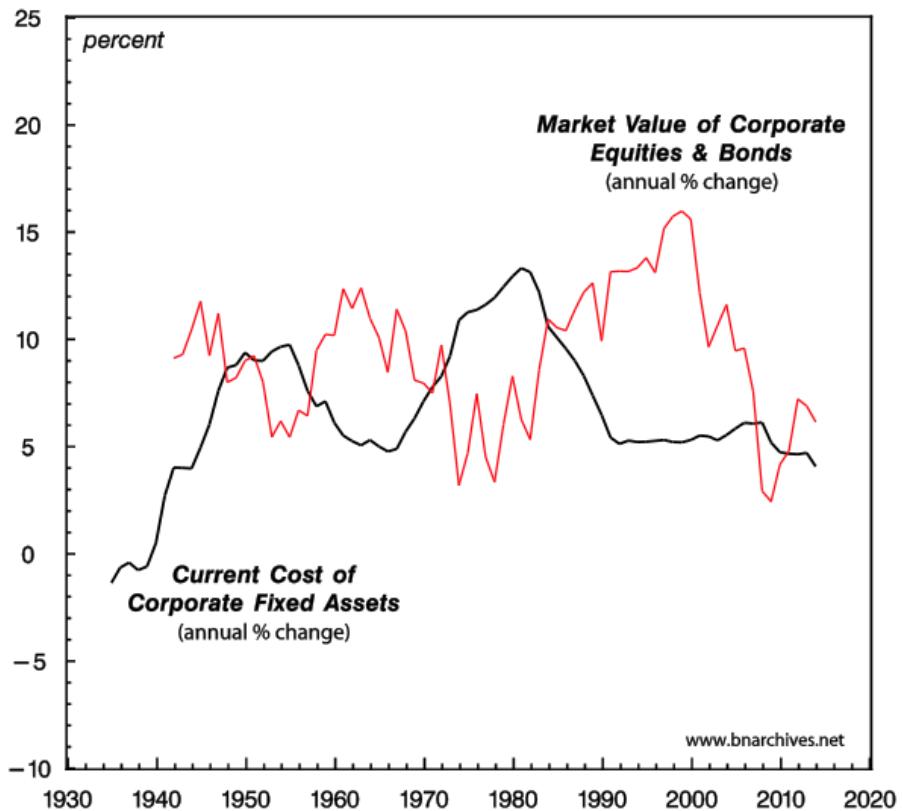


Figure is patently inconsistent with the fundamental duality of real and financial capital. We can perhaps concede that real capital does not have a material quantum, and then pretend that this quantum is proportionate to the market price of the underlying capital goods. We can perhaps accept that there are invisible assets that nobody can observe, yet believe that the know-all asset market can indirectly measure them for us, as a residual. And we can perhaps allow economic agents to be irrational, and then assume that their imperfect asset pricing is nonetheless bounded, oscillating around the “true” price of real capital. But it taxes credulity to observe that the accumulation of real and financial assets move in opposite directions, yet maintain that the latter movement derives from and reflects the former.

Present-day capitalists – or investors, as they are now known – don’t really care about “real capital”. They are indifferent to means of production, labour and knowledge. They do not lose sleep over individual rationality and market efficiency. And they can live with both “free markets” and “government intervention”. The only thing they do care about is their financial capitalization. This is their “Moses and the prophets”. The rest is just means to an end.

### 3.2.3 Political Economy

The promise of classical political economy, and later of economics, was to explain and justify the rule of capital: to show how capitalists, while pursuing their own pecuniary interests, propel the rest of society forward. The accumulation of capital values, the economists explained, goes hand in hand with the amassment of “real” means of production, and therefore with the growth of production, employment, knowledge, rationality, efficiency and laissez faire. But, then, if the U.S. case is representative and the growth rates of capitalization and “real capital” move not together but inversely, the interests of the capitalist rulers are pitted against those of society. And if that is indeed the case, what’s the use of economics?

When capital first emerged in the European burgs of the late Middle Ages, it seemed like a highly promising startup: it counteracted the stagnation and violence of the ancien régime with the promise of dynamism, enlightenment and prosperity, and it replaced the theological sorcery of the church with an open, transparent and easy-to-understand logic. But once capital took over the commanding heights of society, this stark difference began to blur. The inner workings of capital became increasingly opaque: its ups and downs appeared difficult to decipher, its crises seemed mysterious, menacing and hard to manage, and its very nature and definition grew more slippery and harder to grasp.

Political economy – the first science of society – attempted to articulate the new order of capital. In this sense, it was the science of capital. The rule of capital emerged and consolidated together with modern science, and the methods of political economy developed hand in hand with those of physics, chemistry, mathematics and statistics. During the seventeenth century, the scientific revolution, along with the processes of urbanization, the shifting of production from agriculture to manufacturing and the development of new technologies, gave rise to a mechanical worldview, a novel secular cosmology whose intellectual architects promoted as the harbinger of freedom and progress. And it was this new mechanical cosmology – itself partly the outgrowth of capitalism – that political economists were trying to fit capital into.

Their attempts to marry the logic of accumulation with the mechanized laws of the cosmos are imprinted all over classical political economy and the social sciences it later gave birth to, and they are particularly evident in the various theories of capital. Quantitative reasoning and compact equations, Newtonian calculus and forces, the conservation of matter and energy, the imposition of probability and statistics on uncertainty – these and similar methods have all been incorporated, metaphorically or directly, into the study of capitalism and accumulation.

But as we have seen in this paper, over the past century the marriage has fallen apart. The modern disciplines of economics and finance overflow with highly complex models, complete with the most up-to-date statistical methods, computer software and loads of data – yet their ability to explain, let alone justify,

the world of capital is now limited at best. Their basic categories are often logically unsound and empirically unworkable, and even after being massively patched up with ad hoc assumptions and circular inversions, they still manage to generate huge “residuals” and unobservable “measures of ignorance”.

In this sense, humanity today finds itself in a situation not unlike the one prevailing in sixteenth-century Europe, when feudalism was finally giving way to capitalism and the closed, geocentric world of the Church was just about to succumb to the secular, open-ended universe of science. The contemporary doctrine of capitalism, increasingly out of tune with reality, is now risking a fate similar to that of its feudal-Christian predecessor. Mounting global challenges – from overpopulation and environmental destruction, through climate change and peak energy, to the loss of autonomy and the risk of social disintegration – cannot be handled by a pseudo-science that cannot define its main categories and whose principal explanatory tool is “distortions”. You cannot build an entire social cosmology on the assumptions of individual rationality, equilibrium and perfect markets – and then blame the failures of this cosmology on irrationality, disequilibrium and imperfections. In science, these excuses and blame-shifting are tantamount to self-refutation.

### 3.2.4 Post-capitalist Society

What we need now are not better tools, more accurate modelling and improved data, but a different way of thinking altogether, a totally new cosmology for the post-capitalist age.

Bichler Nitzan

## 3.3 Profit-shifting

*Garcia-Bernando*

Multinational corporations (MNCs) avoid taxes by shifting their profits from countries where real activity takes place towards tax havens, depriving governments worldwide of billions of tax revenue. Earlier research investigating the scale and distribution of profit shifting has faced methodological and data challenges, both of which we address. First, we propose a logarithmic function to model the extremely non-linear relationship between the location of profits and tax rates faced by MNCs at those locations – that is, the extreme concentration of profits without corresponding economic activity in a small number of low-tax jurisdictions. We show that the logarithmic model allows for a more accurate identification of profit shifting than linear and quadratic models. Second, we apply the logarithmic model to newly available country-by-country reporting data for large MNCs – this provides information on the activities of large MNCs, including for the first time many low- and lower-middle-income countries.

We estimate that MNCs shifted US\$1 trillion of profits to tax havens in 2016,

which implies approximately US\$200-300 billion in tax revenue losses worldwide. MNCs headquartered in the United States and Bermuda are the most aggressive at shifting profits towards tax havens, while MNCs headquartered in India, China, Mexico and South Africa the least. We establish which countries gain and lose most from profit shifting: the Cayman Islands, Luxembourg, Bermuda, Hong Kong and the Netherlands are among the most important tax havens, whereas low- and lower-middle-income countries tend to lose more tax revenue relative to their total tax revenue. Our findings thus support the arguments of low- and lower-middle-income countries that they should be represented on an equal footing during international corporate tax reform debates.

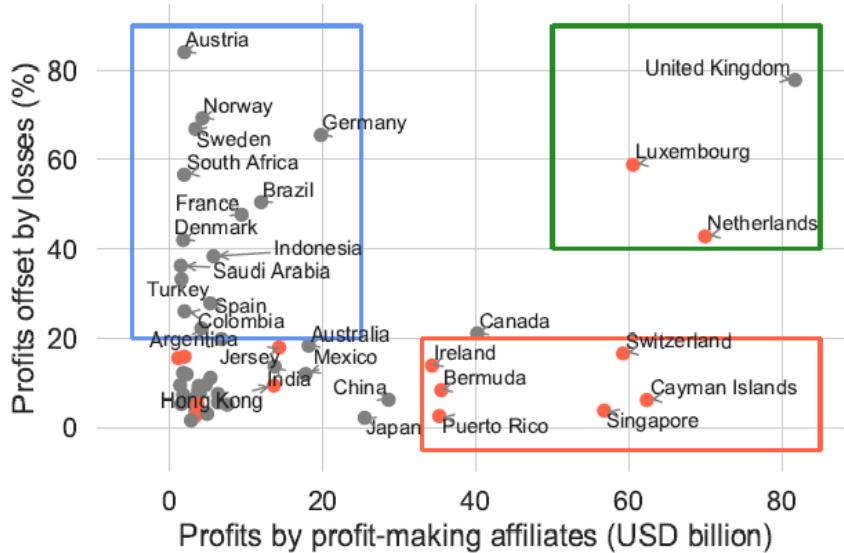


Figure: The total profits made by profit-making affiliates is plotted against the percentage of profits offset by losses. Three types of countries are highlighted with boxes. In red are ‘profit centres’, reporting very high profits not offset by losses. In green are ‘coordination centres’ (or conduits), reporting very high profits offset by losses. In blue are origin countries, reporting profits offset by losses. Only countries reporting at least US\$10 billion profits are reported, the USA (profits of US\$1,310 and offset ratio of 10% is excluded). Countries in red exhibit profitabilities above US\$100,000 per employee.

Garcia-Bernando (pdf)

### 3.4 Steady-State Capitalism

*Lianos*

The increasing intensity of the environmental problems that we face as a global community for the last fifty years has led to the development of several important

ideas and proposals regarding the systemic changes that may be introduced in order to reverse the existing tendencies. Most prominent among them are the Steady-State Economy (Daly, 1972), the Green Growth Economy or Green Economy (OECD, 2015, 2011; UN, 2012), the ideas of Degrowth (Hickel and Kallis, 2020; Kallis, 2011; Kallis et al., 2012), of Ecosocialism (Kovel and Löwy, 1991; Löwy, 2018) and of Ecomodernism (Asafu-Adjaye et al., 2015).

The Green Growth Economy and Ecomodernism offer ideas and proposals which, independently of their effectiveness, can be applied in the presently existing socio-economic system in most countries, i.e. within the institutions of capitalism. For the ideas of degrowth and ecosocialism to be applied it would require important institutional changes, more so in the case of ecosocialism. For ecosocialists the prosperity of human society and the health of the environment will coincide with the socialist transformation of society. For degrowth the required changes are not clearly delineated although the advocates of degrowth speak of non-violent and democratic transition beyond capitalism.

### Daly

Can a steady-state economy be capitalist or does it imply major institutional changes? This question was discussed ten years ago and when Herman Daly, the best known advocate of the steady-state economy, was challenged by Richard Smith, replied “I have never used that term, always speaking of steady-state economy, which in my view is something different from capitalism and socialism” (Daly, 2010). Apparently, Daly believes that the imposition of constraints he introduces on population size, on the throughput of resources, and on income inequality is sufficient to change the nature of capitalism, even though he keeps the market mechanism for allocative purposes.

Critics of the steady-state idea (Smith, 2010; Trainer, 2016) argue that steady-state and capitalism are not compatible. If an economy is steady-state it cannot be capitalist and vice versa. This is a result of the “growth imperative” which is built on the foundations of capitalism. Lawn (2011), on the other hand, argues that capitalism can exist in a variety of forms and the steady-state economy introduces institutions that can make steady-state capitalism “workable and capable of releasing humanity from consumerism and its current growth addiction” (p. 24). In this paper we intend to discuss this question further and to show not only that a steady- state economy, with the constraints imposed by Daly, can be capitalist, but also that a steady- state economy is possible, and under certain conditions, preferable in socialism.

The steady-state economy is not a new idea. It was developed by classical economists under different circumstances and it was called a stationary state (Mill, 1885). In this model the size of population depends on the difference between the natural price of labor (minimum of subsistence) and the market price of labor. If the market price exceeds the natural price population will increase, and if the opposite occurs population will decline. In the long run, population will stabilize at its maximum when market and natural prices are equal (Ricardo,

1971). That requirement is the same as Daly's constant population. The need for a constant flow of throughput was not necessary as there was no concern about ecological problems. With constant population and constant technology, in the long-run this model leads to zero profits, and constant stock of capital. William Baumol (1951) calls this model the "magnificent dynamics" of the early classical school. Therefore, capitalism can exist and operate with zero profits and consequently without capital accumulation.

The question regarding the compatibility of a steady-state economy and capitalism has been asked in the recent past by Smith (2010) in a critique of Daly's version of steady-state economy and his answer is in the negative. His answer is based on a brief analysis of three characteristics of capitalism, i.e. that producers are dependent on the market, that competition is the engine of economic development and that the law of survival in the marketplace is "grow or die". In short, the growth imperative is a law of nature in capitalism.

The same conclusion has been reached by Binswanger (2009) who shows that capitalist economies need to grow because otherwise firms will not be able to realize profits. According to him the simulation results of his model illustrate the growth imperative of capitalism. Similarly, according to Gordon and Rosenthal (2003) growth in capitalism is not just desirable, it is necessary for the future survival for each individual capitalist firm and for the system as a whole. Also, Li (2007) concludes that an a non-growing economy implies that the rate of profit will fall to zero, and therefore a steady-state economy, i.e. a zero growth economy, is not compatible with capitalism, i.e. a system based on the pursuit of profit.

Finally, Blauwhof (2012) using Marxian terminology and an expanded reproduction scheme explains that if the economy cannot grow the surplus cannot be invested and can only be consumed or wasted. He adds that capitalists may have ways to raise the profit rate, such as those we see in the real world (wage cuts, avoidance of taxes, state subsidies) but there are limits to these and therefore it is unavoidable that the rate of profit will fall and approximate zero. The conclusion is that a steady-state economy cannot be capitalist. From the point of view of the history of economic thought it is interesting to note that the Marxian expanded reproduction scheme has found its modern expression within Keynesian economics in Domar's growth model. It has been shown (Lianos, 1979) that aside from terminological differences Marx's expanded reproduction scheme and Domar's growth model are conceptually and mathematically the same. The conclusion derived from Domar's model is that a capitalist economy cannot stand still. If it does not grow it must decline.

Lianos (2021) Is Steady-State Possible? (RWER) (pdf)

A failed growth economy and a steady-state economy are not the same thing; they are the very different alternatives we face. The Earth as a whole is approximately a steady state. Neither the surface nor the mass of the earth is growing or shrinking; the inflow of radiant energy to the Earth is equal to the outflow;

and material imports from space are roughly equal to exports (both negligible). None of this means that the earth is static—a great deal of qualitative change can happen inside a steady state, and certainly has happened on Earth. The most important change in recent times has been the enormous growth of one subsystem of the Earth, namely the economy, relative to the total system, the ecosphere.

The closer the economy approaches the scale of the whole Earth the more it will have to conform to the physical behavior mode of the Earth. That behavior mode is a steady state—a system that permits qualitative development but not aggregate quantitative growth. Growth is more of the same stuff; development is the same amount of better stuff (or at least different stuff). The remaining natural world no longer is able to provide the sources and sinks for the metabolic throughput necessary to sustain the existing oversized economy—much less a growing one.

The economy must conform to the rules of a steady state—seek qualitative development, but stop aggregate quantitative growth.

We have lived for 200 years in a growth economy. That makes it hard to imagine what a steady-state economy (SSE) would be like, even though for most of our history mankind has lived in an economy in which annual growth was negligible.

We have to attempt a SSE because we cannot continue growing, and in fact so-called “economic” growth already has become uneconomic. The growth economy is failing.

The quantitative expansion of the economic subsystem increases environmental and social costs faster than production benefits, making us poorer not richer

The classical steady state takes the biophysical dimensions—population and capital stock (all durable producer and consumer goods)—as given and adapts technology and tastes to these objective conditions. The neoclassical “steady state” (proportional growth of capital stock and population) takes tastes and technology as given and adapts by growth in biophysical dimensions, since it considers wants as unlimited, and technology as powerful enough to make the world effectively infinite. At a more profound level the classical view is that man is a creature who must ultimately adapt to the limits (finitude, entropy, ecological interdependence) of the Creation of which he is a part. The neoclassical view is that man, the creator, will surpass all limits and remake Creation to suit his subjective individualistic preferences, which are considered the root of all value. In the end economics is religion.

Following Mill we might define a SSE as an economy with constant population and constant stock of capital, maintained by a low rate of throughput that is within the regenerative and assimilative capacities of the ecosystem.

Alternatively, and more operationally, we might define the SSE in terms of a constant flow of throughput at a sustainable (low) level, with population and capital stock free to adjust to whatever size can be maintained by the constant

throughput that begins with depletion of low-entropy resources and ends with pollution by high-entropy wastes.

How could we limit throughput, and thus indirectly limit stocks of capital and people in a SSE? Since depletion is spatially more concentrated than pollution the main controls should be at the depletion or input end. Raising resource prices at the depletion end will indirectly limit pollution, and force greater efficiency at all upstream stages of production. A cap-auction-trade system for depletion of basic resources, especially fossil fuels, could accomplish a lot, as could ecological tax reform.

The SSE will also require a “demographic transition” in populations of products towards longer-lived, more durable goods, maintained by lower rates of throughput. A population of 1000 cars that last 10 years requires new production of 100 cars per year. If more durable cars are made to last 20 years then we need new production of only 50 cars per year. To see the latter as an improvement requires a change in perspective from emphasizing production as benefit to emphasizing production as a cost of maintenance. The idea that production is a maintenance cost to be minimized is strange to most economists. Shifting taxes from value added to throughput would promote this minimizing effort.

Goods that are by nature non-rival, and should be freed from illegitimate enclosure by the price system. I refer especially to knowledge. Knowledge, unlike throughput, is not divided in the sharing, but multiplied. Once knowledge exists, the opportunity cost of sharing it is zero and its allocative price should be zero. International development aid should more and more take the form of freely and actively shared knowledge, along with small grants, and less and less the form of large interest-bearing loans.

What would happen to the interest rate in a SSE? Would it not fall to zero without growth? Not likely, because capital would still be scarce, there would still be a positive time preference, and the value of total production may still increase without growth in physical throughput—as a result of qualitative development. Investment in qualitative improvement may yield a value increase out of which interest could be paid. However, the productivity of capital would surely be less without throughput growth, so one would expect low interest rates in a SSE, though not a zero rate.

Can a SSE maintain full employment? A tough question, but in fairness one must also ask if full employment is achievable in a growth economy driven by free trade, off-shoring practices, easy immigration of cheap labor, and widespread automation? In a SSE maintenance and repair become more important. Being more labor intensive than new production and relatively protected from off-shoring, these services may provide more employment. Yet a more radical rethinking of how people earn income may be required. If automation and off-shoring of jobs increase profits but not wages, then the principle of distributing income through jobs becomes less tenable. A practical solution (in addition to slowing automation and off-shoring) may be to have wider participation in the

ownership of businesses, so that individuals earn income through their share of the business instead of through fulltime employment. Also the gains from technical progress should be taken in the form of more leisure rather than more production—a long expected but under-realized possibility.

What sort of tax system would best fit a SSE? Ecological tax reform, already mentioned, suggests shifting the tax base away from value added (income earned by labor and capital), and on to “that to which value is added”, namely the throughput flow, preferably at the depletion end (at the mine-mouth or well-head, the point of “severance” from the ground). Many states have severance taxes. Taxing the origin and narrowest point in the throughput flow induces more efficient resource use in production as well as consumption, and facilitates monitoring and collection.

Taxing what we want less of (depletion and pollution), and ceasing to tax what we want more of (income, value added) would seem reasonable—as the bumper sticker puts it, “tax bads, not goods”. The shift could be revenue neutral and gradual.

Could a SSE support the enormous superstructure of finance built around future growth expectations? Probably not, since interest rates and growth rates would be low. Investment would be mainly for replacement and qualitative improvement. There would likely be a healthy shrinkage of the enormous pyramid of debt that is precariously balanced atop the real economy, threatening to crash. Additionally the SSE could benefit from a move away from our fractional reserve banking system toward 100% reserve requirements.

A SSE should not have a system of national income accounts, GDP, in which nothing is ever subtracted. Ideally we should have two accounts, one that measures the benefits of physical growth in scale, and one that measures the costs of that growth. Our policy should be to stop growing where marginal costs equal marginal benefits. Or if we want to maintain the single national income concept we should adopt Nobel laureate economist J. R. Hicks' concept of income, namely, the maximum amount that a community can consume in a year, and still be able to produce and consume the same amount next year. In other words, income is the maximum that can be consumed while keeping productive capacity (capital) intact.

Any consumption of capital, manmade or natural, must be subtracted in the calculation of income. Also we must stop the asymmetry of adding to GDP the production of anti-bads without first having subtracted the generation of the bads that made the anti-bads necessary. Note that Hicks' conception of income is sustainable by definition. National accounts in a sustainable economy should try to approximate Hicksian income and abandon GDP.

While these transitional policies will appear radical to many, it is worth remembering that, in addition to being amenable to gradual application, they are based on the conservative institutions of private property and decentralized market allocation. They simply recognize that private property loses its legit-

imacy if too unequally distributed, and that markets lose their legitimacy if prices do not tell the whole truth about costs. In addition, the macro-economy becomes an absurdity if its scale is structurally required to grow beyond the biophysical limits of the Earth. And well before that radical physical limit we are encountering the conservative economic limit in which extra costs of growth become greater than the extra benefits.

Herman Daly (2008) Steady State Economy (Sustainable Development Commission) (pdf)

*Binswanger*

This paper postulates the existence of a growth imperative in capitalist economies. The argument is based on a simple circular flow model of a pure credit economy, where production takes time. In this economy, positive growth rates are necessary in the long run in order to enable firms to make profits in the aggregate. If the growth rate falls below a certain positive threshold level, firms will make losses. Under these circumstances, they will go out of business, which moves the whole economy into a downward spiral. According to the model presented, capitalist economies can either grow (at a sufficiently high rate) or shrink if the growth rate falls below the positive threshold level. Therefore, a zero growth economy is not feasible in the long run.

Binswanger (2014) Growth Imerative (JPKE (Paywall))



# 4

## Affluence

### *Memo*

Allocating environmental impacts to consumers is consistent with the perspective that consumers are the ultimate drivers of production, with their purchasing decisions setting in motion a series of trade transactions and production activities, rippling along complex international supply-chain networks 5 . However, allocating impacts to consumers does not necessarily imply a systemic causal understanding of which actor should be held most responsible for these impacts. Responsibility may lie with the consumer or with an external actor, like the state, or in structural relations between actors. Scholars of sustainable consumption have shown that consumers often have little control over environmentally damaging decisions along supply chains 6 , however they often do have control over making a consumption decision in the first place. Whilst in Keynesian-type economics consumer demand drives production, Marxian political economics as well as environmental sociology views the economy as supply dominated.

Remarkably, consumption (and to a lesser extent population) growth have mostly outrun any beneficial effects of changes in technology over the past few decades

Considering that the lifestyles of wealthy citizens are characterised by an abundance of choice, convenience and comfort, we argue that the determinant and driver we have referred to in previous sections as consumption, is more aptly labelled as affluence.

A suitable concept to address the ecological dimension is the widely established avoid-shift-improve framework outlined by Creutzig et al. 43 . Its focus on the end-use service, such as mobility, nutrition or shelter, allows for a multi-dimensional analysis of potential impact reductions beyond sole technological change. This analysis can be directed at human need satisfaction or decent living standards—an alternative perspective put forward for curbing environ-

mental crises 44,45 . Crucially, this perspective allows us to consider different provisioning systems (e.g. states, markets, communities and households) and to differentiate between superfluous consumption, which is consumption that does not contribute to needs satisfaction, and necessary consumption which can be related to satisfying human needs

Carbon emissions and material use are globally more unequally distributed when accounted for as footprints. In contrast to territorial allocations, footprints attribute environmental burdens to the final consumer, no matter where the initial environmental pressure has occurred. Here, international trade is responsible for shifting burdens from mostly low-income developing-world producers to high-income developed-world consumers

*Growth imperatives* are active at multiple levels, making the pursuit of economic growth (net investment, i.e. investment above depreciation) a necessity for different actors and leading to social and economic instability in the absence of it 7,52,60 . Following a Marxian perspective as put forward by Pirlmaier and Steinberger 61 , growth imperatives can be attributed to capitalism as the currently dominant socio-economic system in affluent countries 7,51,62 , although this is debated by other scholars

The average energy intensity of labour is now twice as high as in 1950. As long as a firm has a competitive advantage, there is a strong incentive to sell as much as possible.

Under normal economic conditions, this capitalist competition is expected to lead to aggregate growth dynamics

If labour productivity continuously rises, then aggregate economic growth becomes necessary to keep employment constant, otherwise technological unemployment results. This creates one of the imperatives for capitalist states to foster aggregate growth, since with worsening economic conditions and high unemployment, tax revenues shrink, e.g. from labour and value-added taxes, while social security expenditures rise

Consumers usually increase their consumption in tune with increasing production 60 . This process can be at least in part explained by substantial advertising efforts by firms

Following this analysis, it is not surprising that the growth paradigm is hegemonic, i.e. the perception that economic growth solves all kinds of societal problems, that it equals progress, power and welfare and that it can be made practically endless through some form of supposedly green or sustainable growth

Taken together, the described dynamics create multiple dependencies of workers, firms and states on a well-functioning capital accumulation and thus wield more material, institutional and discursive power (e.g. for political lobbying) to capitalists who are usually the most affluent consumers

An individual's happiness correlates positively with their own income but neg-

atively with the peer group's income 71 and that unequal access to positional goods fosters rising consumption 52 . This endless process is a core part of capitalism as it keeps social momentum and consumption high with affluent consumers driving aspirations and hopes of social ascent in low-affluence segments 70,72 . The positional consumption behaviour of the super-affluent thus drives consumption norms across the population

Degrowth is defined here as “an equitable downscaling of throughput [that is the energy and resource flows through an economy, strongly coupled to GDP], with a concomitant securing of wellbeing“ 59,p7 , aimed at a subsequent downscaled steady-state economic system that is socially just and in balance with ecological limits

[Scientists Warning on Affluence \(pdf\)](#)



# 5

## Property

### 5.1 IntellectualProperty (IP)

#### COVID-19 Vaccines

The model of donation and philanthropic expediency cannot solve the fundamental disconnect between the monopolistic model it underwrites and the very real desire of developing and least developed countries to produce for themselves.... The artificial shortage of vaccines is primarily caused by the inappropriate use of intellectual property rights.

*Doctorow*

Bill Gates will kill us all ([permalink](#))

2.5b people in Earth's 130 poorest countries have not been vaccinated. The 85 poorest countries won't be vaccinated until 2023. The humanitarian cost is unforgivable – and self-defeating, as each infected person is a potential source of new strains.

<https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19-5-february-2021>

How the actual fuck did this happen?

What happened to the early pledges by governments, the WHO, public health experts and leading research institutions to create global cooperation in vaccine development, eschewing patents and secrecy so that we could rescue our species?

That dream was smashed.

Many people helped create our vaccine apartheid, the single individual who did the most to get us here is Bill Gates, through his highly ideological “philanthropic” foundation, which exists to push his pitiless doctrine of unfettered

monopoly.

It was Gates who sabotaged the WHO Covid-19 Technology Access Pool (C-TAP), replacing it with his failed ACT-Accelerator, a system of patents and secrecy and vast profits for the pharma industry, ornamented with nonbinding, failed promises of access for poor nations.

It was Gates who convinced Oxford to renege on its promise of patent-free access to its publicly funded vaccine research for the global south in favor of exclusive patent access for Astrazeneca.

<https://khn.org/news/rather-than-give-away-its-covid-vaccine-oxford-makes-a-deal-with-drugmaker/>

When we hear ghoul sellouts like Howard Dean pushing the racist, genocidal lie that “patents don’t matter” because brown people in poor countries can’t make vaccines, we’re hearing Gates’s talking points:

<https://pluralistic.net/2021/04/08/howard-dino/#the-scream>

Gates’s role in vaccine apartheid is laid out in exquisite detail in Alexander Zaitchik’s outstanding New Republic feature, which delves into Gates’s long-standing project to sideline democratic governments and cooperation in favor of monopoly tyranny.

<https://newrepublic.com/article/162000/bill-gates-impeded-global-access-covid-vaccines>

Gates’s fortune depended on creating a software monopoly, and that monopoly required “intellectual property” protection. Gates has always been a monopolist, and so naturally, he loves IP (before “IP” was a common term, copyrights and patents were called “monopolies”).

Intellectual property is a very important part of the inequality story, the story of how we got to a world where billions of people are denied vaccines and where all people face new, more virulent strains as a result.

As UNCTAD chief economist Richard Kozul-Wright told Lynn Fries for GPE: “[IP allows companies] to grab a larger share of what has already been produced in the economy.”

It’s a means of extracting rents, not for doing things, but for owning things.

IP is key to tax avoidance: companies like Ikea transfer “IP” (the Ikea trademark) to a numbered company in a tax haven; each national Ikea subsidiary pays “licensing fees” for the trademark equal to 100% of their in-country profits, so they never earn a (taxable) cent.

The transformation of the world into a monopolized system of IP-heavy, rent-extracting, tax-dodging companies really kicked into gear after 1999, with the signing of the WTO agreement and its IP adjunct, the TRIPPS, and as Zaitchik details, Gates was instrumental there.

For this part of the story, Zaitchik talks to Jamie Love, who was at the UN when NGOs like his were pushing to create vaccine and other pharma pools for the global south, while pharma companies handed out pamphlets bearing the Gates Foundation logo, smearing the plan.

Though the US delegation struggled for credibility, the combination of the Gates Foundation, and former US trade officials fronting for the global pharma industry managed to sideline the project, which was being driven by the demand for equitable access to AIDS drugs.

With Gates's help, the WTO emerged as an IP enforcement powerhouse. Zaitchik cites Dylan Mohan Gray: "it took Washington 40 years to threaten apartheid South Africa with sanctions and less than four to threaten the post-apartheid Mandela government over AIDS drugs."

Incredibly, the Gates Foundation used this to burnish its humanitarian image: they solicited donations from pharma companies and used them to subsidize AIDS drugs in the global south, a maneuver that let them seem like philanthropists.

When in reality, they had overseen a program to systematically deny the world's poorest and most threatened people the right to make their own drugs, making them dependent on the whims of multinational corporate charity instead.

Sound familiar? Today, Gates runs around repeating the lie that poor people can't make their own medicine, saying that patent exemptions won't make a difference now – to the extent he's right, the world now is the crucial one.

Having sabotaged the efforts by poor countries to engage in the kind of production ramp-up the rich world saw as vaccines were being developed, it may now be too late. "Because of my bad ideas then, it's too late now."

The connection between IP and elite philanthropy is deep and important. IP's rent-seeking and tax-dodging has made poor countries beholden to offshore monopolists in health, agriculture and IT, and then starved them of taxes to build up domestic alternatives.

This, in turn, makes them dependent on "gifts" from the billionaires who arm-twisted them into IP treaties, forced them to pay rent on all domestic production, and then profit-shifted the funds out of the reach of their tax-collectors.

As Anand Giridharadas reminded us in his seminal "Winners Take All," the core purpose of elite philanthropy has been the same since the robber-baron era: to burnish the reputations of monsters who take everything and give back crumbs.

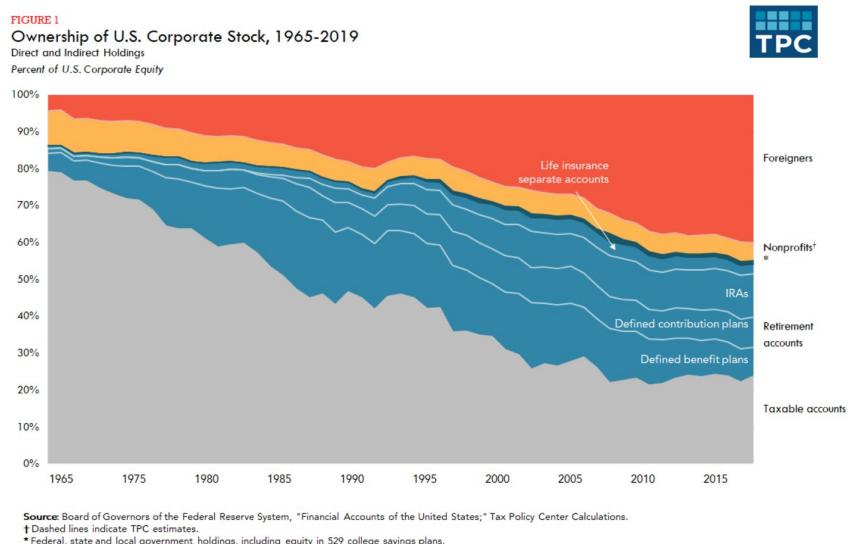
Doctorow



# 6

## Stock Ownership

Foreign investors owned about 40 percent of US corporate equity in 2019, up substantially over the last few decades. Retirement accounts of US households owned about 30 percent in 2019, and the taxable accounts of US investors owned about 25 percent, which is most of the rest. US equity ownership is shifting to tax-exempt accounts, from taxable accounts.



tax policy center



# 7

# Technology

## 7.1 Automation

### Robots

There is a threat to people's jobs. But that threat is not the robots - it is company decisions that are driven by a broader economic and political system of corporate capitalism.

Darling on Robots



# 8

## Classes

### 8.1 Social Architecture of Capitalism

*Ian Wright's Model of Economic Exploitation*

An economy consists of huge numbers of people interacting all the time. It's anarchic. How can we construct an economic model that predicts the consequences of millions and millions of people interacting?

*One good way to understand systems with huge numbers of degrees of freedom is to view them as randomising machines that maximise entropy subject to constraints - micro level randomness generate macro level regularities.*

At a micro level the system scrambles and randomises. Basically anything can happen. But at the macro level there are global constraints that are always observed. So there's an interaction between forces that randomise, and forces that order. The technique of maximum entropy can sometimes predict the consequences of that interaction.

The aim was to understand the possible economic consequences of the social relations of production considered in isolation and develop a model that included money and historical time as essential elements. The theoretical motivation for the approach is grounded in Marx's distinction between the invariant social relations of production and the varying forces of production. Standard economic models typically do not pursue this distinction.

The fact that the empirical distributions considered can be deduced from the social relations of production alone suggests that some of the striking phenomena of a capitalist economy depend not so much on specifics but on very general and highly abstract structural features of that system.

There are clear differences between, on the one hand, neo-classical and neo-Ricardian ontologies, and, on the other, the basic ontology of the model de-

veloped here. Most obvious is that commodity types and rational actors are absent. Instead, the model emphasises precisely those elements of economic reality that neo-classical and neo-Ricardian theories tend to ignore, specifically actor-to-actor relations mediated by money, which unfold in historical time, and result in dynamic, not static, equilibria.

The dominant causal factors at work are not to be found at the level of individual behaviour, nor are they to be found at the level of technical-production constraints, but are found at the level of the social relations of production,

The number of degrees of freedom of economic reality is very large. This allows individual rationality to be modelled as a highly simplified stochastic selection from possibilities determined by an overriding social architecture. The quasi-psychological motives that supposedly drive individual actors in the rational actor approach can be ignored because in a large ensemble of such individuals they hardly matter.

A final and important implication is that the computational deduction outlined in this paper implies that some of the features of economic reality that cause political conflict, such as extreme income inequality and recessions, are necessary consequences of the social relations of production and hence enduring and essential properties of capitalism, rather than accidental, exogenous or transitory.

Ian Wright (pdf)

## 8.2 Imperiale Lebensweise

Den kapitalistischen Zentren bleibt dann nur noch der Versuch, ihre Lebensweise durch Abschottung und Ausgrenzung exklusiv zu stabilisieren. Damit bringen die Vertreter dieser Politik, die sich in der Regel selbst als „bürgerliche Mitte“ etikettieren, genau das hervor, was sie als ihren Widerpart begreifen: autoritäre, rassistische und nationalistische Bestrebungen. Dass diese derzeit überall erstarken, liegt auch daran, dass sie sich in der Krise als die eigentlichen, weil konsequenteren Garanten jener Exklusivität inszenieren können, die im Normalbetrieb der imperialen Lebensweise immer schon angelegt ist. Und im Unterschied zu ihren „bürgerlichen“ Konkurrenten vermögen sie ihrer Wählerschaft ein Angebot zu machen, das diese auf eine subalterne Position festlegt und sie gleichzeitig aus ihrer postdemokratischen Passivierung befreit. Nora Räthzel hat diesen Mechanismus im Hinblick auf den Rassismus, wie er sich im Deutschland der frühen 1990er Jahre artikulierte, treffend als „rebellierende Selbstunterwerfung“ bezeichnet. Den Akteuren wird es dabei ermöglicht, „sich als Handelnde in Verhältnissen zu konstituieren, denen sie ausgeliefert sind“.

Es reicht nicht mehr, eine „grüne Revolution“[11] oder einen neuen „Gesellschaftsvertrag“[12] einzufordern. Denn dies lässt, der starken Rhetorik zum Trotz, die politische Ökonomie der Probleme sowie die imperiale

Lebensweise unaufgetastet. Auch greift es zu kurz, implizit oder explizit darauf zu setzen, dass „die Politik“ aus der unabsehbaren, da wissenschaftlich immer genauer belegten Tatsache der ökologischen Krise endlich die richtigen Konsequenzen zieht. Damit übersieht man, dass der Staat kein möglicher Gegenpol, sondern ein wesentlicher Garant für die institutionelle Absicherung der imperialen Lebensweise ist.

Stattdessen kommt es zunächst darauf an, die ökologische Krise als deutlichen Hinweis auf ein grundsätzlicheres Problem anzuerkennen: Die Produktions- und Konsumnormen des globalen Nordens, die sich mit dem Kapitalismus herausgebildet und schließlich verallgemeinert haben, lassen sich selbst in ihrer ökologisch modernisierten Variante nur auf Kosten von immer mehr Gewalt, ökologischer Zerstörung und menschlichem Leid aufrechterhalten – und auch dies nur in einem kleinen Teil der Welt. Aufgrund der autoritären, weiter auf Inwertsetzung der Natur und gesellschaftliche Spaltung setzenden Politik erleben wir derzeit eine beispiellose Anhäufung der Widersprüche. Die Reproduktion der Gesellschaft und ihrer biophysikalischen Grundlagen kann über den kapitalistischen Wachstumsimperativ immer weniger gesichert werden. Wir erleben eine Krise des Krisenmanagements, eine Hegemonie- und Staatskrise.

blätter.de

*Swiss voting* A few months ago, a majority of the Swiss population voted differently, but in vain. They voted to curb multinational corporations, and hold them accountable for human rights violations (including environmental damage) overseas. Sadly, this majority was not sufficient: a majority of cantons (regions) was also necessary, and this fell woefully short. A majority of people in the rural cantons, the places upheld as the heartland of traditional Swiss values by the far-right, voted to continue to allow multinational corporations based in Switzerland to violate human rights and degrade the environment overseas with complete impunity. Again, a few more Swiss francs are worth more than child labour or poisoning local populations. Nice values, eh? A modern religion of competition and domination

What can possibly explain the “multinational corporations should be free to conduct human rights abuses with impunity” and the “ecocide in Indonesia is economically worth it” Swiss votes? Are a majority or large minority of Swiss people brutal, depraved criminals, who delight in harm to others, and rejoice when species go extinct? No, of course not. But then — why do they vote to support their economy to harm others and commit ecocide? I believe they vote this way because they are under the sway of a destructive economic creed, which in fact rules most of our world. This creed is very simple:

The well-being of myself, my family and my community is dependent, whether I like it or not, on t

Or, put even more starkly:

You have to fuck people over to survive.

This creed comes to us straight from colonial theories of social progress and

evolution, passing through Darwinism and classical economics, which posit that competition (rather than cooperation) is the most fundamental characteristic of humans, or indeed life itself. According to these colonial theories, it is only competition, or selfish behaviour in markets, that leads to social progress. It is only competition which leads to innovation (=progress), because innovation is only ever pursued for competitive advantage. It is only a multiplicity of selfish actors behaving selfishly in markets that leads to the most efficient allocation of resources, interpreted as social welfare in classical economics. And in the natural world, evolution itself was presented as “survival of the fittest,” where the most “selfish gene” comes to dominate the whole pool.

Steinberger

### 8.3 Financialization of Politics

#### **How to Rescue the Financial Industry at Public Expense.**

*Pagliari*

Political economists have often drawn a hard line between the interests of owners of capital and the interests of labor. Yet over the past 30 years in Anglo-Saxon countries in particular, workers have become increasingly invested in capital markets activity through the privatization of pension systems and other incentives for market-based savings. In this article, we investigate whether this ‘financialization of everyday life’ has generated a convergence of policy preferences whereby individuals support policies traditionally associated with the financial sector. Using three separate datasets on the US population, we find evidence that financial asset ownership is associated with lower support for more stringent financial regulatory policy, and higher support for financial sector bailouts. Such effects on individual preferences are modest on average, but persist even when controlling for indicators of social class and a range of other conditions, circumstances and time periods.

To what extent the greater holding of financial securities has shaped the preferences of individuals toward different financial policies.

Whether the ‘financialization of everyday life’ has generated a convergence of policy preferences.

#### Conclusion

The ownership of financial assets is associated with lower levels of support for more stringent regulatory policies targeting the financial industry and higher levels of support for government intervention in support of the financial industry in the form of bailouts.

By turning individuals and households into ‘active’ investors whose personal wealth is tied to financial markets, the financialization of the economy has influenced cleavages over economic policies by contributing to the emergence of

new constituencies backing the expansion of the financial markets.

Pagliari (2020) Financialization of policy preferences (pdf)

## 8.4 Elites

### 8.4.1 The New American Aristocracy

*Memo*

Understanding America's evolving class system.

Perhaps the best evidence for the power of an aristocracy is the degree of resentment it provokes.

The meritocratic class has mastered the old trick of consolidating wealth and passing privilege along at the expense of other people's children. We are not innocent bystanders to the growing concentration of wealth in our time. We are the principal accomplices in a process that is slowly strangling the economy, destabilizing American politics, and eroding democracy. We seem to be the last to notice just how rapidly we've morphed, or what we've morphed into. The arc of the narrative is simple: Once we were equal, but now we are divided.

Our delusions of merit now prevent us from recognizing the nature of the problem that our emergence as a class represents. We tend to think that the victims of our success are just the people excluded from the club. But history shows quite clearly that, in the kind of game we're playing, everybody loses badly in the end.

We have left the 90 percent in the dust—and we've been quietly tossing down roadblocks behind us to make sure that they never catch up.

The 2010s look much like the 1920s

Economic mobility in the land of opportunity [US] is not high, and it's going down. In America, the game is half over once you've selected your parents.

We are the people of good family, good health, good schools, good neighborhoods, and good jobs. We may want to call ourselves the "5Gs" rather than the 9.9 percent. We are so far from the not-so-good people on all of these dimensions, we are beginning to resemble a new species. The polite term for the process is assortative mating. Rising inequality decreases the number of suitably wealthy mates even as it increases the reward for finding one and the penalty for failing to do so. For most of us, the process is happily invisible.

It's one of the delusions of our meritocratic class, however, to assume that if our actions are individually blameless, then the sum of our actions will be good for society.

A process that is creating two distinct forms of life in our society.

We prefer to signal our status by talking about our organically nourished bodies, the awe-inspiring feats of our offspring, and the ecological correctness of our neighborhoods. We have figured out how to launder our money through higher virtues.

We're leaving the 90 percent and their offspring far behind in a cloud of debts and bad life choices that they somehow can't stop themselves from making.

The Gatsby Curve has managed to reproduce itself in social, physiological, and cultural capital. Put more accurately: There is only one curve, but it operates through a multiplicity of forms of wealth.

Rising inequality does not follow from a hidden law of economics, as the otherwise insightful Thomas Piketty suggested when he claimed that the historical rate of return on capital exceeds the historical rate of growth in the economy. Inequality necessarily entrenches itself through other, nonfinancial, intrinsically invidious forms of wealth and power. We use these other forms of capital to project our advantages into life itself. We look down from our higher virtues in the same way the English upper class looked down from its taller bodies, as if the distinction between superior and inferior were an artifact of nature. That's what aristocrats do.

According to a 2017 study, 38 elite colleges—among them five of the Ivies—had more students from the top 1 percent than from the bottom 60 percent. In his 2014 book, *Excellent Sheep*, William Deresiewicz, a former English professor at Yale, summed up the situation nicely: “Our new multiracial, gender-neutral meritocracy has figured out a way to make itself hereditary.”

In the United States, the premium that college graduates earn over their non-college-educated peers in young adulthood exceeds 70 percent. The return on education is 50 percent higher than what it was in 1950.

One of the stories we tell ourselves is that the premium is the reward for the knowledge and skills the education provides us. Another, usually unfurled after a round of drinks, is that the premium is a reward for the superior cranial endowments we possessed before setting foot on campus. We are, as some sociologists have delicately put it, a “cognitive elite.”

the fact is that degree holders earn so much more than the rest not primarily because they are better at their job, but because they mostly take different categories of jobs. Well over half of Ivy League graduates, for instance, typically go straight into one of four career tracks that are generally reserved for the well educated: finance, management consulting, medicine, or law. To keep it simple, let's just say that there are two types of occupations in the world: those whose members have collective influence in setting their own pay, and those whose members must face the music on their own

Americans now turn over \$1 of every \$12 in GDP to the financial sector; in the 1950s, the bankers were content to keep only \$1 out of \$40. The public underwrites the risks; the financial gurus take a seat at the casino; and it's

heads they win, tails we lose. The financial system we now have is not a product of nature. It has been engineered, over decades, by powerful bankers, for their own benefit and for that of their posterity.

when educated people with excellent credentials band together to advance their collective interest, it's all part of serving the public good by ensuring a high quality of service, establishing fair working conditions, and giving merit its due. That's why we do it through "associations," and with the assistance of fellow professionals wearing white shoes. When working-class people do it—through unions—it's a violation of the sacred principles of the free market. It's thugish and anti-modern. Imagine if workers hired consultants and "compensation committees," consisting of their peers at other companies, to recommend how much they should be paid. The result would be—well, we know what it would be, because that's what CEOs do.

education has been reduced to a private good, justifiable only by the increments in graduates' paychecks. Instead of uniting and enriching us, it divides and impoverishes

If the system can be gamed, well then, our ability to game the system has become the new test of merit.

Aristocrats always prefer the invisible kind of government. It leaves them free to exercise their privileges.

Real estate alone may account for essentially all of the increase in wealth concentration over the past half century. These are the gold mines of our new economy.

Local zoning regulation imposes excessive restrictions on housing development and drives up prices. What is less well understood is how central the process of depopulating the economic core of the nation is to the intertwined stories of rising inequality and falling social mobility.

saving the local environment, preserving the historic character of the neighborhood, and avoiding overcrowding. In reality, it's about hoarding power and opportunity inside the walls of our own castles. This is what aristocracies do.

Zip code is who we are. It defines our style, announces our values, establishes our status, preserves our wealth, and allows us to pass it along to our children. It's also slowly strangling our economy and killing our democracy.

Americans have trouble telling the difference between a social critique and a personal insult. Thus, a writer points to a broad social problem with complex origins, and the reader responds with, "What, you want to punish me for my success?"

It has taken less than one lifetime for the (never fully formed) meritocracy to evolve into a (fledgling) aristocracy Class accretes faster than we think. It's our awareness that lags,

We have intuited one of the fundamental paradoxes of life on the Gatsby Curve: The greater the inequality, the less your money buys.

The source of the trouble, considered more deeply, is that we have traded rights for privileges. We're willing to strip everyone, including ourselves, of the universal right to a good education, adequate health care, adequate representation in the workplace, genuinely equal opportunities, because we think we can win the game. But who, really, in the end, is going to win this slippery game of escalating privileges?

The political theology of the meritocracy has no room for resentment. We are taught to run the competition of life with our eyes on the clock and not on one another, as if we were each alone. If someone scores a powerboat on the Long Island waterways, so much the better for her. The losers will just smile and try harder next time.

Perhaps the best evidence for the power of an aristocracy is to be found in the degree of resentment it provokes. The surest sign of an increase in resentment is a rise in political division and instability. The 2016 presidential election marked a decisive moment in the history of resentment in the United States. In the person of Donald Trump, resentment entered the White House. It rode in on the back of an alliance between a tiny subset of super-wealthy 0.1 percenters (not all of them necessarily American) and a large number of 90 percenters who stand for pretty much everything the 9.9 percent are not. The counties that supported Hillary Clinton represented an astonishing 64 percent of the GDP, while Trump counties accounted for a mere 36 percent. the median home value in Clinton counties was \$250,000, while the median in Trump counties was \$154,000. There's a reason why one of Trump's favorite words is *unfair*. That's the only word resentment wants to hear. Trump lost college-educated white voters by a humiliating 17 percent margin. But he got revenge with non-college-educated whites, whom he captured by a stomping 36 percent margin

The historian Richard Hofstadter drew attention to Anti- intellectualism in American Life in 1963; Susan Jacoby warned in 2008 about The Age of American Unreason; and Tom Nichols announced The Death of Expertise in 2017. In Trump, the age of unreason has at last found its hero. The "self-made man" is always the idol of those who aren't quite making it. He is the sacred embodiment of the American dream, the guy who answers to nobody, the poor man's idea of a rich man. It's the educated phonies this group can't stand.

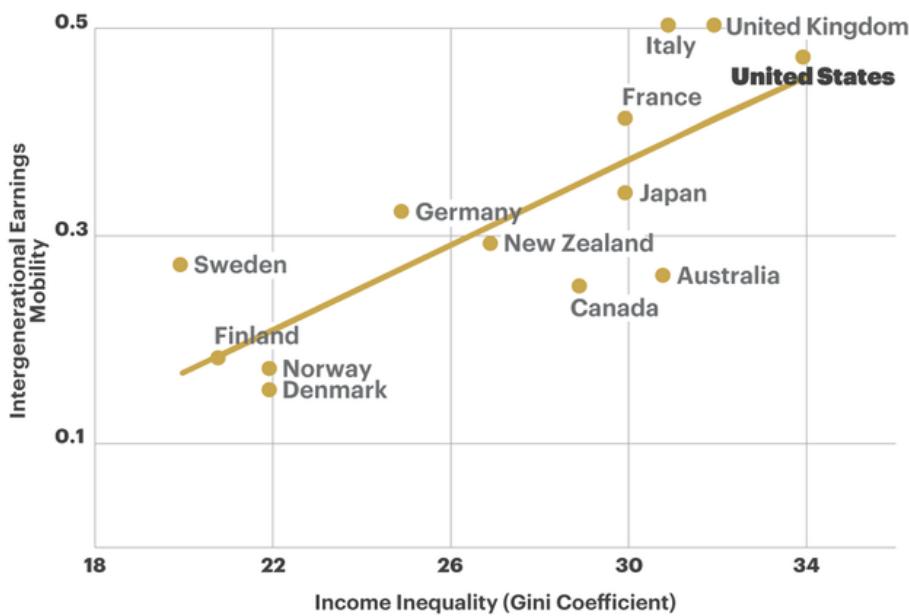
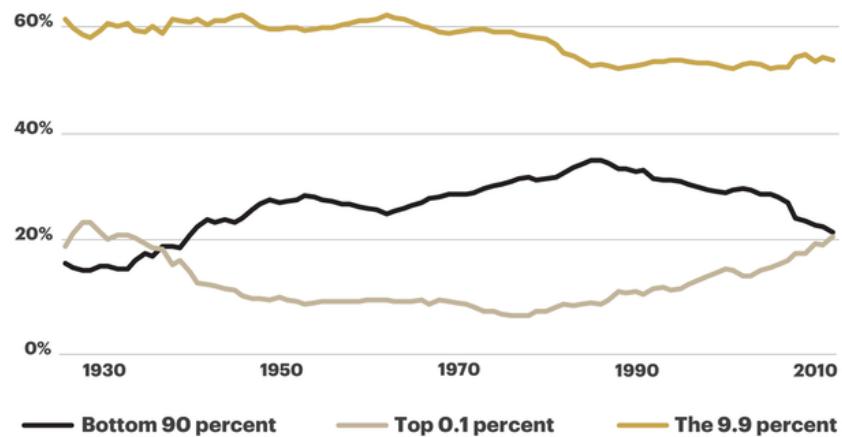
We 9.9 percenters are the staff that runs the machine that funnels resources from the 90 percent to the 0.1 percent. We've been happy to take our cut of the spoils.

The politics of resentment is a means of increasing inequality, not reducing it.

we are next in line for the chopping block. As the population of the resentful expands, the circle of joy near the top gets smaller.

The defining challenge of our time is to renew the promise of American democracy by reversing the calcifying effects of accelerating inequality.

The kind of change that really matters is going to require action from the federal government. That which creates monopoly power can also destroy it; that which allows money into politics can also take it out; that which has transferred power from labor to capital can transfer it back



Matthew Stewart: Birth of a New American Aristocracy (The Atlantic 2018)  
(pdf printout)

#### **8.4.1.1 Economic Elites Rules**

*Gillens*

Each of four theoretical traditions in the study of American politics—which can be characterized as theories of Majoritarian Electoral Democracy, Economic-Elite Domination, and two types of interest-group pluralism, Majoritarian Pluralism and Biased Pluralism—offers different predictions about which sets of actors have how much influence over public policy: average citizens; economic elites; and organized interest groups, mass-based or business-oriented.

A great deal of empirical research speaks to the policy influence of one or another set of actors, but until recently it has not been possible to test these contrasting theoretical predictions against each other within a single statistical model. We report on an effort to do so, using a unique data set that includes measures of the key variables for 1,779 policy issues.

Multivariate analysis indicates that economic elites and organized groups representing business interests have substantial independent impacts on U.S. government policy, while average citizens and mass-based interest groups have little or no independent influence. The results provide substantial support for theories of Economic-Elite Domination and for theories of Biased Pluralism, but not for theories of Majoritarian Electoral Democracy or Majoritarian Pluralism.

When the preferences of economic elites and the stands of organized interest groups are controlled for, the preferences of the average American appear to have only a minuscule, near-zero, statistically non-significant impact upon public policy. This does not mean that ordinary citizens always lose out; they fairly often get the policies they favor, but only because those policies happen also to be preferred by the economically-elite citizens who wield the actual influence.

[Gillens (2014) Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens](<https://www.cambridge.org/core/journals/perspectives-on-politics/article/testing-theories-of-american-politics-elites-interest-groups-and-average-citizens/62327F513959D0A304D4893B382B992B>) (pdf)

#### **8.4.1.2 Trump's American Carnage**

Casting himself as the barbarian at the gate, his years stoking the furies of racial resentment, anti-establishment contempt and warped conspiracy theories reached their natural conclusion in the “American carnage” he once promised to end.

Michael Steele, former chairman of the Republican national committee, told the Guardian: “We stopped paying attention to what was happening around us. We started taking for granted each other and we weren’t listening to the things that were driving people’s pain and anguish and frustrations. Our political leadership became absorbed in their own self-interest, in their own re-elections.

The erosion of American democracy has multiple causes – inequality, racism,

distrust of institutions, polarisation, media, social media – that predate Trump and will survive him.

“There’s no one thing you can single out with any absolute truth as definitive. It is like making a gumbo and finding the worst ingredients possible and just scratching your head and trying to figure out, why doesn’t this taste right?

Trump has tapped into the frustration of the sliding status of a group of less well-educated whites

Guardian: Trump’s American Carnage

#### 8.4.2 Roman Elite

We are perennially fascinated with the rise and fall of the Roman Empire. Why? Likely because its collapse cast such a long shadow on Western Europe. Once the center of civilization, the Roman collapse sent Western Europe into a dark age. It would take a millennia to recover.

Interestingly, the Roman elite seemed to be the last to recognize the empire’s decline. True, during Augustus’ reign the elite probably knew that the empire was a shadow of its former self. But elites were too busy squabbling over power to care much for the long arc of history. In their eyes, a return to Roman ‘greatness’ was probably forever on the horizon.

Perhaps the best characterization of this elite attitude comes not from history, but from science fiction. In his Foundation trilogy, Isaac Asimov imagines a galactic empire that sits on the verge of collapse. Scientist Hari Seldon sees the writing on the wall. But the leaders of the galactic empire do not. They’re too busy squabbling amongst themselves.

This lack of elite awareness, I’d guess, is a general rule. As empires collapse, elites are usually the last to know.

There’s an interesting paradox here. Elites, as a rule, are forward looking.<sup>3</sup> Worried about losing their power, elites scheme incessantly about the future. Historians, in contrast, are backward looking. It’s their job to study the past. Yet paradoxically, it’s backward-looking historians who are best equipped to see an empire’s future. The long arc of empire’s rise and fall is evident only when you look at the past. Busy scheming about the immediate future, elites rarely see this long arc of history. And so they rarely anticipate imperial decline.

When it comes to empire, Adam Smith is important because he started a long line, in political economy, of imperial apologetics. As empire spread through force and plunder, you could count on the admirers of Adam Smith to see ‘free markets’ everywhere. This worldview was solidified in the ‘marginal revolution’, during which neoclassical economics was born. The timing of this revolution is ominous. Faith in markets was perfected at the height of British imperialism.

Karl Marx, in contrast, saw empire for what it was — a sprawling octopus whose

arms sucked resources from the world. A fierce critic of British rule in India, Marx is the father of many anti-imperial schools of thought (like dependency theory and world-systems theory). Marx even recognized the ‘metabolic rift’ in British society that was being driven by industrialization. (Human refuse, for instance, was no longer being returned to the land.)

As empires decline, citizens should be aware of two things. First, their imperial ‘greatness’ is probably gone forever. Second, there are other ways to be ‘great’. A society can be ‘great’ not by conquering the world, but by becoming sustainable and equitable. But unlike imperial power, this alternative type of ‘greatness’ won’t be built by elites. Like always, elites are too busy squabbling over power to see the writing on the wall. But this time the writing signals a warning not just for one empire, but for the whole of humanity: become sustainable or risk collapse. It’s up to us to make the sane choice.

Blair Fix: Why America won’t be great again

## 8.5 Wage Labour

Advocates of slavery looked upon the “comparative evils of Slave Society and of Free Society, of slavery to human Masters and slavery to Capital” and proceeded to argue that wage slavery was actually worse... most of the techniques of human organisation employed on factory workers during the industrial revolution were first developed on slave plantations... The conception of the worker’s labour as a commodity confirms Marx’s stigmatisation of the wage system of private capitalism as ‘wage-slavery;’ that is, as an instrument of the capitalist’s for reducing the worker’s condition to that of a slave, if not below it.” Wage labour is the very foundation of capitalism. “Without a class dependent on wages, the moment individuals confront each other as free persons, there can be no production of surplus value; without the production of surplus-value there can be no capitalist production, and hence no capital and no capitalist!” (Wikipedia). “Whatever does not spring from a man’s free choice, or is only the result of instruction and guidance, does not enter into his very nature; he does not perform it with truly human energies, but merely with mechanical exactness” and so when the labourer works under external control, “we may admire what he does, but we despise what he is.” (Humboldt)

### 8.5.1 Labour Unions

The pro-corporate trade unions (AFL-CIO, UAW, AFT, etc.) have sought to completely eradicate working class resistance to capitalism. Strike activity has been negligible for the last 40 years. 2020 recorded the fewest strikes since record-taking began in 1947. (David North (twitter)).



# 9

## Inequality

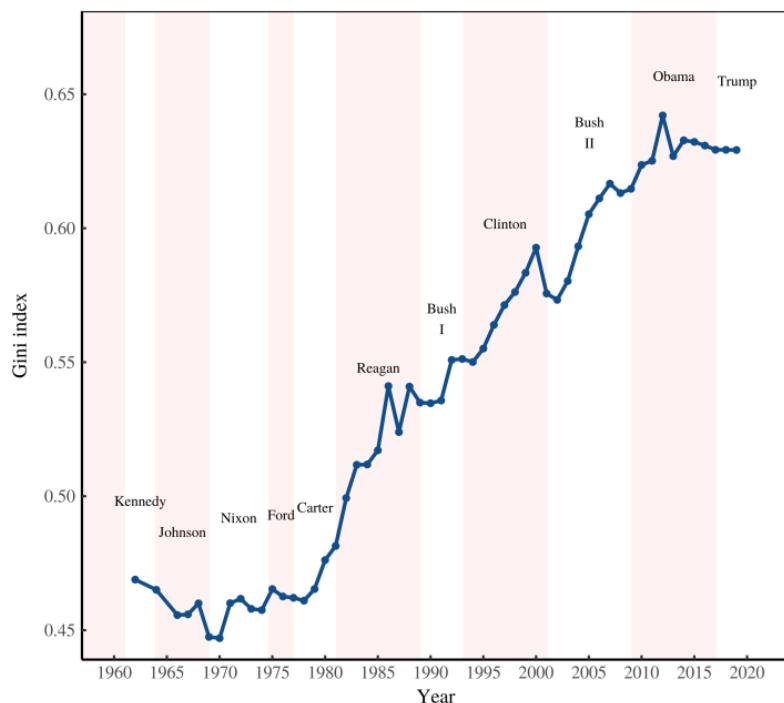


Figure: Income inequality in the United States. The Gini index of US income inequality since 1962. Shaded regions show the tenure of US presidents\*  
Source:(Blair Fix)

The Institute for Public Policy Research, a Blairite think tank based in the UK, issued a report on economic inequality in October of this year. The report

presents a typically centrist response to this social crisis.

The report surveys the empirical data, which paints the familiar and depressing picture. The majority have almost no wealth and are in debt. 5 million people earn less than 8 pounds 10 per hour. In contrast, the richest 10% own 50% of the nation's wealth. And the majority of that wealth is unearned, since it's obtained, not by supplying labour, but by the mere ownership of assets.

So what are the causes of such extreme inequality, and why is it increasing? This is the big question the report aims to answer.

The authors give 5 reasons why inequality is increasing:

First, housing. The rate of home ownership is falling.

Second, capital. It's not equally owned. So profits are not equally distributed.

Third, governments. They've decided to tax the wealthy less and less.

Fourth, wages. They're too low. So people can't save and accumulate wealth.

Fifth, demand for labour. It's decreasing due to automation and so-called digital capi

The social architecture of capitalism

(If you prefer to watch a video see Video of "Social Architecture of Capitalism" at CU 2019). Things are getting worse

In the last 30 years economic inequality has significantly increased. People at the bottom struggle for food and shelter, while those at the top earn many years worth of the average salary while they sleep. The majority in the middle work hard yet lack savings, living their entire lives a few paychecks from destitution.

Recently I counted 5 people sleeping in shop doorways on the Cowley Road. Such a scene was unthinkable 30 years ago. But homelessness is just one highly visible symptom of a much bigger social catastrophe.

Things have got so bad that even mainstream discourse has shifted to reflect the new reality. We're routinely told that millennials face low wages, poor quality jobs, high debt, and worse economic outcomes compared to their parents. People now accept that the political system is rigged by a rich elite who've captured the institutions of the nation state. And even the arch conservative world of academic economics talks about inequality. And that simply didn't happen just 10 years ago.

For supporters of capitalism, both on the left and right, this worsening situation poses something of a problem. Obviously something has gone wrong. But what? A typical response

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**Fifth, demand for labour.** It's decreasing due to automation and so-called digital capitalism.

Report this ad

I'm not going to waste time to explain why these reasons are bunk. Instead, I'll simply state they are symptoms of increasing inequality, not causes of it.

So the report completely fails to answer the question it poses. And I'm pleased to say, in a very smug way, that this is exactly what I expected before reading it.

I also expected, and was happy to have my prejudice confirmed, that the report would avoid any mention of workers and capitalists. Of course, there's plenty of talk of social stratification as defined by market researchers. But the report neglects to mention that capitalism is a system in which one economic class systematically exploits another.

And its economic exploitation — not housing, tax policies or low wages — that is the root cause of the economic inequality we see all around us.

### 9.0.1 It's Exploitation

#### Stop talking about inequality, start talking about exploitation

The IPPR report stated that the main causes of increasing inequality are the unequal ownership of capital, housing policy, low wages, regressive taxation and automation.

But we've just seen that, even if we reset society to a perfect and equitable state, where classes have yet to form and everyone has equal wealth, then — as a consequence of the iron laws of thermodynamics — the mere existence of markets and a wage system will rapidly produce exactly the kind of inequality we see around us today.

So the point is this: the fundamental social architecture of capitalism is the main cause of economic inequality. We can't have capitalism without inequality: it's an inescapable and necessary consequence of the economic rules of the game.

Government policy can, of course, attempt to control this basic tendency. And most of us would derive marginal benefit from more enlightened housing, tax

and wage policies. But such piecemeal reforms are a plaster on a gaping wound.

And since the rich capture democratic institutions even such mild reforms are easily swept aside. We've seen a collection of post-war policies, that controlled economic inequality, ditched in the last 30 years. And that's why things have got even worse.

Extreme economic inequality causes untold misery. At the top we see excessive and wasteful hyper-consumption. At the bottom, countless everyday struggles to live a dignified life.

And decades of political reforms have not produced a fair and equitable society. And they never will. It's hopelessly utopian to think they could.

Getting serious about economic inequality requires thinking about the fundamentals: which is the wage system, where one class systematically exploits another. We need much less talk about inequality, and much more talk about exploitation.

Ian Wright

## 9.1 Poverty

*Hickel*

If we nonetheless take the World Bank's PovcalNet data at face value:

5. The proportion of people living under \$1.90 per day has declined significantly, but poverty as measured by \$7.40/day has declined more slowly, from 70.8 percent in 1981 to 58.1 percent in 2013.
6. The absolute number of people living under \$1.90/day has declined significantly, while the number of people living under \$7.40/day has risen—from 3.19 billion in 1981 to 4.16 billion in 2013.
7. The average consumption of people below both the \$1.90 and \$7.40 poverty lines and above those lines has increased. The “poverty gap” (the average distance below the poverty line) has been shrinking.

These trends need to be distinguished by period and by region:

8. Between 1981 and 2002 most of the gains against global poverty at \$7.40/day came from East Asia and the Pacific: in that region, poverty declined from 98 percent to 88 percent while it increased in the rest of the world. At \$1.90, the proportion in poverty in East Asia fell from 81 percent to 30 percent. China drove most of these gains. In the rest of the world, the poverty rate was almost unchanged.
9. Since 2002, every developing region has seen a decline in the proportion of people living under both \$1.90 and \$7.40, although the Middle East, South

Asia, and sub-Saharan Africa have seen a rise in the absolute number of people living under \$7.40/day.

10. Ultimately, the more morally relevant metric is not proportions or absolute numbers, but rather the extent of poverty vis-a-vis our capacity to end it. By this metric, the world has much to do—perhaps more than ever before.

Hickel: Proposed Consensus on Poverty

Allen: Poverty and the Labour Market -today and yesterday

Milanovic: Globale Poverty Long Term





## 10

# Concentration

## 10.1 Corporative State



*Geir Ivar Jørgensen, Gule Vester Norge:* Vi er eid av den korporative statens eiere Korporativisme av fascistisk kulør er hva vi har med å gjøre Korporasjoner styrer alle samfunnsområder for å tjene et globalisert oligarki av eiere. Beviset bør alle snart ha oppfattet ved hvor mye 1 prosenten eier i forhold til alle andre. Velgerne kan endre på dette, men da må de stemme de korporative eieres politiske lakeier bort fra makten. I Norge betyr det at velgerne må slutte å stemme på Ap+Erna & Co. fordi det er deres ansvar at vi blir overstyrt av EU via EØS-avtalen. EU er et politisk system som har korporativisme som fundament og struktur. EU er skapt av og for den korporative statens aktører.

## 10.2 Profitable degradation

In recent decades, an unprecedented consolidation among corporate players has taken place around the world. Today, 10 per cent of the world's public companies generate 80 per cent of all profit.

Bankrolling Extinction

## 10.3 Superstars

*Memo Superstars*

As a proportion of GDP, American corporate profits are higher than they have been at any time since 1929.

Pulling ahead of their rivals in one area after another and building up powerful defences against competition, including enormous cash piles equivalent to 10% of GDP in America and as much as 47% in Japan.

In the 1980s and 1990s management gurus pointed to the “demise of size” as big companies seemed to be giving way to a much more entrepreneurial economy. Giants such as AT&T were broken up and state-owned firms were privatised. High-tech companies emerged from nowhere. Peter Drucker, a veteran management thinker, announced that “the Fortune 500 [list of the biggest American companies] is over.” That chimed with the ideas of Ronald Coase, an academic who had argued in “The Nature of the Firm” (1937) that companies make sense only when they can provide the services concerned more cheaply than the market can.

But now size seems to matter again. The McKinsey Global Institute, the consultancy's research arm, calculates that 10% of the world's public companies generate 80% of all profits. Firms with more than \$1 billion in annual revenue account for nearly 60% of total global revenues and 65% of market capitalisation.

The share of nominal GDP generated by the Fortune 100 biggest American companies rose from about 33% of GDP in 1994 to 46% in 2013, and the Fortune 100's share of the revenues generated by the Fortune 500 went up from

57% to 63% over the same period. The number of listed companies in America nearly halved between 1997 and 2013, from 6,797 to 3,485, according to Gustavo Grullon of Rice University and two colleagues, reflecting the trend towards consolidation and growing size. Sales by the median listed public company are almost three times as big as they were 20 years ago. Profit margins have increased in direct proportion to the concentration of the market.

Startups, meanwhile, have found it harder to get off the ground. Robert Litan, of the Council on Foreign Relations, and Ian Hathaway, of the Brookings Institution, note that the number of startups is lower than at any time since the late 1970s, and that more companies die than are born, pushing up their average age.

The superstar effect is particularly marked in the knowledge economy. In Silicon Valley a handful of giants are enjoying market shares and profit margins not seen since the robber barons in the late 19th century. “Competition is for losers,” says Peter Thiel, a co-founder of PayPal, a payments system, and the first outside investor in Facebook. On Wall Street the five largest banks have increased their share of America’s banking assets from 25% in 2000 to 45% today.

Today’s superstar companies are big in different ways from their predecessors. In the old days companies with large revenues and global footprints almost always had lots of assets and employees. Some superstar companies, such as Walmart and Exxon, still do. But digital companies with huge market valuations and market shares typically have few assets.

Yet even “old” big companies employ far fewer people than they used to. Exxon, the world’s most successful oil company, has cut back its workforce from 150,000 in the 1960s to less than half that today, despite having merged with a giant rival, Mobil

The “new” big companies are becoming more like the corporations of yore. High-tech companies often give senior jobs to former Washington insiders and employ armies of lobbyists. Many modern superstar companies park their money in offshore hideaways and devote considerable efforts to keeping down their tax bills. Superstar companies tend to excel at everything they do—including squeezing as much as they can out of government while paying the lowest possible taxes.

The age of entrepreneurialism, ushered in by Britain’s Margaret Thatcher and America’s Ronald Reagan, is giving way to an age of corporate consolidation even as most companies are becoming more virtual

Rise of superstars - Economist (pdf-printout)

## 10.4 Land Oligopoly

“When the billionaires buy up all the farmland, you can feel the late stages of civilization collapse” (Joe Brewer)

Bill Gates, the fourth richest person in the world has been quietly snatching up 242,000 acres of farmland across the U.S. — enough to make him the top private farmland owner in America. Gates, who has a net worth of nearly \$121 billion according to Forbes, has built up a massive farmland portfolio spanning 18 states. His largest holdings are in Louisiana (69,071 acres), Arkansas (47,927 acres) and Nebraska (20,588 acres). Additionally, he has a stake in 25,750 acres of transitional land on the west side of Phoenix, Arizona, which is being developed as a new suburb.

This is not Gates' only foray into agriculture. In 2008, the Bill and Melinda Gates Foundation announced \$306 million in grants to promote high-yield, sustainable agriculture among smallholder farmers in sub-Saharan Africa and South Asia. The foundation has further invested in the development and proliferation of “super crops” resistant to climate change and higher-yield dairy cows.

It is not entirely clear how Gates' farmland is being used, or whether any of the land is being set aside for conservation. (Cascade did not return Forbes' request for comment.) However, there is some indication that the land could be used in a way that aligns with the foundation's values. Cottonwood Ag Management, a subsidiary of Cascade, is a member of Leading Harvest, a nonprofit that promotes sustainable agriculture standards that prioritize protections of crops, soil and water resources.

While Gates may be the country's biggest farmland owner, he by no means is the largest individual landowner. In its list of 100 top American landowners, The Land Report gives the top spot to Liberty Media Chair John Malone, who owns 2.2 million acres of ranches and forests. CNN founder Ted Turner ranked number three with 2 million acres of ranch land across eight states. Even Amazon CEO Jeff Bezos is investing in land on a large scale, landing the 25th spot with his ownership of 420,000 acres, mainly in west Texas.

Land Oligopoly Comment

## 10.5 Architecture of Global Ownership

*Abstract Vitali*

Transnational corporations form a giant bow-tie structure. A large portion of control flows to a small tightly-knit core of financial institutions. This core can be seen as an economic “super-entity”.

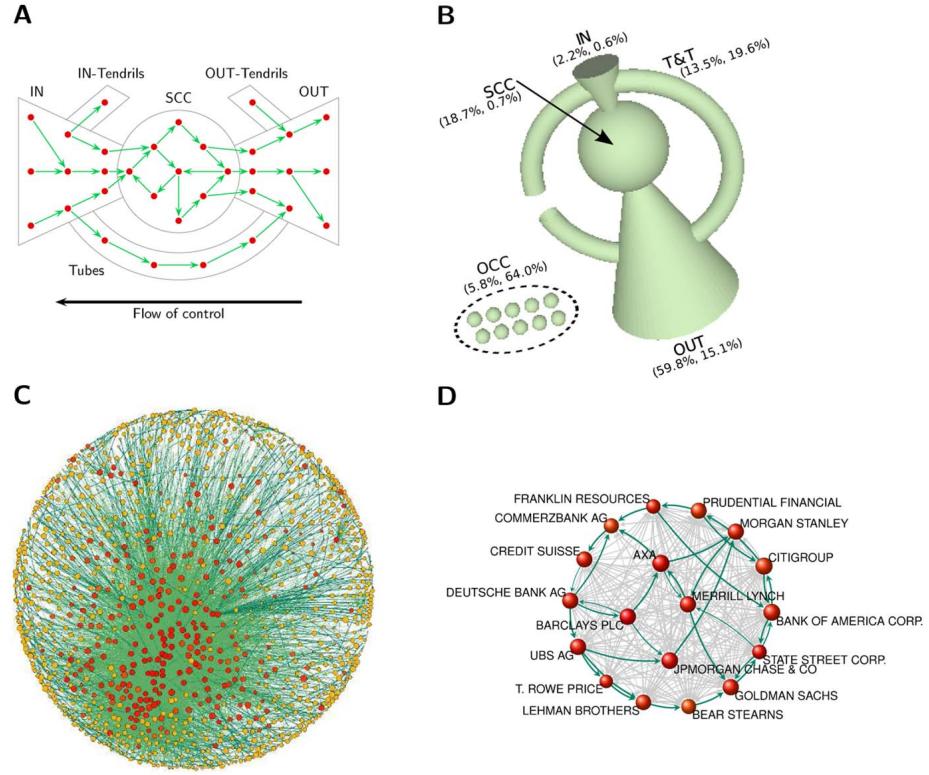


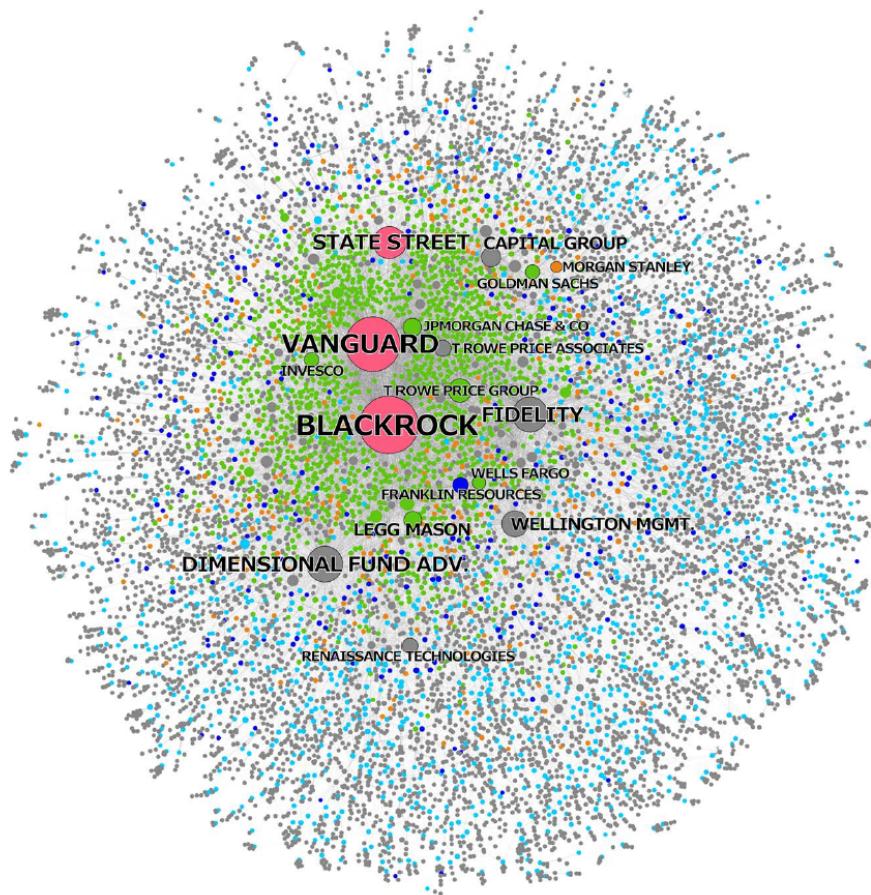
Figure: Network topology. (A) A bow-tie consists of in-section (IN), out-section (OUT), strongly connected component or core (SCC), and tubes and tendrils (T&T). (B) Bow-tie structure of the largest connected component (LCC) and other connected components (OCC). Each section volume scales logarithmically with the share of its TNCs operating revenue. In parenthesis, percentage of operating revenue and number of TNCs, cfr. Table 1. (C) SCC layout of the SCC (1318 nodes and 12191 links). Node size scales logarithmically with operation revenue, node color with network control (from yellow to red). Link color scales with weight. (D) Zoom on some major TNCs in the financial sector. Some cycles are highlighted

Vitali (2011) The Network of Global Corporate Control (pdf) SM (pdf)

*Abstract Fichtner*

Since 2008, a massive shift has occurred from active toward passive investment strategies. The passive index fund industry is dominated by BlackRock, Vanguard, and State Street, which we call the “Big Three.” We comprehensively map the ownership of the Big Three in the United States and find that together they constitute the largest shareholder in 88 percent of the S&P 500 firms. In contrast to active funds, the Big Three hold relatively illiquid and permanent ownership positions. This has led to opposing views on incentives and pos-

sibilities to actively exert shareholder power. Some argue passive investors have little shareholder power because they cannot “exit,” while others point out this gives them stronger incentives to actively influence corporations. Through an analysis of proxy vote records we find that the Big Three do utilize coordinated voting strategies and hence follow a centralized corporate governance strategy. However, they generally vote with management, except at director (re-)elections. Moreover, the Big Three may exert “hidden power” through two channels: First, via private engagements with management of invested companies; and second, because company executives could be prone to internalizing the objectives of the Big Three. We discuss how this development entails new forms of financial risk.

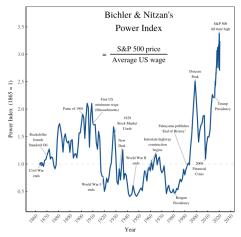


Fichtner (2017) Hidden Power of the Big Three (pdf)



# 11

## Capital as Power



The capitalization of firms indicates their ‘differential power,’ which is their ability to use property rights to further their own economic advantage over workers and other peer competitors. Dominant classes and corporations exploit this differential power to adjust wages, profits, and prices as they see fit, gaining more power over labor along the way.

Fix GDP

*CasP Theory*

Power, even when recognized, cannot be integrated into political economy: (1) it upsets the so-called laws of economics, (2) it decimates value theory, and (3) it makes ‘real’ aggregates unquantifiable.

The theory of capital as power (CasP) is radically different from conventional political economy. In the conventional view, mainstream as well as heterodox, capital is seen a “real” economic entity engaged in the production of goods and services, and capitalism is thought of as a mode of production and consumption. Finance in this approach is either a mere reflection/lubricant of the real economy (the mainstream view), or a parasitic fiction (the heterodox perspective). CasP rejects this framework. Capital, it argues, is not a productive economic entity, but a symbolic representation of organized societal power writ large, and capitalism should be analysed not as a mode of production and consumption,

but as a mode of power. In this approach, finance is neither a reflection nor a fiction, but the symbolic language that organizes and reorders – or creates the order of – capitalized power.

Liberals tend to see this separation in black and white: “economy – good; politics – bad”. And that’s hardly a caricature. In the liberal cosmology, the economy – namely the processes of production, consumption, technology, trade, prices and income – is the fertile source of society. This is the horizontal realm of individualism, utility, productivity, frugality, rationality, dynamism and freedom, the sphere where personal initiative and mutually beneficial exchange propel society forward. By contrast, politics – namely the state and its bureaucracies, the law, the police and army – is the vertical domain of authoritarianism and conformism, power and coercion, waste and irrationality, corruption and manipulation.

Prone to mischief, politics should be restricted as much as possible. Ideally, its role should be to assist the economy by providing law and order and filling in for the occasional market failure – and that’s it. In practice, though, politics always ends up doing more than it is supposed to, causing havoc in the process. According to liberals, politics as such cannot produce anything; it can only appropriate and redistribute. And since the economy is assumed efficient to start with, political intervention cannot but distort and undermine this efficiency, making the overall economic pie smaller. The obvious antidote for this mishap is laissez faire: for liberals, the best society is one with the biggest “free” economy and the smallest and least “interventionist” polity.

The Marxist view is different, but not entirely. Like liberals, Marxists too distinguish economics from politics (or base from superstructure). And they too see the economy, particularly production, as the prime mover of capitalism – the sphere where labour creates both the use value that sustains society and the surplus value that capitalists appropriate to propel accumulation. Unlike liberals, though, Marxists view the political sphere not as a hindering distortion, but as a built-in requirement. The formal separation of economics from politics, they argue, legally alienates private property from public control in order to ensure and legitimize the class superiority of capitalists over the rest of society. In this way, economics and politics stand as the two essential pillars of the capitalist regime – the former generates its exploitation, while the latter secures its oppression.

Although liberals and Marxists reject each other’s framework, they appear to agree (albeit for different reasons) that economics and politics are – and must be – distinctly constituted, and that the economy leads with production and politics reacts with redistribution.

And the question is why? Why do political economists right and left insist on retaining the anachronistic separation of economics from politics and the notion that the former dominates the later? You can say that liberal defenders of capitalism benefit from this separation and prioritization, but what do Marxist

critiques of capitalism stand to gain from upholding the same view? The answer is largely analytical. As they stand, neither school can afford to rock the boat. Without the a priori separation and pecking order of economics and politics, their ability to model – and even describe – the social reality breaks down.

Politics must be seen as subservient to economics: if they are not, the arbitrary character of politics – and of power more generally – is bound to distort if not totally annul the rational-mathematical automaticity of the perfectly competitive economy; with mathematical rationality gone, liberals lose their universal laws of the economy and Marxists their capitalist laws of value, if not of motion; and with these laws defunct, political economy can no longer claim to be the science of society.

Bichler & Nitzan CasP Website Bichler & Nitzan (2021) Unbrigdeable\_CasP\_Political\_Econly (pdf)

In English, of persons who own a variety of assets that have a certain monetary value, one says that they have a certain wealth. In English, it is not clear how wealth as such should relate to power. The situation is different in German: the direct translation of ‘wealth’ is Vermögen, sometimes even Kapitalvermögen. You say, Mr. Gates has a Vermögen of \$100 billion. Now, the word Vermögen is also used more generally to denote the ability to do something, the power to. Indeed, etymologically Vermögen belongs to the same group as the German Macht, which is the direct translation of ‘power’, especially in political contexts. These words trace their etymology to the Indo-European root mag h , which means ‘ability’ or ‘power’, and from which all kinds of related English words, like ‘might’, ‘mechanics’, ‘machine’ and many others, including ‘magician’, derive; there is also the closely related root maǵ h , which means ‘fight’ or ‘struggle’ (Köbler 2014). So in German, the identity of capital and power is already built into the language— and the etymologically English equivalent to Kapitalvermögen would be ‘capital might’. The reader can get a feeling for the meaning of Vermögen by taking an arbitrary report about goings-on in business and replace words like ‘asset’, ‘wealth’ and ‘equity’ with ‘might’. The use of the word Vermögen for financial wealth apparently seems to have started around 1500 (Grimm and Grimm 2019). This was the age of German protocapitalists, most notably Jacob Fugger of Augsburg (b. 1459– d. 1525), whose byname was ‘the Rich’ and who, at the end of his life, controlled much of European silver and copper production, silver being the foundation of the hard money of the age and copper a raw material necessary for making then new weapons of mass destruction, cannons and guns. Fugger and other rich men were able to turn their business success into political influence. For example, Fugger was responsible, i.e. paid for, Charles V to become emperor of the Holy Roman Empire in 1519 (Häberlein 2012; Steinmetz 2016). In an age that was otherwise still feudalist, this new kind of monetized power, Geldvermögen, was reflected in chapbooks, early popular printed story books, notably in the well-known Dr. Faustus, about a magician who seeks power through a pact with the devil, but also in the much less known Fortunatus, which plays out the possibilities its main character has

with a purse that contains money each time he opens it (Suchsland 1968).

Ulf Martin (2018) (pdf)

### **Asymmetric extension of the market**

On the face of it, then, an ever-expanding market system – a “still extending order” – would appear to be good news because it would bring the market’s genuine power of efficient allocation to more and more items. The key problem, however, is that there is a hazardous and unsustainable asymmetry in the pattern of the market’s extension. Consider, for example, that over the last decade my Google search for “carbon emissions” has been commodified and now commands a price – not to me, but to the advertisers bidding for my attention – while my actual carbon emissions remain unpriced despite economists making a serious case for such pricing for nearly half a century, now. Personal data suddenly has a price, but not carbon emissions? The market seems to extend in mysterious ways. The simple explanation is that markets appear where those who have power to make markets would like them to appear. This power is often de facto rather than explicitly granted. Our current socio-economic arrangements empower corporations to reach out and appropriate – to make new property of – new things that may be profitable for them. Such as your internet searches or knowledge of your travel movements. However, corporations also have extraordinary power through lobbying and regulatory obstruction to prevent any new commodification of entities that would result in new costs. Businesses have real powers in the political domain in which markets are nested to determine where markets may or may not extend. So, our still extending – and so still incomplete – market system continues to annex new, previously uncommodified, realms, but in asymmetrical fashion. Markets eagerly reach out to embrace new profit opportunities but rebuff the internalization of new costs. As the decades go by, this ensures that the market, as an institution, becomes ever more extractive or cost- shifting in nature.

“Enabled markets”, not “free markets” Hence, the “free market” advocate cheats when he argues the role of government is principally to uphold property rights, or to “enforce private contracts.” That entirely dodges the critical questions of what entities should receive property rights and how we should collectively decide. “Property” can never be a static domain, both because we make new things and because our ever-expanding knowledge of the world leads us to re-perceive and re-value many existing things. As well, technology permits us to commodify – and so make property of – more and more. The “free market” advocate is in the dissonant position of wishing market actors to be the sole conferees of new property rights while also depending on the government to uphold a general rule of law which is the necessary condition for property to being meaningful at all. Indeed, because of the indispensability of the rule of law, we should be more accurate with our terminology. We never have “free markets”. We only ever have “enabled markets” – markets enabled by an authority capable of upholding the rule of law that gives property meaning. Language matters. “Free markets” is a highly misleading term – routinely deployed as an unassailable universal

principle to cloak a more parochial agenda. Too often, what “free market” proponents are really advocating is a system of “enabled markets where we want them and not where we don’t.” Or, put another way, the working slogan of neoliberalism has come to be: “some markets are the solution; government is the problem”.

Government is in the loop! The problem, as should now be clear, is that we have created a narrative and cultural norms that limit governments’ ability to correct the huge gaps in the market’s grasp of real value. We expect government to support the market and governments now find themselves “caught in the loop” of promoting unsustainable economic growth. Governments increasingly use economic performance – even stock market performance! – as a measure of their success, which negates their ability or even interest to introduce new markets that may impose costs. Other reinforcing loops are more tangible, still. For example, corporations use profits to lobby for lax regulations that enhance profits which can be used to lobby for more lax regulations etc. This dynamic – Friedman’s Feedback Loop, call it – has inexorably neutered government’s ability to improve human welfare by modulating market forces

Duncan Austin: Pigou and the dropped stitch of economics RWER95 (pdf)



# 12

## Market

“To allow the market mechanism to be sole director of the fate of human beings and their natural environment... would result in the demolition of society” (Karl Polanyi (1944) *The Great Transformation*)

### 12.1 Scarcity

#### 12.1.1 Neoclassical Supply and Demand

*Bichler and Nitzan*

The ideal neoclassical economy is a natural construct made up of numerous utility-maximizing agents. These agents are independent of each other, autonomous and rational. They have unlimited desires for hedonic pleasure, which they derive from consuming goods and services, but they have only limited means – or resources – to satisfy these desires. The difference between what they crave for and what they can afford generates ‘scarcity’. Scarcity is inherent and permanent, so agents are compelled to produce, sell and buy more and more commodities without end.

Bichler and Nitzan *The 1-2-3-Toolbox*

### 12.2 Humanising the market?\*

*Pope Francis*

A few summers ago when a range of policymakers, business people, academics, labour leaders and charity workers gathered at the Vatican to discuss the future of the market system, Pope Francis surprised us by joining the lunch and sharing a parable. He observed that:

*Our meal will be accompanied by wine. Now, wine is many things. It has a bouquet, colour and richness of taste that all complement the food. It has alcohol that can enliven the mind. Wine enriches all our senses. At the end of our feast, we will have grappa. Grappa is one thing: alcohol. Grappa is wine distilled. Humanity is many things – passionate, curious, rational, altruistic, creative, self-interested. But the market is one thing: self-interest. The market is humanity distilled. Your job is to turn the grappa back into wine, to turn the market back into humanity. This isn't theology. This is reality. This is the truth.*

*Mark Carney*

It is vital to rebalance the essential dynamism of capitalism with our broader social goals.

As we move from a *market economy* to a *market society*, both value and values change. Increasingly, the value of something, of some act or of someone is equated with their monetary value, a monetary value that is determined by the market.

The logic of buying and selling no longer applies only to material goods, but increasingly governs the whole of life from the allocation of healthcare to education, public safety and environmental protection.

### 12.3 Commodification

Commodification, putting a good up for sale, can corrode the value of what is being priced.

As the political philosopher Michael Sandel argues, “When we decide that certain goods and services can be bought and sold, we decide, at least implicitly, that it is appropriate to treat them as commodities, as instruments of profit and use.”

Putting a price on every human activity erodes certain moral and civic goods. It is a moral question how far we should take mutually advantageous exchanges for efficiency gains. Should sex be up for sale? Should there be a market in the right to have children? Why not auction the right to opt out of military service?

There is extensive evidence that, when markets extend into human relationships and civic practices (from child-rearing to teaching), being in a market can change the character of the goods and the social practices they govern.

One of the best-known examples was documented by Richard Titmuss in his comparative study of blood-donation systems in the US and the UK, *The Gift Relationship*. Titmuss demonstrated that in economic and practical terms, the UK system of voluntary donations was superior to the US system, which paid for donations. He added an ethical argument that turning blood into a commodity

diminished the spirit of altruism and eroded people's sense of obligation to donate blood to support others in their community.

This underscores the *moral error of many mainstream economists*, which is to treat civic and social virtues as scarce commodities, despite there being extensive evidence that public-spiritedness increases with its practice.

Value in the market is increasingly determining the values of society. We are living Oscar Wilde's aphorism – *knowing the price of everything but the value of nothing* – at incalculable costs to our society, to future generations and to our planet.

Mark Carney in The Guardian

*Marx*

*Carney thinks Capitalism can be put under administration. Let us be reminded of some older thinking on this issue:*

Modern bourgeois society with its relations of production, exchange and property, a society that has conjured up such gigantic means of production and exchange, is like the sorcerer who is no longer able to control the powers of the netherworld whom he has called up by his spells.

## 12.4 Advertising

We no longer need to spend billions on advertising. Instead of treating advertising as a tax-deductible cost of production we should tax it heavily as a public nuisance. If economists really believe that the consumer is sovereign then she should be obeyed rather than manipulated, cajoled, badgered, and lied to.

Herman Daly (2008) Steady State Economy (Sustainable Development Commission) (pdf)

### 12.4.1 Greed

*From DW*

#### A motor for the dynamics of a market economy

Greed as a “very strong wish to get more of something, especially food or money,” an “excessive desire for wealth or possessions,” of “more of something than is needed.”

The Catholic Church regards greed as one of the seven deadly sins. But in society today, greed is often seen as a necessary evil, be it at the stock exchange or on the soccer pitch.

An insatiable desire for more money, prosperity and material things may seem objectionable, but greed is also a motor for the dynamics of a market economy.

People are greedy for knowledge, development and success. And who doesn't share a greed for love, recognition and friendship?

Indeed, greed is a topic of great ambivalence, as Paula Lutum-Lenger, director of the Stuttgart-based museum Haus der Geschichte Baden-Württemberg (House of History Baden-Württemberg), told DW. The museum picked the subject for the first show in a planned trilogy of exhibitions on greed, hate and love.

**Shop until you drop.**

Greed is embodied by extreme consumerism: "Shopaholic" is not just a word, but has become a lifestyle for some people who can't seem to get enough of shopping.

**Produce until you drop.**

To increase profits, businesses attempt to reduce production costs by all means. One example is portrayed in the exhibition through a small cow sculpture. It refers to the fact that the EU withdrew milk quotas in 2015, which meant dairy farmers made less per kilo of milk. But it also outlines how the dairy industry developed over the centuries, obtaining today's extremely high milk yields through various questionable methods: According to the museum, a cow in 1800 would give about 1,000 kilos of milk per year, a figure that had quadrupled a century later. A cow in 2020 produces up to 10,000 kilos per year.

Greed, hate and love are all "forces that drive humans, key emotions in history and present society.". Greed can lead to excesses threatening our eco-system.

DW - Greed in Germany

# 13

## International Trade

### 13.1 ‘Free’ Trade

The case for guaranteed mutual benefit in international trade, and hence the reason for leaving it “free”, is based on Ricardo’s comparative advantage argument. A country is supposed to produce the goods that it can produce more cheaply relative to other goods, than is the case in other countries. By specializing according to their comparative advantage both trading partners gain, regardless of absolute costs (one country could produce all goods more cheaply, but it would still benefit by specializing in what it produced relatively more cheaply and trading for other goods). This is logical, but like all logical arguments comparative advantage is based on premises. The key premise is that while capital (and other factors) moves freely between industries within a nation, it does not move between nations. If capital could move abroad it would have no reason to be content with a mere comparative advantage at home, but would seek absolute advantage—the absolutely lowest cost of production anywhere in the world. Why not? With freetrade the product could be sold anywhere in the world, including the nation the capital just left. While there are certainly global gains from trade under absolute advantage there is no guarantee of mutual benefit. Some countries could lose. Now comes the problem. The IMF preaches free trade based on comparative advantage, and has done so for a long time. More recently the IMF has started preaching the gospel of globalization, which, in addition to free trade, means free capital mobility internationally—exactly what comparative advantage forbids! When confronted with this contradiction the IMF waves its hands, suggests that you might be a xenophobe, and changes the subject.

The IMF-WB-WTO ( Washington Consensus) contradict themselves in service to the interests of transnational corporations. International capital mobility, coupled with free trade, allows corporations to escape from national regulation

in the public interest, playing one nation off against another. Since there is no global government they are in effect uncontrolled. The nearest thing we have to a global government (IMF-WB-WTO) has shown no interest in regulating transnational capital for the common good. Their goal is to help these corporations grow, because growth is presumed good for all—end of story. If the IMF wanted to limit international capital mobility to keep the world safe for comparative advantage, there are several things they could do. They could promote minimum residence times for foreign investment to limit capital flight and speculation, and they could propose a small tax on all foreign exchange transactions (Tobin tax). Most of all they could revive Keynes' proposal for an international multilateral clearing union that would directly penalize persistent imbalances in current account (both deficit and surplus), and thereby indirectly promote balance in the compensating capital account, reducing international capital movements.

Herman Daly (2008) Steady State Economy (Sustainable Development Commission)](<http://www.sd-commission.org.uk/publications.php?id=775.html>) (pdf)

## 13.2 Unequal Exchange

*Hickel*

This paper quantifies drain from the global South through unequal exchange since 1960. According to our primary method, which relies on exchange-rate differentials, we find that in the most recent year of data the global North ('advanced economies') appropriated from the South commodities worth \$2.2 trillion in Northern prices — enough to end extreme poverty 15 times over. Over the whole period, drain from the South totalled \$62 trillion (constant 2011 dollars), or \$152 trillion when accounting for lost growth. Appropriation through unequal exchange represents up to 7% of Northern GDP and 9% of Southern GDP. We also test several alternative methods, for comparison: we quantify unequal exchange in terms of wage differentials instead of exchange-rate differentials, and report drain in global average prices as well as Northern prices. Regardless of the method, we find that the intensity of exploitation and the scale of unequal exchange increased significantly during the structural adjustment period of the 1980s and 1990s. This study affirms that drain from the South remains a significant feature of the world economy in the post-colonial era; rich countries continue to rely on imperial forms of appropriation to sustain their high levels of income and consumption.

The dominant assumption in the field of international development holds that the economic performance of nations is due primarily to their internal, domestic conditions. High-income countries have achieved economic success because of good governance, strong institutions and free markets. Lower-income countries have failed to develop because they lack these things, or because they suffer

from corruption, red tape and inefficiency. Therefore, development interventions should focus primarily on fixing domestic policy in global South countries, with the assistance of aid from donor governments. This view has long come under criticism. Methodological nationalism – analysing each country in isolation – erases the longstanding inequitable relationships between countries that have defined the global economy for the last 500 years.

When we take this history into account, it becomes evident that the wealth of high-income nations depends on processes of appropriation from the rest of the world. This was clear during the colonial period, but it also remains true today.

Our results affirm that drain from the global South remains a significant feature of the world-economy in the post-colonial era. ‘Advanced economies’ rely on unequal exchange to facilitate their economic growth and to sustain high levels of income and material consumption. In recent years, the drain has amounted to around \$2.2 trillion per year (constant 2011 dollars) in Northern prices, or \$1.3 trillion per year in global average prices, when calculated according to exchange-rate differentials. The intensity of exploitation and the scale of unequal exchange increased significantly during the structural adjustment period of the 1980s and 1990s. These patterns of appropriation through North–South trade are a major driver of global inequality and uneven development.

There is little evidence to suggest that the North does in fact have a productivity advantage over the South when it comes to production for international trade. Most Southern export industries use advanced technologies provided by foreign capital. At least 75% of the South’s exports in 1966 were produced in ‘the ultra-modern capitalist sector (oil, mining and primary processing of minerals, modern plantations – like those of United Fruit in Central America, or of Unilever in Africa and Malaysia).’ Given the extent of offshoring since the 1980s, it is likely that the proportion has only increased.

Beyond considering the impact of technology and capital on productivity, we should also consider the impact of different modes of labour control. Workers in the South are subject to rigid Taylorist rules that would fall foul of labour law in the North. Chinese workers who produce smart phones describe being ‘trapped in a concentration camp of labor discipline’ where foreign corporations ‘sacrifice our dignity as people for production efficiency’. Prices are not determined by productivity, but by the monopoly power of Northern governments and multinational corporations.

One might argue that the higher wages of workers in the North reflect their greater productivity. Yet this assumption is belied by a 1971 study of export processing zones in Mexico, which found that Mexican metal workers, electronics workers and seamstresses produced 10%-40% more output in an hour than their US counterparts. Southern wages are lower than Northern wages despite the fact that Southern workers are more productive and efficient.

It is the ‘suppression of international labour mobility’ combined with ‘the destitution of a large part of the [South’s] working population’ which explains ‘why

a haircut or a bus journey in Dhaka is so much cheaper than in Amsterdam,' not 'the allegedly so much lower productivity of workers in the tradeable goods sector.'

Measuring drain from the periphery is inherently difficult because it is, by definition, hidden in the price structure of the world-economy. Nevertheless, the South's wages and real exchange rates indicate that Southern prices have been kept artificially low, which enables patterns of imperial appropriation that remain a dominant feature of the world economy.

#### *History*

The historical record demonstrates that, during the colonial period, Western European nations depended for their development on extraction from other parts of the world. Britain's industrial revolution depended in large part on cotton, which was grown on land forcibly appropriated from Indigenous Americans, with labour appropriated from enslaved Africans. Other crucial inputs required by British manufacturers – hemp, timber, iron, grain – were produced using forced labour on serf estates in Russia and Eastern Europe. Meanwhile, British extraction from India and other colonies funded more than half the country's domestic budget.

It is impossible to understand the industrialisation of high-income countries without reference to the patterns of extraction that underpinned it.

The general logic of colonisation was to integrate the global South into the Europe-centered world economy on unequal terms. The South (the 'periphery') was made to serve as a source of cheap labour and raw materials for the North (the 'core'), and as a captive market for Northern manufactured goods.

Beginning in the 1950s, economists and historians associated with dependency theory and world-systems theory argued that this relationship continues to define the global economy in the post-colonial era.

Recent empirical data confirms that high-income nations continue to rely on a large net appropriation of labour and resources from the rest of the world. In 2015, this amounted to 10.1 billion tons of embodied raw material equivalents (accounting for 50% of total consumption in high-income nations), and 182 million person-years of embodied labour (28% of their total consumption) from low- and middle-income nations. Note that these figures represent resources and labour embodied not only in primary commodities but also in high-technology industrial goods such as iPhones, computer chips, cars, designer clothes, etc., which over the past few decades have come to be overwhelmingly produced in the South.

This net appropriation occurs because prices are systematically lower in the South than in the North. For instance, wages paid to workers in the South are on average one-fifth the level of Northern wages. This means that for every unit of embodied labour and resources the South imports from the North, they have

to export many more units to pay for it. A process of ‘unequal exchange’, which constitutes a ‘hidden transfer of value’ from South to North.

Theorists of unequal exchange argue that global price inequalities are artefacts of historical and contemporary forces that depress the cost of labour and resources in the South. During the colonial period, dispossession and the destruction of subsistence economies created a surplus of unemployed labour.

Following independence, when Southern governments attempted to improve wages and resource prices, Western powers often intervened to remove them from power.

In the contemporary era, subsidised grain exports from the North, and land grabs by multinational companies, continue to undermine subsistence economies, placing downward pressure on wages.

Structural adjustment programmes (SAPs) imposed on the South by the IMF and World Bank have cut public sector wages and employment, while rolling back labour rights and curtailing unions.

Finally, the South’s dependence on external finance means that Southern governments must compete with one another to offer cheaper wages and resources to attract foreign investment. Low wages are ultimately maintained through militarised borders, which preclude easy migration from South to North, and thus prevent international wage convergence.

Just as Southern prices are kept artificially low, Northern prices are kept artificially high. Northern firms control 97% of patents – a form of monopoly power that, bolstered by the TRIPS agreement under the WTO, enables them to extract returns well in excess of free market rates. Moreover, high-income nations exercise monopoly power within the core institutions of economic governance. In the World Bank and the IMF, the G8 hold a majority share of votes, allowing them to determine the rules of international finance. In the World Trade Organization, bargaining power is determined by market size, enabling high-income nations to set trade rules in their interests. Neoliberal policies imposed by these institutions have forced global South governments to remove tariffs, subsidies and other infant industry protections, preventing them from developing the industrial capacity to compete with the North. As a result, a relatively small number of firms from high-income countries have grown so large that they now control an overwhelming share of the world economy, ‘with revenues that exceed the GDP of most sovereign countries. These firms can set final prices that are effectively insulated from competition, while depressing input costs across their supply chains.

The deployment of geopolitical and monopoly power by Northern states and corporations maintains price differentials that enable them to appropriate labour and resources from the South through international trade.

Several attempts have been made to estimate the scale of the South’s losses through unequal exchange.

Samir Amin (1976, p. 144) calculated that ‘if the rewards of labor were equivalent to what they are at the center, with the same productivity,’ the South’s revenues from exports to the North would have been \$152 billion higher in 1966 (updated to constant 2011 dollars). This method has been improved upon by Zak Cope (2019, p. 81), who devised a way to distinguish between losses the South suffers due to the ‘undervaluation’ of their exports (comparing the South’s wages to global average wages), and losses they suffer due to the ‘overvaluation’ of imports (comparing the North’s wages to global average wages). He finds that in 2010, the South lost \$2.8 trillion in hidden value appropriated by the North.

In the late-1990s, a second method for quantifying unequal exchange was developed by Gernot Köhler (Köhler 1998; Köhler and Tausch 2002, p. 43–100). Instead of looking at wage differentials, Köhler uses the distortion factor between market exchange rates (MER) and purchasing power parity (PPP) as a proxy for calculating how much higher Southern export prices would be if valued in Northern prices. Using this approach, Köhler estimates that the South lost \$134 billion in unequal exchange in 1965, a figure which rose to \$2.586 trillion in 1995 (updated to constant 2011 dollars). Köhler (2003) also employed a simplified version of his formula (using arithmetic rather than weighted averages to estimate exchange rate distortion) to construct annual estimates of unequal exchange from 1960 to 1998. His data showed that the South lost \$27.7 trillion (updated to constant 2011 dollars) over that period.

#### *Exchange Rate Differentials (ERDI)*

Köhler measures value transfer through unequal exchange by starting with the exchange rate disparities between Northern countries and Southern countries. For instance, Köhler notes that India’s GDP per capita in 1995 was US\$1,400 in PPP terms (i.e. measured at the US price level), but only US\$340 in MER. Dividing PPP by MER yields what Köhler calls the ‘Exchange Rate Deviation Index’, or ERDI. For India in 1995, ERDI was 4.12. Put differently, prices in the US were 4.12 times higher than in India. For Northern countries, by contrast, ERDI is generally very close to 1. Köhler proposes that we can use ERDI to measure value transfer. His formula is as follows:

$$T = d * X - X$$

Where: T = value transferred through unequal exchange

X = exports from periphery to core

d = the ratio of the peripheral country’s ERDI to the core country’s ERDI

There are two ways to conceptualise Köhler’s approach to value transfer. Some scholars have interpreted it as the amount of additional income that the South would have earned on its exports under conditions of fair-trade (Köhler 1998; Somel 2003). In other words, value transfer is calculated under the assumption that Southern exporters could receive Northern prices in a fairer world. One

might criticise this approach on the grounds that it is impossible for all countries to achieve Northern prices, given that Northern prices are high because of imperial power, which cannot be universalised. But there is another, more robust way to conceptualise Köhler's approach, namely, as measuring the value of commodities that the South transfers uncompensated to the North in terms of the Northern price level.

This represents commodities that the South could have sold on world markets, as well as labour and resource inputs that could have been used to meet domestic needs, but which were instead transferred gratis to the North. It also represents a significant windfall for the North, in terms of the money saved by acquiring goods from the South, on unequal terms, rather than producing them domestically at Northern prices. These savings are available for reinvestment in Northern economic development and to enhance the North's economic and geopolitical power, which further enables unequal exchange.

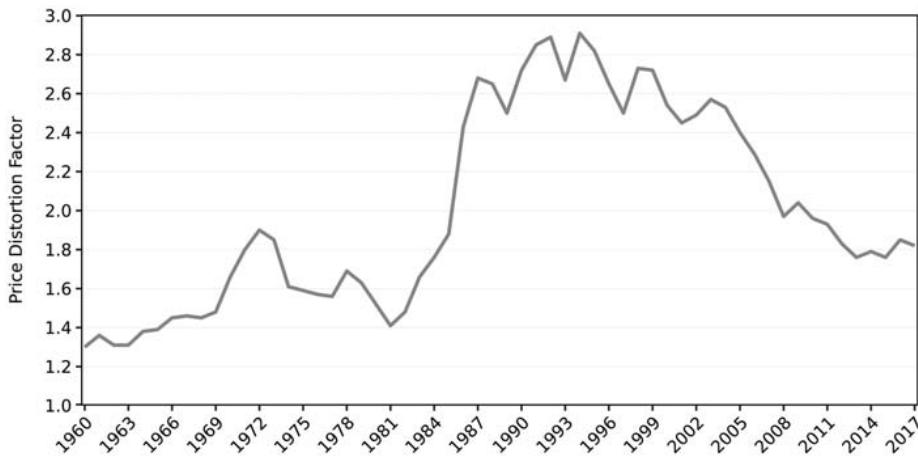


Figure: Price Distortion Factor (1960–2017).

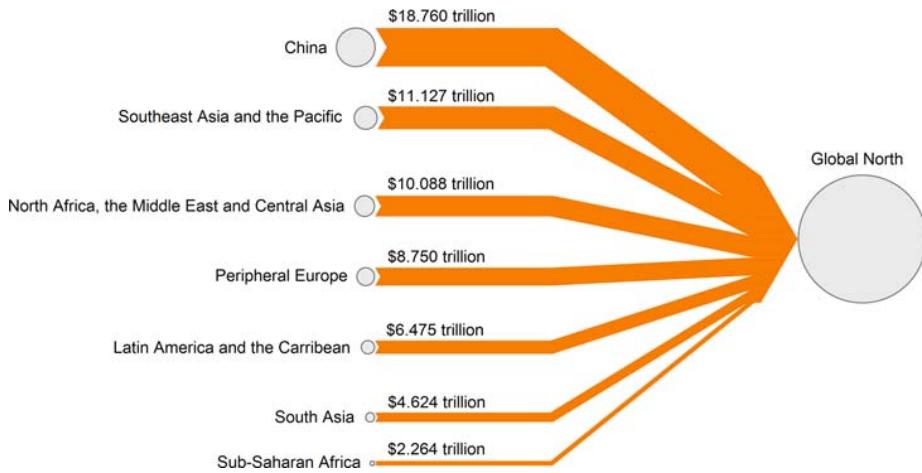


Figure: Drain from the global South (1960–2017).

Our results affirm that drain from the global South remains a significant feature of the world-economy in the post-colonial era. ‘Advanced economies’ rely on unequal exchange to facilitate their economic growth and to sustain high levels of income and material consumption. In recent years, the drain has amounted to around \$2.2 trillion per year (constant 2011 dollars) in Northern prices, or \$1.3 trillion per year in global average prices, when calculated according to exchange-rate differentials. The intensity of exploitation and the scale of unequal exchange increased significantly during the structural adjustment period of the 1980s and 1990s. These patterns of appropriation through North-South trade are a major driver of global inequality and uneven development.

Hickel (2021) Plunder in the Post-Colonial Era (Paywall) Author’s pdf (pdf)

*Gräbner*

‘Unequal Exchange’ between the core and the periphery. This concept goes back to Prebisch (1950) and Singer (1950), who have identified an unequal exchange between primary goods produced in the peripheries and industrial goods produced in the cores. They found that this leads to a constant deterioration of the terms of trade for the peripheries with adverse consequences for industries in peripheries. Emmanuel (1972) picks this up and comes up with his own theory of unequal exchange in which he puts differences in wages at the heart of his explanation for the uneven development between cores and peripheries hindering the development in peripheries.

### 13.3 Core-Periphery

*Gräbner*

Trade in the Eurozone is unequal at the expense of the peripheries and follows

a pattern of “unequal technological exchange”

Complex goods are manufactured and exported from the core, simple goods are manufactured and exported by the peripheries. We argue that this unequal technological exchange is the result of a ‘vicious specialization’ and is effectively hampering the development of the peripheries. It thereby adds to the dimensions of ‘unequal exchange’.

The present paper complements structuralist theory with methods and concepts from the literature on economic complexity.

At the core of the complexity literature is the idea that a key explanation for a society’s wealth is the ability of its citizens to collectively engage in sophisticated economic activities, such as the production of complex products. Analyzing inter-national trade data with tools from network science allows the delineation of indicators that measure the complexity of products (i.e. the amount of technological capabilities needed to produce the product) and of countries (i.e. the amount of collective capabilities accumulated in this society). The resulting formal apparatus allows for the empirical identification of core-periphery patterns in global production structures, as anticipated by earlier structuralist scholars.

The institutional shift that came along with the monetary integration can be understood as a shift in political power away from national democratic institutions and towards technical state apparatuses which made it increasingly difficult to challenge those asymmetric structures. The same can be said for the responses to the Euro crises, which was driven by the interest of core countries.

The European core has followed an export-driven growth model and the periphery has followed mainly a debt-driven growth model, which was rendered infeasible after the crisis.

Why some countries have seen the emergence of a debt-led rather than an export-led growth model to stabilize aggregate demand [is explained by] non-price competitiveness, which mainly depends on the accumulation of technological capabilities.

Three main challenges for country taxonomies as used in structuralism that are underlying these difficulties: first, the challenge of dynamics, which refers to the fact that countries might switch from one group to another over time. Ireland is an example that comes immediately to mind which switched from being a periphery, very depended on the UK, to a financialized country with considerable GDP growth throughout the 1990s (notwithstanding more recent problems of Irish GDP accounting). Second, the challenge of ambiguity, according to which countries might belong to the core in one sense, and the periphery in another sense. France, for instance, is a politically important player, yet features some typical economic characteristics of peripheries. Third, the challenge of granularity stresses that countries themselves might be divided into core and periphery. Within Spain, for example, the North plays the role of a core, the South the role of a periphery.

While there were (short) periods of convergence in Europe, the existence of core-periphery relations and a divergence of living standards has been the rule rather than the exception. This divergence has its reason not (only) in individual country characteristics, but also in the relationships between countries. The results of the analysis indicate that there are asymmetric trade structures regarding the technological complexity of traded goods between European Cores and peripheries. This unequal technological exchange, it was argued, is effectively hampering the development of the peripheries.

Gräbner (2020) EU Lack of Convergence (pdf)

# 14

# State

## 14.1 Macro-Financial State

The state has become a collateral factory for modern financial systems. In derisking government bonds for market-based finance, central banks may be simultaneously improving financing conditions for governments, but this is a side-effect, not a policy target as in Keynesian monetary policy. Central banks take a “macro-financial view” of sovereign bonds that stresses their critical role in modern finance. Private credit creation – the bread and butter of central banks’ operations – fundamentally relies on the dynamics of sovereign bond markets, the collateral factory for a collateral-intensive financial system.

In this macro revolution without revolutionaries, central banks have been remarkably successful at breaking the monetary taboos that they have worked hard to construct, without having to specify in detail the boundaries of – and therefore their accountability in – the new policy regime.

Under financial globalisation, government bonds have become the cornerstone of modern financial systems increasingly organised around capital markets, wholesale funding markets, and derivative markets, or what central bankers term “collateralised finance”. Private financial institutions – from pension funds to insurance companies, hedge funds, or banks – hold government bonds for regulatory purposes, demand them for speculative reasons, use them as collateral to get cheap leverage via the repo market or to back derivative transactions, and run to them during bad times because government bonds are viewed, rightfully or not, as the ultimate risk-free asset.

A macro-financial view of government bonds brings the concept of market liquidity to the core of central banking. In financial systems organised around collateral, the distinction between market and funding liquidity becomes critical.

*Funding liquidity* captures the ability of commercial banks to convert deposits into cash at parity, which is a challenge during times of crisis when depositors lose faith in banks. Historically, this challenge has been solved by deposit guarantees and emergency central bank loans, against collateral, under the lender of last resort umbrella.

In contrast, *market liquidity* refers to the ability of bondholders to buy and sell bonds without generating price volatility. In collateral-based financial systems, market liquidity matters because a fall in bond prices creates funding pressures for financial institutions reliant on those bonds to collateralise their wholesale funding – as prices fall, their lender will call margin, that is, they will ask for additional collateral in order to bring the market value of the collateral portfolio they hold back to the level agreed in the transaction.

Central banks can only prevent liquidity spirals – where marked to market funding positions deteriorate, leading to firesales of bonds, and further margin calls – if they intervene directly in those bond markets that are an important source of collateral (interventions directed to provide market liquidity of last resort) and prevent prices from falling. Financial stability in shadow banking, or market-based finance, means supporting liquidity in collateral markets in times of stress in addition to supporting banking institutions, as in the traditional lender of last resort.

Shadow monetary financing is conducted to support market liquidity in government bond markets, and thus financial stability. The safe asset status of government bonds is not sufficient to generate a reliable source of private demand during bad times.

There are significant political challenges that central banks have sought to circumvent by downplaying in public the importance of this new regime.

In market-based financial systems, the fiscal authority and the monetary authority, however “independent” by institutional design, fundamentally play the same role: a central bank to modern, market-based finance.

The infrastructural power of market-based finance, whereby central banks and fiscal authorities rely on private financial institutions as the governance infrastructure for macroeconomic policy.

It undermines the institutional hierarchy implied by monetary dominance, but because it implies central banks cannot be successful, even on their own inflation-targeting terms, without new mechanisms of coordination with fiscal authorities.

We’ve seen an accelerated move to a market-centric system from the bank-centric system that has tended to prevail in Europe,” Lamfalussy said in London last month. “I have no doubt that a market-centric system is more efficient, but there’s a question whether it is stable.” The key to stability, he concludes, is a liquid and transparent government debt market.

In stark contrast to the Keynesian era, central banks now openly admit that

they have the power to make sovereign yield targets credible. Not even the Bank of England – at the height of its supposedly dominance by fiscal authorities – accepted that it could enforce a desired cap on long-term yields. Neither did the US Federal Reserve.

The macro-financial institutional infrastructure needs upgrading so that states can deal better with future shocks, which is inevitable with the climate crisis. Europe can ill-afford to pretend that a shadow regime of cooperation between central banks and governments is sufficient.

The further concentration of political power in unelected, albeit well-intentioned, central banks threatens to sacrifice green fiscal activism – that is, fiscal support for the low-carbon transition – on the altar of central bank independence.

Daniela Gabor (2021) (pdf)

## 14.2 Lobbying

In the three years following the Paris agreement it was reported that the largest five stock market listed oil and gas companies spent nearly \$200m (£153m) a year lobbying to delay, control or block policies to tackle climate change.

Owen Jones in The Guardian

## 14.3 State Capitalism Development Regime

*Alami*

Official discourses of Development are being redefined. If the key geopolitical contexts shaping the post-war Development project were decolonisation and the Cold War, the defining world-historical transformations shaping the emerging vision of Development are the expansion of state capitalism and the rise of China. The IMF, the World Bank, the OECD, the G20, other multilaterals, and bilateral partners are increasingly taking stock of the rise of state capitalism, and acting as ideational vectors of this emerging regime. However, this new “state capitalist normal” is also portrayed as carrying risks. There is anxiety regarding the direction the political form of global capital accumulation is heading: with the unchecked proliferation of state capitalism possibly blunting competition, politicising economic relations, and intensifying geoeconomic tensions. This anxiety underwrites the current re-articulation of Development, one which embraces the state as promoter, supervisor, and owner of capital; even as it critiques China’s use of similar instruments.

### Beyond ‘Aid’

In April 2015, the Development Committee of the World Bank and the International Monetary Fund, in collaboration with other multilateral development

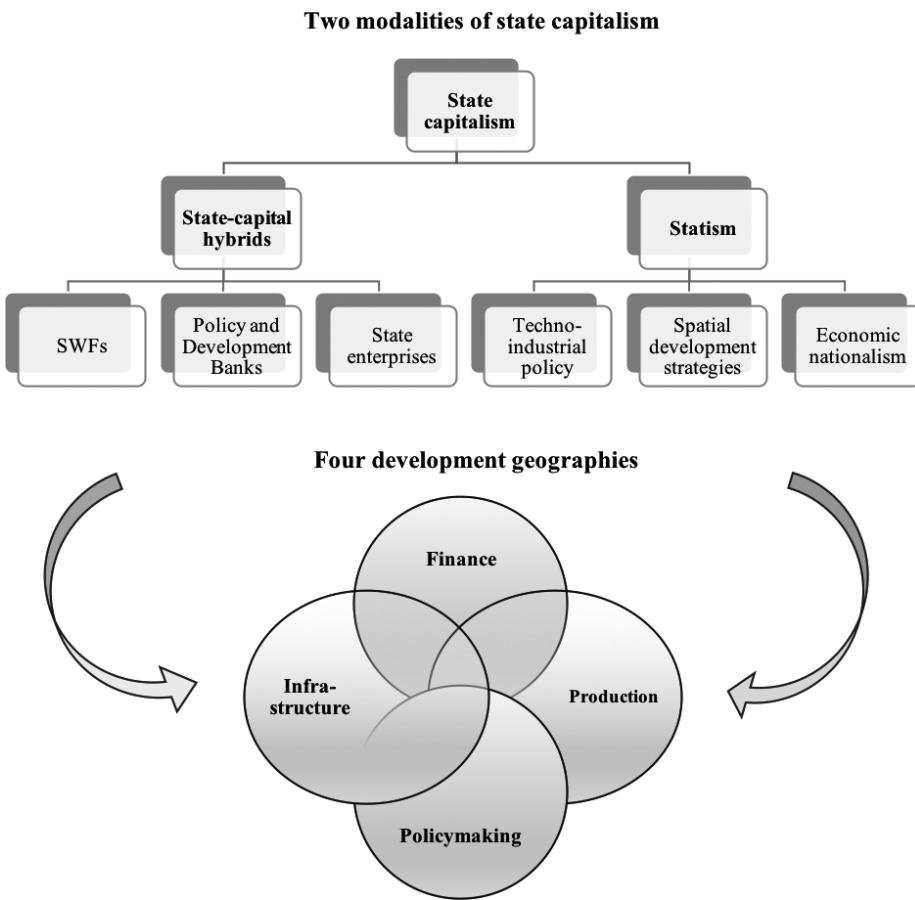
banks, produced a discussion document titled “From Billions to Trillions” (Development Committee 2015). The slogan neatly conveys the argument that the size and capacity of foreign aid is limited. At roughly \$160 billion annually, aid is nowhere near able to cover the financing claimed to be necessary to achieve the Sustainable Development Goals (SDGs). Even if every donor met the 0.7% GNI target, it would still fall short of the trillions of dollars required. Instead, the mantra makes a definitive turn to private capital from advanced and major emerging economies as providing the lion’s share of development finance, with Development now funded and conceived as “beyond aid”.

The project, reiterated in the World Bank’s 2019 “Maximizing Finance for Development” agenda (MFfD), promotes state-supported private finance in the name of development (World Bank 2019). It portrays “access to finance” as a central developmental priority, encouraging and facilitating financial “deepening” and “inclusion”, the re-engineering of domestic financial systems around securities and derivatives markets, and the creation of “investable” opportunities in infrastructure, water, climate adaptation, health and education. It normalises and relies on novel financial instruments such as development impact and infrastructure bonds; debt, equity, and mezzanine financing; guarantees, swaps, and so on, opening up new circuits and places of risk and reward. The MFfD agenda and its promotion of state-supported private capital may well signal the “very death of Development itself (the latter understood as a process/set of processes attached to modernist notions of material progress)”.

Without discounting the persistence of neoliberal thinking in this agenda, nor the pivot toward Wall Street, our contention is different: what we are currently witnessing is not so much the death of Development, but a significant redefinition of the Development project, in the context of the restructuring of global capitalism and profound geopolitical shifts. This redefinition is not only characterised by the further entrenchment of the centrality of market regulation, but also, crucially, by a strategic ideological adjustment concerning the place of the state in Development, including a partial embrace of its role as promoter, supervisor, and owner of capital. This emerging vision of the state is the core focus of this article: we offer an in-depth analysis of its key (geo)political economic determinants, identifying its main contours, and critically interrogating the political role that it plays in the global development regime.

One of the defining features of the world economy over the past fifteen years has been the return of state capitalism, which broadly refers to configurations of capitalism where the state plays a particularly strong role in organising the economy and society, in supervising and administering capital accumulation, or in directly owning and controlling capital.

We see the current rise of state capitalism as a variegated world-historical phenomenon rooted in the historical development and geographical remaking of capitalism.



A gradual “normalisation” of the role and place of state-capital hybrids in the global economy is under way. An articulation of a new vision of the state. The emerging vision is characterised by an embrace of a fuller role of the state in Development (than the post-Washington Consensus), including as promoter, supervisor, and owner of capital. “The goal is to professionalize and depoliticize(!) state ownership” (World Bank)

The emerging view of the state strives to extract some forms of state ownership (the modern, professionally managed, well-governed, market-oriented state-capital hybrid—possibly indicating one in which management consultants and large-scale contractors play an increasingly central role in both policy formation and service delivery) from the very category of the political. This is not so much a relaxation of the liberal stance on state ownership (even less so a move away from it) as a mutation of it, one that allows preserving and reaffirming a clear-cut separation between the economic and the political under a new guise, and one that simultaneously (supposedly) establishes a clear distinction between liberal and illiberal forms of state-capital hybrids.

By presenting certain types of state-capital hybrids as post-ideological, depoliticised creatures, the new view can delineate a liberal role for the state as owner of capital in Development, legitimating some uses and forms of state-capital hybrids, while delegitimating others and negating their role in Development.

Transforming the “old”, inefficient, corruption-prone state-capital hybrids into fully legit economic and development actors is presented as a process of modernisation. Development, then, also consists in modernising state-capital hybrids, by “strengthening the quality of governance”, “professionalising government ownership”, “strengthening commercial orientation”, “introducing independent boards of directors”, “improving firm-level financial incentives”, adopting “modern risk management practices” and “effective governance frameworks”, and the like.

With the emerging vision, the notion of modernisation of state-capital hybrids has experienced a mutation too: throughout the 1990s, modernising state-capital hybrids simply meant privatising them (under almost any circumstance). By contrast, in the 21st century, modernising state-capital hybrids means turning them into organisations that mimic the practices and organisational goals of comparable private-sector entities, adopt the techniques of liberal governance, and are broadly market-confirming. Furthermore, as they articulate this new vision, multilaterals present themselves as centres of knowledge, technical expertise, and self-endorsed authority to assist in this process of modernisation.

Reports from multilaterals emphasise that there is a need for traditional development actors “to react”, “adapt” and “draw lessons” from the current rise of state capitalism. This may be seen as explicit admissions that these actors are struggling to remain relevant in a rapidly changing world. This must be interpreted in light of the role that they play in the governance of global capitalism: these are liberal institutions fundamentally concerned with lifting barriers to the accumulation of capital and with facilitating its flow on a planetary scale.

The articulation of this new vision of the state in Development as playing a fundamentally political role: it is an attempt at minimising the multiple risks and dangers that are perceived to be associated with the current rise of state capitalism. This includes minimising the potential for the political “use” of state-capital hybrids, which would risk creating a further (geo)politicisation of economic relations and a spiral of protectionism, particularly in the tense geopolitical context. Controlling the proliferation of state-capital hybrids and making sure that they assume liberal forms.

We see the discursive re-legitimation of the state in Development, and its limited embrace of state-capital hybrids, as a strategic ideological adjustment to preserve and further enshrine the centrality of market regulation in Development in an age of rising state capitalism and turbulent geopolitical reordering.

Two interrelated transformations are particularly important. First, the current rise of state capitalism, which we understand as a world-historical phenomenon rooted in the development and geographical remaking of capitalism. The politi-

cal mediation of this process of capitalist restructuring by the state (at multiple scales and across the global North/South divide) has resulted in the uneven and combined development of more muscular forms of statism and the expansion of state-capital hybrids. Second, the rapid development of China, and the intensification of competition between traditional powers and emerging contenders, have increasingly politicised the rise of state capitalism and escalated geopolitical tensions.

Combined, these two global transformations have partially fractured the geographies of production, development finance, infrastructure, and policymaking, prompting traditional development actors such as multilaterals to react to this new “state capitalist normal”. Our key contention is that such reaction has taken the form of a strategic discursive and ideological adjustment (involving a certain re-legitimation of the state in Development, and a limited embrace of state-capital hybrids) which has been buttressed by a profound apprehension for the direction in which the political form of global capital accumulation may be heading.

Alami 2021 State Capitalism and the New Global Development Regime (pdf)

*Modern Fossil States*

## 14.4 Civilized Capitalism

Concept: ‘Civilized Capitalism’

The only social responsibility of a company is to maximize its bottom line. - Free markets will ensure that society benefits as a result. This narrative makes it seem reasonable to eliminate social controls – precisely the opposite of what needs to be done. Governments have been under the spell of this narrative for nearly 50 years despite a flimsy scientific foundation and ample evidence for its harmful effects. We can break the spell of the old narrative by noting something that will appear utterly obvious in retrospect: The unregulated pursuit of self-interest is cancerous at all scales. To create a global village, we must look to real villages.

Evolution Institute: Blueprint for the Global Village

### 14.4.1 Norway’s Double Standard

Norwegian foreign policy no doubt plays a positive role in world affairs, also aiming for a “civilized capitalism,”

Norway is the country that has pressed the UN to accept guidelines that make not only states, but also multinational companies, liable for violation of human rights. Also, Norway is currently the world’s most active advocate of corporate social responsibility on all international arenas.

For all its success and wisdom, the management of the state pension fund illustrates that even Norway is sometimes guilty of selfishly feathering its own nest at the expense of other nations, the planet, and, therefore, ultimately its own welfare over the long term.

If we go further and ask whether the investments are to the benefit of the long-term welfare of the global village, the answer is very close to a “No.”

The main goal of the fund is maximum return, and although Norway has set up to 3 billion NOK aside for preservation of rainforests, it has also (at least up to now) invested heavily in logging companies replacing rainforest with palm oil. There are also heavy investments in mining industries, coal and oil companies, and other activities that do not contribute to a sustainable future.

Norway’s double standard at the highest rung of the social ladder is typical of most nations.

The plight of Norway when it chooses how to invest in the global market. Like a snail, it might want to emerge from its shell and support the most ethical enterprises. But to do so might be too costly in a market environment that rewards naked selfishness. Norway might be required to shrink into its shell and make selfish investments to survive.

Wilson and Hessen (2015)

Dyrehaugen Blog: The Casee of Norway (loc)

# 15

## Decoupling

### 15.1 Environmental Decoupling

Decoupling: *the end of the correlation between increased economic production and decreased environmental quality.*

*Conclusion*

The needed decoupling does not occur! Not GLOBAL, not FAST-ENOUGH, not LONG-ENOUGH.

Decoupling as a main or single strategy to combine economic and environmental aims should be judged as taking a very large risk with our common future.

The claim that the economy can grow while at the same time the “environmental bads” diminish needs further support from sources other than empirical research literature. The claim needs to be supported by detailed and concrete plans of structural change that delineate how the future will be different from the past.

*Memo*

Distinctions between impact and resource decoupling, and relative and absolute decoupling are a staple in the literature. Decoupling the growth of economy can be discussed in terms of resource use (resource decoupling) or environmental impact (impact decoupling).

An important conceptual distinction to be made is between absolute (strong) and relative (weak) decoupling. Relative decoupling means that economic growth is faster than the growth of environmental damage or resource use, even though the latter may still be growing.

Absolute decoupling, in turn, means that the economy is growing while the amount of resource use and/or environmental impact is decreasing. Relative decoupling does not necessarily lead to absolute decoupling. Relative decoupling due to, for instance, increased material efficiency, may continue for long periods of time without ever turning into absolute decoupling.

Relative decoupling is, by definition, connected to increased impacts and/or resource use, so in order to evaluate the pertinence of evidence of relative decoupling it is necessary to investigate what are the structural reasons for the relative decoupling, and find out if they are such that they can continue and intensify into absolute decoupling.

Local decoupling does not necessarily entail global decoupling. Decoupling become problematic when outsourcing and trade are taken into account

Making decoupling a continuous phenomenon is harder than achieving decoupling for a limited period of time, as continuous decoupling entails permanent changes in structures of production. Only long-enough periods of analysis provide reliable information on prevailing trends.

One of the problems widely discussed with relation to sectoral decoupling is the phenomenon of *rebound* or so-called *Jevons' paradox*.

It is easy to achieve resource decoupling in comparison to impact decoupling. An economy may relatively easily replace a harmful substance, such as ozone-depleting CFC gases, and thus be absolutely decoupled from the specific impact. Indeed, such a decoupling may be achieved by increased material use, if the use of the replacement demand more resources, such as energy. In contrast, a decrease in resource use, whether in terms of DMC or TMR or something similar, demands a wider-reaching change in the functioning of the economy.

Decoupling CO<sub>2</sub> emissions from GDP can very well coexist with unsustainable environmental impacts and resource use

Decoupling is a measure of ecological efficiency, not one of sustainability: even an absolutely decoupled economy can transgress planetary boundaries either through its impacts or its resource use.

Moreover, as climate change threatens to pass the tipping points after which efforts of mitigation become harder (Lenton, 2011; Lenton et al., 2019), the decoupling of CO<sub>2</sub> emissions from economic growth has to be sufficiently fast.

The most common case of absolute decoupling reported (50 articles) is between CO<sub>2</sub> emissions and economic growth. It is important to notice, that none of these 50 studies explicitly study the possible effect that trade and outsourcing have on national emission and GDP.

The literature finds evidence of impact decoupling, especially between GHG emissions (such as CO<sub>2</sub> and SO<sub>2</sub> emissions) in wealthy countries for certain periods of time, but not of economy-wide resource decoupling, least of all on the

international and global scale. Quite the opposite: there is evidence of increased material intensity and re-coupling.

*Vaden (abstract)*

The idea of decoupling “environmental goods” from “economic goods” has been proposed as a path towards sustainability by organizations such as the OECD and UN. Scientific consensus reports on environmental impacts (e.g., greenhouse gas emissions) and resource use give an indication of the kind of decoupling needed for ecological sustainability: global, absolute, fast-enough and long-enough. This goal gives grounds for a categorisation of the different kinds of decoupling, with regard to their relevance. We conducted a survey of recent (1990–2019) research on decoupling on Web of Science and reviewed the results in the research according to the categorisation. The reviewed 179 articles contain evidence of absolute impact decoupling, especially between CO<sub>2</sub> (and SO<sub>x</sub>) emissions and evidence on geographically limited (national level) cases of absolute decoupling of land and blue water use from GDP, but not of economy-wide resource decoupling, neither on national nor international scales. Evidence of the needed absolute global fast-enough decoupling is missing.

Vaden 2020 Decoupling for sustainability (pdf)

## 15.2 Technological Decoupling

*Cerdeiro*

Technological decoupling—broadly defined as the undoing of cross-border trade in high-tech goods and services—has been associated with concerns about intellectual property protection, data privacy, and national security concerns as well as a renewed attention to industrial policies. However, surprisingly little is known about what such strategies might entail for the affected economies. News reports have highlighted the political economy motivations for decoupling and mapped out the unravelling of ties (Webster, 2020), with few attempts to quantify their economic impacts. The academic literature has so far focused predominantly on theoretical aspects of technological decoupling (Garcia-Macia and Goyal, 2020 and references therein) and innovation and research and development (R&D) spillovers (Cai and others, 2019). This paper aims to help fill this gap by providing a taxonomy of channels through which decoupling can affect economic activity and embedding these different layers in a global quantitative macroeconomic model to assess the effects of various scenarios.

Barriers to trade in high-tech sectors between major economies could have profound effects on world production and consumption patterns because they affect some of the fastest growing sectors in most economies and high-tech production

is heavily dependent on cross-border trade.

To help quantify the economic effects of technological decoupling, this paper considers three possible channels, focusing on the production and trade of goods that are themselves reliant on innovative intellectual property, particularly in information and communication technology sectors (“high-tech” goods).

- The short- and long-term reduction in global trade flows, whereby rival countries impose higher non-tariff barriers (NTBs) to eliminate the relative demand for high-tech imports, a direct effect that is compounded by domestic investment and consumption responses to the resulting permanent income losses.<sup>2</sup> These effects are quantified using the IMF’s Global Integrated Monetary and Fiscal model (GIMF).
- The long-term impact on output of sectoral misallocation, that is, the less efficient allocation of resources across sectors as trade is cut off between hubs and blocs. These effects are quantified using a sectoral, computable general equilibrium trade model which estimates these effects (Caliendo, Feenstra, Romalis, and Taylor, 2017; CFRT henceforth).
- The short- and long-term dynamics losses because of the effect of lower foreign knowledge diffusion on domestic labor productivity. These effects are derived empirically from data on patents, R&D spillovers, and their productivity effects among technological leaders. Estimates, originally produced for IMF (2018a), are extended here to also include China and Korea.

Technological fragmentation can lead to losses in the order of 5 percent of GDP for many economies.

Cerdeiro (2021) IMF WP721/69 [(pdf)](cerdeiro\_2021\_technological\_decoupling.pdf)

# 16

## Green Growth

Most people encounter the growth debate, if they encounter it at all, through the idea of “green growth.” This is a vision for our collective future based on the belief that technological advance will drastically reduce the amount of raw materials needed to sustain growth—a process known as dematerialization—and “decouple” growing GDP from its ecological impacts. As proof that this is not only possible but already happening, boosters of the idea point to the transition by rich countries from manufacturing to service-based economies, as well as efficiency gains in energy and in the use of materials. The process that replaced letters with email, and compact discs with digital files, will continue until we live in a spectral economy where little at all is manufactured or transported, save those things that can be pulled from thin air by, one presumes, solar-powered 3-D printers.

The belief that green growth will save us, also known as “ecomodernism” or “ecopragmatism,” has become a trendy article of faith among elites who acknowledge climate change and the dangers of breaching ecological boundaries. In 2017, Barack Obama threw his support behind the idea in an article for *Science* magazine, maintaining that signs of decoupling in major economies “should put to rest the argument that combatting climate change requires accepting lower growth or a lower standard of living.”

The argument that capitalism can grow itself out of the present crisis may be soothing to those who like the world as it is. It also relies on the kind of accounting tricks and rejection of reality more closely associated with Obama’s successor.

In a growth system, gains in efficiency do not translate to higher wages, greater equality, more leisure, or lower emissions; they are

plowed right back into the growth cycle. A classic example of this dynamic is the advent of the chain saw. A person with a chain saw can cut 10 times as many trees in the same time as a person using older methods. Logging companies did not use this invention, however, to shorten the workweek by 90 percent. They used it to cut 10 times more trees than they otherwise would have. “Lashed by the growth imperative, technology is used not to do the same amount of stuff in less time, but rather to do more stuff in the same amount of time,” “In a system where technological innovation is leveraged to expand extraction and production, it makes little sense to hope that yet more technological innovation will somehow magically do the opposite.”

Defenders of growth often take cheap shots at degrowthers by painting them as anti-science, anti-progress, and all around a bit woo-woo. But the targets of these attacks are straw men, and emerge from a dangerously outdated view of the world. For starters, there was never any basis for the materialist view of nature as an all-you-can-eat buffet of inert “resources.” A number of discoveries across the life and physical sciences have revealed the astounding complexity and cooperation of the systems that support life, from the trillions of microbes that process food in our guts, to planet-scale systems that regulate chemical balances in the atmosphere and oceans. In every field—except, notably, economics—the worldview that allows trees to be seen as timber, and timber as a contributor to GDP, has been overtaken by a second scientific revolution. The picture of the world to emerge from this revolution is both more fragile and more interrelated than the equations found in modern economics textbooks can describe.

#### Zaitchik on Hickels ‘Less is More’ in The New Republic

Many policymakers have responded by pushing for what has come to be called “green growth.” All we need to do, they argue, is invest in more efficient technology and introduce the right incentives, and we’ll be able to keep growing while simultaneously reducing our impact on the natural world, which is already at an unsustainable level. In technical terms, the goal is to achieve “absolute decoupling” of GDP from the total use of natural resources, according to the U.N. definition.

It sounds like an elegant solution to an otherwise catastrophic problem. There’s just one hitch: New evidence suggests that green growth isn’t the panacea everyone has been hoping for. In fact, it isn’t even possible.

Scientists are beginning to realize that there are physical limits to how efficiently we can use resources. Once we reach the limits of efficiency, pursuing any degree of economic growth drives resource use back up. These problems throw the entire concept of green growth into doubt and necessitate some radical

rethinking.

Preventing that outcome will require a whole new paradigm. High taxes and technological innovation will help, but they're not going to be enough. The only realistic shot humanity has at averting ecological collapse is to impose hard caps on resource use. We could also ditch GDP as an indicator of economic success and adopt a more balanced measure like the genuine progress indicator (GPI), which accounts for pollution and natural asset depletion.

Hickel (2018) Foreign Policy

## 16.1 Resource Decoupling

*Hickel and Kallis*

### Misguided Objective

The notion of green growth has emerged as a dominant policy response to climate change and ecological breakdown. Green growth theory asserts that continued economic expansion is compatible with our planet's ecology, as technological change and substitution will allow us to absolutely decouple GDP growth from resource use and carbon emissions. This claim is now assumed in national and international policy, including in the Sustainable Development Goals. But empirical evidence on resource use and carbon emissions does not support green growth theory. Examining relevant studies on historical trends and model-based projections, we find that: (1) there is no empirical evidence that absolute decoupling from resource use can be achieved on a global scale against a background of continued economic growth, and (2) absolute decoupling from carbon emissions is highly unlikely to be achieved at a rate rapid enough to prevent global warming over 1.5°C or 2°C, even under optimistic policy conditions. We conclude that green growth is likely to be a misguided objective, and that policymakers need to look toward alternative strategies.

### Green Growth Theory

As a theory, green growth asserts that continued economic expansion (as measured by Gross Domestic Product, or GDP) is or can be made to be compatible with our planet's ecology. While this idea has been latent in the rhetoric of sustainable development since the Brundtland Commission and the first Rio Conference, with early formulations taking shape under names like Ecological Modernization or the Environmental Kuznets curve hypothesis, green growth theory renders it as a formal assertion.

### Green Growth Policy

Green growth theory is now promoted by leading multilateral organisations and is assumed in national and international policy. It rests on the assumption that absolute decoupling of GDP growth from resource use and carbon emissions is

feasible, and at a rate sufficient to prevent dangerous climate change and other dimensions of ecological breakdown.

### **Definitions**

The concept of green growth is ‘new and still somewhat amorphous.’

There are three major institutional proponents of green growth theory at the international level: the OECD, the United Nations Environment Program (UNEP), and the World Bank. Each published flagship reports on green growth around the time of the Rio+ 20 Conference. In 2011, the OECD launched a green growth strategy titled Towards Green Growth. That same year, UNEP published a report titled Toward a Green Economy: Pathways to Sustainable Development and Poverty Eradication. In 2012, the World Bank published Inclusive Green Growth: The Pathway to Sustainable Development. During the Rio + 20 Conference, these institutions joined with the Global Green Growth Institute to create the Green Growth Knowledge Platform as an instrument for advancing green growth strategy around the world. Each of the three organisations offers a different definition of green growth.

The OECD defines it as

‘fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies’.

The World Bank defines it as

economic growth that is efficient in its use of natural resources, clean in that it minimizes pollution and environmental impacts, and resilient in that it accounts for natural hazards and the role of environmental management and natural capital in preventing physical disasters.

UNEP eschews the language of green growth in favour of ‘green economy’, which it defines as one that

simultaneously grows income and improves human well-being ‘while significantly reducing environmental risks and ecological scarcities’.

The World Bank’s definition is the weakest. The World Bank seeks to ‘minimize’ the environmental impact of growth; but one can minimize environmental impact without reducing impact from its present levels, and indeed while still nonetheless increasing overall impact. The OECD is slightly stronger in that it seeks to ‘maintain’ resources and environmental services, but here too there is no demand to reduce impact. The UNEP report offers the strongest definition in that it calls for reducing environmental impact and ecological scarcities, and for ‘rebuilding natural capital’.

The three institutions agree however on the mechanism for achieving green growth. The promise is that technological change and substitution will improve

the ecological efficiency of the economy, and that governments can speed this process with the right regulations and incentives.

The World Bank does not ask whether policy-driven innovations will suffice to reduce environmental impact. The OECD, for its part, clarifies that green growth is only possible if technology becomes efficient enough to achieve ‘decoupling’ of growth from environmental impact. UNEP takes this a step further, and puts decoupling at the centre of the analysis:

A key concept for framing the challenges we face in making the transition to a more resource efficient economy is decoupling. As global economic growth bumps into planetary boundaries, decoupling the creation of economic value from natural resource use and environmental impacts becomes more urgent.

UNEP offers the clearest – and strongest – policy-oriented definition of green growth, namely, that green growth requires absolute decoupling of GDP from resource use and environmental impact.

#### **Absolute Decoupling - fast**

This leaves us with the question: Is absolute decoupling possible, and, if so, is it possible at a rate sufficient for returning to and staying within planetary boundaries?

#### **Resource Use DMC**

The conventional metric for measuring an economy’s resource use is ‘domestic material consumption’ (DMC), which is the total weight of raw materials (biomass, minerals, metals and fossil fuels) extracted from the domestic territory, plus all physical imports minus all physical exports.

While the mass flows of individual materials are not indicative of their ecological impacts, and while impacts vary as technologies change, at an aggregate level there is a high degree of correlation (0.73) between material throughput and ecological impacts.

Dividing GDP by DMC gives an indication of the ‘resource efficiency’ of an economy.

If GDP grows faster than DMC (relative decoupling), the economy is becoming more resource efficient.

GDP/DMC is used by the European Union to monitor progress toward green growth. It is also the headline metric of the OECD’s annual Green Growth Indicators report. By this metric, it appears that many nations have achieved relative decoupling, with GDP growing at a rate faster than DMC.

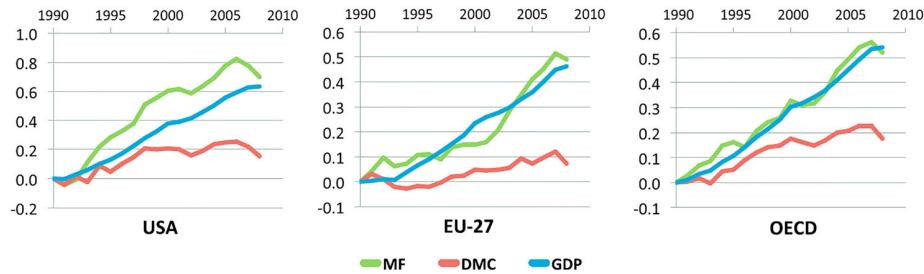
European OECD nations have achieved absolute decoupling, growing GDP while reducing DMC. (Note: the OECD’s version of DMC does not include fossil fuels).

### *DMC Weaknesses*

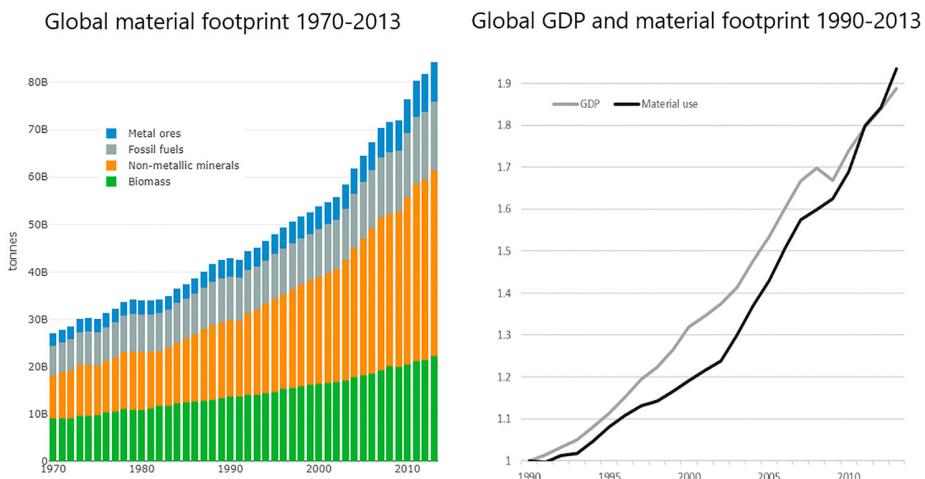
DMC is a problematic indicator, however, as it does not include the material impact involved in the production and transport of imported goods

### **Material Footprint MF**

In a globalised economy, where rich countries have outsourced much of their production to poorer countries, this side of material consumption has been shifted off their balance sheet. If we bring it back in, looking at the total resource impact of consumption by any given nation (what Wiedmann et al refer to as ‘material footprint’, or MF), the picture changes. Wiedmann et al show that while the USA, UK, Japan, the OECD and EU-27 have achieved relative decoupling of GDP from DMC (including fossil fuels), material footprint has been rising at a rate equal to or greater than GDP, suggesting no decoupling at all; indeed, in most cases re-coupling has occurred



On a global scale, resource use has been rising on a steady trajectory. During the twentieth century GDP grew at a faster rate (3 per cent per year) than resource use (2 per cent per year). This represents a relative decoupling or dematerialisation of GDP growth, at a rate of about 1 per cent per year. But this changed in the twenty-first century: the growth rate of global consumption increased between 2000 and 2005, averaging 3.7 per cent per year. As this matched the growth rate of GDP, no decoupling was achieved. The growth rate of global consumption accelerated in the twenty-first century, averaging 3.4 per cent per year between 2000 and 2009



A period of modest growth of global material footprint from 1980 to 2002, at 1.78 per cent per year. As this was slower than the rate of GDP growth, some relative decoupling was achieved. However, the final decade from 2002 to 2013 shows an acceleration of global material use, at 3.85 per cent per year.

The material intensity of the world economy has been increasing in the twenty-first century, not decreasing. Currently, the world economy is therefore on a path of re-materialization and far away from any – even relative – decoupling.

In sum: global historical trends show relative decoupling but no evidence of absolute decoupling, and twenty-first century trends show not greater efficiency but rather worse efficiency, with re-coupling occurring.

### Projections

Productivity gains in today's linear production system are likely to lead to increased material demand through a combination of economic growth and rebound effects'.

Improving circularity could reduce the ecological impact of material throughput, but only a small fraction of total throughput has circular potential.

Absolute decoupling is not feasible on a global scale in the context of continued economic growth.

For non-substitutable resources such as land, water, raw materials and energy, we argue that whilst efficiency gains may be possible, there are minimum requirements for these resources that are ultimately governed by physical realities: for instance the photosynthetic limit to plant productivity and maximum trophic conversion efficiencies for animal production govern the minimum land required for agricultural output; physiological limits to crop water use efficiency govern minimum agricultural water use, and the upper

limits to energy and material efficiencies govern minimum resource throughput required for economic production.

### Indefinite Growth Not Possible

Decoupling of GDP growth from resource use, whether relative or absolute, is at best only temporary. Permanent decoupling (absolute or relative) is impossible for essential, non-substitutable resources because the efficiency gains are ultimately governed by physical limits. Growth in GDP ultimately cannot plausibly be decoupled from growth in material and energy use, demonstrating categorically that GDP growth cannot be sustained indefinitely.

### Reduced Growth Needed

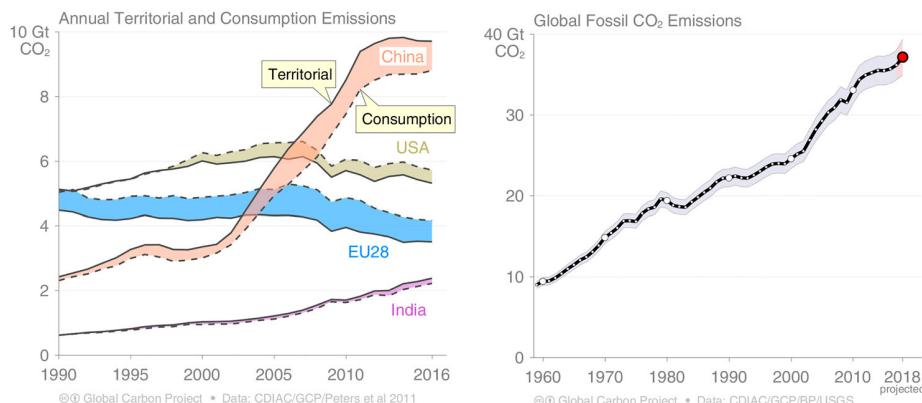
It is reasonable to expect that green growth could be accomplished at very low GDP growth rates, i.e. less than 1 per cent per year – significantly lower than historical trends and projected pathways.

[Hickel and Kallis \(2019\) Is Green Growth Possible? \(pdf\)](#)

## 16.2 Carbon Decoupling

*Hickel and Kallis*

Unlike with resource use, there is a steady long-term trend toward relative decoupling of GDP from carbon emissions, and we know that absolute reductions in carbon emissions are possible to achieve. When it comes to climate change, however, the objective is not simply to reduce emissions (a matter of flows), but to keep total emissions from exceeding specific carbon budgets (a matter of stocks). For green growth theory, then, the question is not only whether we can achieve absolute decoupling and reduce emissions, but whether we can reduce emissions fast enough to stay within the carbon budgets for 1.5°C or 2°C, as per the Paris Agreement, while still continuing economic growth.



A number of high-income countries have seen declining emissions in the twenty-first century, despite continued economic growth.

On a global level, CO<sub>2</sub> emissions have increased steadily, falling only during periods of economic recession.

Overall, global carbon productivity has been slowing. World Bank data shows that carbon productivity (CO<sub>2</sub> per 2010 \$US GDP) improved steadily from 1960 to 2000, with decarbonisation happening at an average rate of 1.28 per cent per year (relative decoupling). However, from 2000 to 2014 there was no improvement in carbon productivity – in other words, not even relative decoupling has been achieved in the twenty-first century.

The IPCC's Fifth Assessment Report (AR5) includes 116 mitigation scenarios that are consistent with Representative Concentration Pathway 2.6 (RCP2.6), which offers the best chances of staying below 2°C. All of these scenarios are green growth scenarios in that they stabilise global temperatures while global GDP continues to rise. Rising GDP is a built-in feature of the Shared Socio-Economic Pathways (SSPs), which form the basis for the IPCC mitigation scenarios. AR5 warns, however, that these scenarios ‘typically involve temporary overshoot of atmospheric concentrations’ and ‘typically rely on the availability and widespread deployment of bioenergy with carbon capture and storage (BECCS)’.

### **BECCS**

BECCS entails growing large tree plantations to sequester CO<sub>2</sub> from the atmosphere, harvesting the biomass, burning it for energy, capturing the CO<sub>2</sub> emissions at source and storing it underground. Relying on these ‘negative emissions technologies’ allows for a much larger carbon budget (about double the actual size) by assuming that we can successfully reduce global atmospheric carbon in the second half of the century.

BECCS is highly controversial among climate scientists. It was first proposed by Obersteiner et al. (2001) and Keith (2001) at the turn of the century. IPCC modelling teams began including it in their scenarios from 2005, despite having no firm evidence of its feasibility. With the publication of AR5, BECCS was enshrined as a dominant assumption.

Obersteiner has expressed alarm at the rapid uptake of his idea; he considers BECCS to be what he calls a ‘risk-management strategy’, or a ‘back-stop technology’ in case climate feedback loops turn out to be worse than expected, and says the IPCC has ‘misused’ it by including it in regular scenarios to take pressure off of conventional mitigation pathways (i.e. emissions reductions). While ‘measured use’ of biomass could help mitigate environmental problems, ‘large scale use of cropped biomass will not.’

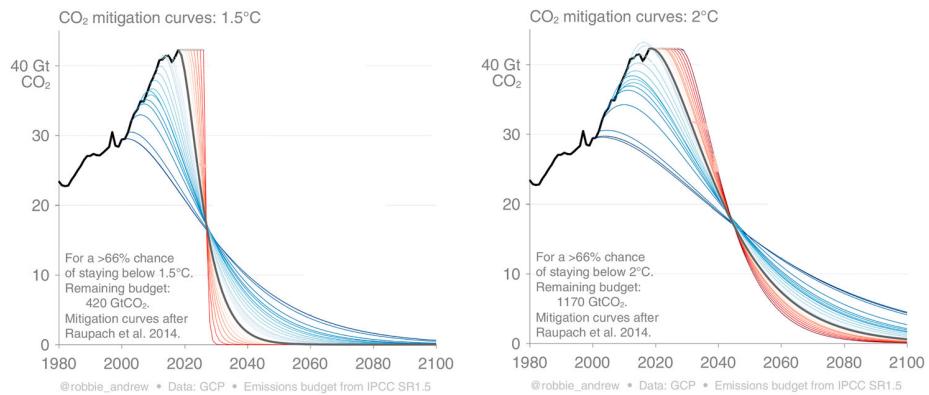
The ‘allure’ of BECCS is due to the fact that it allows politicians to postpone the need for rapid emissions reductions.

There are a number of concerns. First, the viability of power generation with CCS has never been proven to be economically viable or scalable; it would require the construction of 15,000 facilities (Peters 2017). Second, the scale of biomass assumed in the AR5 scenarios would require plantations covering land two to three times the size of India, which raises questions about land availability, competition with food production, carbon neutrality, and biodiversity loss (Smith et al. 2016; Heck et al. 2018). Third, the necessary storage capacity may not exist.

BECCS remains a ‘highly speculative technology’ and relying on it is therefore ‘an unjust and high stakes gamble’.

It is not clear that we can justifiably rely on BECCS, an unproven technology, to underwrite green growth theory. If we accept this point, then we must return to asking whether it is possible to maintain growth without relying on BECCS to stay within the carbon budgets.

Without BECCS, global emissions need to fall to net zero by 2050 for 1.5°C, or by 2075 for 2°C.<sup>9</sup> This entails reductions of 6.8 per cent per year and 4 per cent per year, respectively.



Theoretically, this can be accomplished with (a) a rapid shift to 100 per cent renewable energy to eliminate emissions from fossil fuel combustion (Jacobson and Delucchi 2011); plus (b) afforestation and soil regeneration to eliminate emissions from land use change; plus (c) a shift to alternative industrial processes to eliminate emissions from the production of cement, steel, and plastic. The question is, can all of this be accomplished quickly enough?

If we assume global GDP continues to grow at 3 per cent per year (the average from 2010 to 2014), then decoupling must occur at a rate of 10.5 per cent per year for 1.5°C, or 7.3 per cent per year for 2°C. If global GDP grows at 2.1 per cent per year, then decoupling must occur at 9.6 per cent per year for 1.5°C, or 6.4 per cent per year for 2°C. All of these targets are beyond what existing empirical models indicate is feasible. Before adopting BECCS assumptions, the IPCC (2000) projected decoupling of 3.3 per cent per year in a global best-case

scenario. This fall short of the decoupling rate that must be achieved if the global economy continues to grow at expected rates.

There is one empirical model that feasibly accomplishes emissions reductions consistent with the Paris Agreement, without relying on negative emissions technologies. Published by Grubler et al. (2018), it was included in the IPCC Special Report on 1.5°C (2018) in response to growing critiques of the IPCC's reliance on BECCS. The scenario, known as 'Low Energy Demand' (LED), accomplishes emissions reductions compatible with 1.5°C by reducing global energy demand by 40 per cent by 2050. In addition to decarbonisation and afforestation, the key feature of this scenario is that global material production and consumption declines significantly. Dematerialisation is accomplished by shifting away from private ownership of key commodities (like cars) towards sharing-based models. LED differentiates between the global North and South. Industrial activity declines by 42 per cent in the North and 12 per cent in the South. With efficiency improvements, this translates into industrial energy demand declining by 57 per cent in the North and 23 per cent in the South.

it is logically possible to have increasing GDP and a decreasing physical and energy throughput in an economy ... it is a fallacy to move from claims about what is logically possible to claims about what is physically possible and another from what is physically possible to what is empirically actual.

### Is Green Growth Theoretically Possible?

This question is often approached in terms of the IPAT equation (Environmental Impact = Population \* Affluence \* Technology), which says that the impact of an economy (e.g. tons of C per capita) is equal to the scale of the economy (GDP per capita) times its efficiency (e.g. GDP per tons of carbon). Efficiency is in principle determined by technology and policy and there is no a priori reason why it cannot increase faster than scale, or even as fast as necessary to reduce impact to a sustainable level. Furthermore, insofar as GDP measures what people are willing to pay for things, as opposed to the amount of energy and resources people consume, there is no reason why the economy cannot in theory grow using progressively less energy and resources: peoples' preferences may shift to goods and services with ever-lower energy and material requirements. One may conclude then that absolute decoupling should theoretically be possible – and in fact this is precisely the reason that advocates of green growth are not deterred by claims that it has not happened yet and does not seem likely to happen in the future. They attribute this to lack of effort.

As there is a thermodynamically defined maximum of efficiency, indefinite growth will sooner or later lead to increase in resource and energy use. Any absolute reductions due to substitution or efficiency will at best be temporary.

So let us assume that green growth is theoretically possible in the short to medium term. Still, we must ask if there is a fundamental, as opposed to historically contingent reason why it has not happened yet. Is there some

underlying reason why throughput and output are so tightly coupled in the empirical record?

It cannot be proven that green growth of value is theoretically possible. It cannot be proven either that green growth is theoretically impossible. As a result, our only reliable guide to the green growth/decoupling question must be empirical. Existing empirical studies demonstrate that green growth is at best highly unlikely.

### *Conclusion*

This review finds that extant empirical evidence does not support the theory of green growth. This is clear in two key registers. (1) Green growth requires that we achieve permanent absolute decoupling of resource use from GDP. Empirical projections show no absolute decoupling at a global scale, even under highly optimistic conditions. While some models show that absolute decoupling may be achieved in high-income nations under highly optimistic conditions, they indicate that it is not possible to sustain this trajectory in the long term. (2) Green growth also requires that we achieve permanent absolute decoupling of carbon emissions from GDP, and at a rate rapid enough to prevent us from exceeding the carbon budget for 1.5°C or 2°C. While absolute decoupling is possible at both national and global scales (and indeed has already been achieved in some regions), and while it is technically possible to decouple in line with the carbon budget for 1.5°C or 2°C, empirical projections show that this is unlikely to be achieved, even under highly optimistic conditions.

The empirical evidence opens up questions about the legitimacy of World Bank and OECD efforts to promote green growth as a route out of ecological emergency, and suggests that any policy programmes that rely on green growth assumptions – such as the Sustainable Development Goals – need urgently to be revisited.

We will need to scale down aggregate economic activity too.

The objective could be to find ways to decouple prosperity and development from growth.

Hickel and Kallis (2019) Is Green Growth Possible? (pdf)

# 17

## Degrowth

...a democratically planned yet adaptive, sustainable, and equitable downscaling of the economy, leading to a future where we can live better with less. This requires transforming the current profit-oriented capitalist system. It opposes blind faith in market forces and dismisses a pursuit of ‘green growth’ and decoupling as main strategies to solve environmental and social problems.

Growth has become uneconomic; its costs exceed its benefits.

If people didn’t have to work to pay the parasites who own the land they live on, the economy would produce less overall. That’s the degrowth hypothesis.

If communities had the sovereignty to prevent extracting and polluting industry they don’t want from setting up shop, the economy would produce less overall. That’s the degrowth hypothesis.

On-going research studies how to manage without growth by reducing the working week, changing money creation, reducing inequalities, or paying a universal income, perhaps funded by a carbon dividend. These are not easy policies. But prosperity without growth is the defining challenge for twenty-first century economics, and better ideas are welcome.

The idea of continuous growth is relatively recent, a product of the New Deal, when GDP was invented to help governments manage the economy. The Soviets first set annual growth targets in the 1950s, with the OECD following on and kick-starting an era of “growthmanship.” Growth is now like a secular god, a doxa whose truth cannot be questioned, left or right, east or west.

Kallis

Basic material needs have been satisfied - we need something else not more of the same!

The idea is fundamentally different from a recession since degrowth is a planned reduction of energy and resource use. A recession, however, is an unplanned event that can exacerbate inequality and reduce wellbeing.

Why does it matter? In one word: climate. On our current trajectory climate change endangers roughly half of all plants and all insect species, as well as a quarter of vertebrate species, within the century.

The current economic system sacrifices both people and environments at a time when everything from shifting weather patterns to rising sea levels is global in scope and unprecedented in nature. We have a system that is not only not delivering social benefits, it is also accelerating planetary disasters,

cbnc

## 17.1 Ecosocialism vs Degrowth

Ecosocialists agree that a significant measure of de-growth in production and consumption is necessary in order to avoid ecological collapse. But they have a critical assessment of the de-growth theories because: a) the concept of “de-growth” is insufficient to define an alternative programme; b) it does not make clear if de-growth can be achieved in the framework of capitalism or not; c) it does not distinguish between activities that need to be reduced and those that need to be developed.

Serge Latouche, who is well known worldwide, is one of the most controversial French de-growth theoreticians. For sure, some of his arguments are legitimate: demystification of “sustainable development”, critique of the religion of growth and “progress”, call for a cultural revolution.

*A qualitative transformation of development.*

Putting an end to the monstrous waste of resources by capitalism, based on the production, on a large scale, of useless and/or harmful products: the armaments industry is a good example, but a great part of the “goods” produced in capitalism, with their inbuilt obsolescence, have no other usefulness but to generate profit for the big corporations. The issue is not “excessive consumption” in the abstract, but the prevalent type of consumption, based as it is on conspicuous acquisition, massive waste, mercantile alienation, obsessive accumulation of goods, and the compulsive purchase of pseudo-novelties imposed by “fashion”.

How to distinguish the authentic from the artificial, factitious (artificially created) and makeshift needs? The last ones are induced by mental manipulation, i.e. advertisement. The advertising system has invaded all spheres of human life in modern capitalist societies. While advertisement is an indispensable dimension of the capitalist market economy, it would have no place in a society in transition to socialism, where it would be replaced by information on goods and services provided by consumer associations.

Compulsive acquisitiveness is induced by the commodity fetishism inherent in the capitalist system, by the dominant ideology and by advertisement: nothing proves that it is part of an “eternal human nature”.

Michael Löwy

## 17.2 Without Growth - Ecological Socialism

Degrowth redefines progress. The goal is to achieve well-being for all, in balance with the Earth’s ecosystems, and any step we take in this direction (i.e., degrowth) represents progress.

Degrowth is as anti-capitalist as it gets!

The ideology of growth has become the powerhouse of modern capitalism and we do not understand why some socialists are reluctant to join the battle against a phenomenon that is socially divisive and ecologically unsustainable. A socialism without growth but with well-being as its goal is how we reconcile two of the most powerful concepts we have: capitalism and guaranteeing a future.

As is evident by now, we do use the C-word, a lot. Certain Marxist commentators have accused degrowth of never explicitly questioning capitalism. Phillips (2015) depicts degrowth as a “small-scale steady-state capitalism.” The degrowth project some would think resembles the film *Downsizing* (2017), where exuberant consumerism is made environmentally possible by shrinking people down to a few centimetres.

So, let us be clear: degrowth is not miniature capitalism with tiny corporations, tiny speculative financial instruments, and tiny free trade agreements. It is not austerity within capitalism. It is an alternative system of provision altogether – not just smaller and slower, but different.

You may ask why focus on growth and not just capitalism? Well, try to compare the occurrence of “economic growth” versus “capital accumulation” in the news. As Gareth Dale has forcefully argued, economic growth is the ideology that has turned the specific interest of capital to grow (for returns, and for keeping social peace) into a generalized social objective assimilated by the population. This is not an ideology that will go away by refusing to confront it or beautifying it with nice adjectives. The fact that this ideology survived even the end of capitalism (or at least of a certain type of capitalism) in ex-socialist regimes should give pause for thought. Socialists who defend growth must also think twice whether they are redwashing capital, redressing the dreams that capitalism sells as socialist dreams.

Growth is the child of capitalism, but the child grew up and took over the head of the family. Capitalism’s interest in accumulation is promoted and legitimised through – and in the name of – “growth.” The critique of growth is the most fundamental critique of capitalism – one that criticises not only the means cap-

italism uses but the very ends it sells. This makes degrowth and (eco)socialism natural allies, not adversaries.

Kallis-Parrique

### 17.3 Less Production - Better Distribution

If capitalism calls for scarcity in order to generate more growth, degrowth calls for the opposite: reversing artificial scarcities in order to remove growthist pressures, and indeed to render additional growth unnecessary. Expanding universal public services is key to this (i.e., the opposite of austerity). As for the problem of excess throughput: this is being driven by unnecessary industrial activity (in other words, industrial activity that is organized around exchange-value rather than use-value) and elite accumulation. So that's what we have to degrow.

Of course, one can imagine this being achieved by an authoritarian government, but it wouldn't work very well. The problem with any elitist state structure is that it is removed from the complex realities of regional ecology. You can't manage ecosystems with abstract planning (James Scott's work in *Seeing Like a State* is good on this); it requires the knowledge of people who have a relationship with the land... it requires commoners. We know that when people have collective democratic control over local ecological commons they make decisions to sustain rather than liquidate them. That's the principle we need to build on.

Our relationship with nature will mimic the structure of our society. If we organize society around hierarchy, domination and extraction (which is true of both capitalism and any form of authoritarianism), then our relationship with nature will be hierarchical, dominating and extractive. But if we organize society around egalitarianism, reciprocity and care, then our relationship with nature will be egalitarian, reciprocal and caring. Every human society necessarily relies on nonhuman species; the question is, according to what principles do we incorporate them?

Degrowthism strikes a path that incorporates high-tech solutions to build low-tech, low-harm economies.

Under capitalism, innovations that deliver efficiency improvements lead not to a reduction of energy and resource use, but rather to more energy and resource use, because the gains are reinvested to expand the process of production and consumption. In other words, growthism wipes out our most impressive improvements. When it comes to confronting ecological breakdown, we must realize that it's not our technology that's the problem, it's growth.

*Action*

The first step is to amplify the voices of Indigenous leaders and activists who are already pointing in this direction. The Red Nation movement's tagline says "All Relatives Forever", with relatives here of course referring to both human and

nonhuman persons. Consider the implications of such a politics; it is profound – far more radical, and far more inspiring and enriching, than traditional leftist discourse.

The Rights of Nature movement is also promising; the more we talk about rivers, watersheds and ecosystems as persons, with rights to existence, the more this idea becomes thinkable. We don't have to wait for national governments to create such rights; in many places local councils have this power.

#### *Fiction*

Ursula Le Guin's *The Dispossessed*. It's a story about a kind of ecosocialist society on another planet. The premise is that the ecosystem is primarily desert, so people have to find ways to sustain a flourishing society with relatively little material throughput. They do it with a firm commitment to egalitarianism, public goods, and direct democracy. They fiercely reject elite accumulation, which they see as dangerously wasteful. Because they do not measure civilization in terms of the quantity of stuff they consume (as our society does), they are free to focus on higher goals: philosophy, science and art. It's worth noting that Le Guin was the daughter of Alfred Kroeber, an anthropologist who spent his career learning from Indigenous communities in the American Southwest. These were people who saw egalitarianism and direct democracy as essential to survival in a desert ecosystem. Le Guin was clearly inspired by their approach to the world.

There's other literature that deals with degrowth themes, although without trying to portray a degrowth society. Michael Ende's *Momo* comes to mind. There's also Hayao Miyazaki's films. Aldous Huxley's *Island*. David Graeber's *Fragments of an Anarchist Anthropology* explores ethnographic insights that are relevant to degrowth theory. Then there are the writings of anti-colonial leaders like Gandhi, Fanon and Sankara, who rejected growthism and sought to define a more human-centered economics. These are all resources we can draw on as we imagine a more just and ecological civilization.

#### *Strategy*

There's a lot of work to be done when it comes to degrowth political strategy. I think what's required is a range of approaches. There are people at the community level working to bring degrowth principles to local economic governance. Transition Towns in the UK are a nascent example of this. So too with cities like Amsterdam and Copenhagen adopting "doughnut economics". We can see it at a national level, too, with New Zealand, Scotland and Iceland choosing to abandon GDP growth as a government objective. I think there's hope at a multilateral level, too: the Environment Committee of the European Parliament just recently voted in favour of binding targets to reduce material throughput in absolute terms. That's a core degrowth policy. Of course, it's not law yet – but it's a huge step.

The difference between neoliberal political strategy and degrowth is that the

former had the backing of billionaires and corporations that bankrolled think tanks, university departments, and media outlets. It also had international financial institutions and the US military, which forcibly imposed the Washington Consensus around the world. Degrowth has to rely almost entirely on social movements. That's a tall order, but we can take inspiration from our ancestors: the anti-slavery movement, the anti-apartheid movement, the anti-colonial movement, the Civil Rights Movement, the labour movement, the feminist movement... all of these have changed the world, against overwhelming odds. That's the scale of what's required of us.

On Hickel's 'Less is More' - Interview

## 17.4 What shouldn't exist

### *The Waistfull Rich*

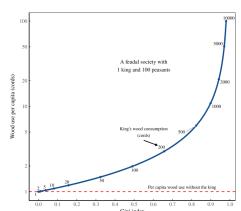
In a world without billionaires, the ridiculous towers on Billionaire's Row wouldn't exist. And that means the stupendous amounts of energy required to build these towers could have been spent on something else ... or not spent at all. In short, ridding the world of billionaires sounds like a great policy for reducing resource consumption (a.k.a. 'degrowth').

## 17.5 Radically Progressive Degrowth

### *Taxing Billionaires out of Existence*

Achieving degrowth is a recipe for 'immiseration' only if we hold existing patterns of distribution constant. But if we redistribute resources (by eliminating the rich), those at the bottom need not suffer. This is 'radically progressive degrowth'.

### *Inequality drives resource use*



*Figure: How inequality drives resource use. Wood use per capita in a hypothetical society consisting of 1 king and 100 peasants. The peasants each consume 1 cord of wood. The blue line shows what happens to per capita consumption (vertical axis) as the king ramps up his use of wood (labeled along the curve). The horizontal axis shows the resulting wood-use inequality, as measured by the Gini index.*

Elites (here, the king) pulls up the average level of consumption from what it would be if the elites did not exist. From this principle comes a corollary that is equally simple yet far more provocative. One way to lower average resource use is to get rid of elites.

Blair Fix

## 17.6 Assimilating Degrowth

*Trantas*

The sustainable development discourse, including the modern green growth version, may have aspects that contribute to environmental and social welfare but it is a top down reform project, that aims at correcting the environmental and social externalities resulting from economic growth. It is directed by governments that abide by the logic of capital. Although in principle there is civic engagement, public participation is limited and without challenging the dominant economic paradigm. Following Gramsci's terminology, sustainable development can be interpreted as a passive revolution, in the sense that change is managed through compromises with different social and political actors but within limits which neutralize any potential threat to economic and political power. On the contrary, the emerging (yet still marginal) alternative, multi-disciplinary, degrowth academic paradigm, has evolved from an activist movement since the first decade of this century, and retains close contacts and open communication with social movements that support a degrowth transition in economy and society. This transition directly challenges the established orthodox growth narrative and the mechanisms of capital accumulation. Thus, in contrast to the sustainable development discourse, it is difficult for the "power bloc" to accommodate degrowth. But in times of crisis and change, the dominant powers can certainly use some aspects of the degrowth discourse, assimilating and transforming them into elements that fit their new accumulation strategies, hegemonic visions and state projects. For this not to happen, degrowthers should focus their research and theory more on the workings of capitalist political economy, and their political practice on trying to form alliances with social actors, such as working-class movements, that are crucial for the achievement of hegemony.

### Passive Revolution (Gramsci)

Passive revolution then is about trying "to manage change and maintain control of economic and political power through compromises with different social interests and political forces within limits which neutralise anything which presents a serious threat"

In a passive revolution, the interests of the dominant forces are imposed on the popular masses "through a war of position which advances particular popular interests (if at all) through a mechanical game of compromise rather than their organic integration into a 'national-popular' project"

This differs from an expansive hegemony, as the latter requires the active support of the people to a hegemonic vision (and state project) 5 , on the basis of symbolic and material rewards that the popular masses receive in a national–popular program, which aims to advance not only the immediate “corporate” interests of the dominant group, but a very broad coalition of forces, ideally the whole nation.

This is a basic precondition for forming a “historical bloc”, which is about the “unity between structure and superstructure” and the formation of a homogeneous politico- economic alliance, without internal contradictions.

Topographically, therefore, passive revolution covers the space of the “war of position” between an expansive hegemony and an open “war of maneuver” (or “war of movement”) against the popular masses, and it includes not only normal reformist forms of social control but also goes all the way to the use of “force, fraud, and corruption”, where it borders with the war of maneuver. Gramsci viewed the 1930s reorganization of capitalism, involving the increased state intervention in the economy and society that took a variety of political forms, such as the New Deal in USA and Fascism in Italy, as cases of passive revolution.

### **‘Sustainable Development’ as Passive Revolution**

Sustainable development, as expressed at the international level in the current 2030 Agenda of the Sustainable Development Goals (SDGs) (UN General Assembly Resolution 2015), and in other regional and national contexts, can be interpreted, mutatis mutandis, as a passive revolution case, in the sense that the dominant social classes and groups are pursuing their hegemonic visions, state projects and accumulation strategies by assimilating certain demands from the subaltern and opposing social and political forces and transforming their radical potential into politically harmless elements.

They succeed in ‘decapitating’ the revolutionary/emancipatory potential of their adversary (the emerging “collective will”) and secure their own dominance or, even better, hegemony.

The “laws of motion” of capitalism set some very definite limits on the applicability of policy proposals made by the degrowth school of thought

As Régulation theory (Boyer and Saillard 2002) has shown, there is a variety of accumulation regimes and modes of regulation that can secure for a certain historical period the reproduction of capitalist social formations.

Nothing precludes the possibility for the dominant powers to adopt some degrowth measures in a passive revolution manner, by transforming them not only into harmless elements in their hegemonic visions but also beneficial features of their immediate economic interests in new concrete state projects.

### **The Problem with Sustainability**

And it all pretty much comes down to Brundtland’s foreword to the 1987 Our Common Future report: “These links between poverty, inequality and environ-

mental degradation formed a major theme in our analysis and recommendations. What is needed now is a new era of economic growth – growth that is forceful and at the same time socially and environmentally sustainable” (WCED 1987). Well, as the degrowth, postgrowth or ‘steady-state economy’ schools of thought would argue, this is the problem with sustainable development; the primacy of economic growth considerations and the positivist/modernist belief that in the three-circle intersection of economic growth, with environmental protection and social justice, “win-win” policies can be implemented.

Sustainable development has been called an “oxymoron”, an attempt to square the circle, to have one’s cake and eat it too, for “how can we protect nature while keeping on competing and growing economically?”

The dominance of growth-oriented policies and their contradictory position to sustainability priorities, and also comment on the vagueness and ambiguity of the term.

The concept is heavily contested by different and opposing “stakeholders”, who try to appropriate it and give it a meaning according to their own interests. Some talk about the “highjacking” of sustainability

As the UN documents on sustainable development fail to identify the historical and structural roots of environmental and social degradation, the proposed solutions cannot be transformative enough.

Of particular importance to the passive revolution aspects that are discussed herewith, is the framing of the mainstream sustainable development discourse in a way that can be described as a “post-political” depoliticization of a political issue *par excellence*.

The environmental movement may be “the most comprehensive and influential movement of our time” representing for the ‘post-industrial’ age what the workers’ movement was for the industrial period.

Although it is to a large extent recognized that economic growth does not by itself eliminate poverty nor does it improve the environment, the question remains why then is economic growth – at least in the Global North – still a goal of sustainable development?

Obviously, to stop prioritizing growth and to start focusing seriously on reducing inequalities on the economic and ecological front, within and among countries, through redistributive policies, while downscaling the biophysical size of the economy, could have dire consequences to the process of capital accumulation and the capitalist economy as a whole.

So, an alternative, passive revolution path, along the lines of a green social-democratic discourse of difference, is to reverse the question and ask if the implementation of social and environmental policies

that aim to eliminate poverty and inequalities, protect the environment and tackle climate change, could in return lead to economic growth, albeit this time more inclusive and sustainable.

The initial radicalism of the environmentalist movement of the 1970s has vanished and as the UN documents on sustainable development fail to identify the historical and structural roots of environmental and social degradation, the proposed solutions cannot be transformative enough.

The discourse and project of sustainable development gradually lost its way, it is now refolded into the much more market-oriented green growth discourse and project, that deviates considerably from the original sustainability concerns, as it asserts that environmental sustainability is not only compatible but also depends on the market system.

The question of decoupling economic growth measured in GDP, from growth in environmental impacts strikes at the heart of the matter and constitutes the ultimate testing field for the theoretical assumptions and empirical evidence of those who promote the growth solution to all problems. If decoupling via scientific and technological advancements and “natural capital” substitution by “human-made capital” were feasible, then growth would be a legitimate sustainability goal. If not, other ways for decoupling should urgently be found if climate change and pressing environmental (and societal) problems are to be taken seriously. Based on the second law of thermodynamics but also the findings of authoritative scientific studies on historical trends and model-based projections for the future, the answer to the decoupling question appears to be negative.

### **Radical Degrowth**

The sustainable development discourse may have many aspects that contribute to environmental and social welfare but it is basically a top-down reform project that aims at correcting the environmental and social externalities to economic growth. It is run by governments that abide by the logic of capital 12 and although in principle it promotes civic and stakeholder engagement, public participation is limited and is done in a way that does not seriously challenge the dominant economic paradigm.

The emerging (yet still marginal) alternative, multi-disciplinary, degrowth academic paradigm has evolved, in a consistent and quite influential way since the first decade of this century, from an activist movement and it retains close contacts and open communication with social movements that support a degrowth transition in economy and society. An explicit goal of degrowth is the repoliticization of environmentalism and ending of the depoliticizing consensus on sustainable development.

Degrowth challenges the very foundations of “actually existing” capitalism and erstwhile socialism alike, as it postulates that infinite economic growth in a finite planet is just impossible and must be undesirable.

Capitalism is not sustainable in the long run without the dynamics of capital

accumulation and economic growth (periods of economic crisis, which are accompanied by crises in political and ideological fields, are a proof of that), then degrowth has a strong anti-capitalist/anti-consumerist orientation.

Degrowth has been defined as

a voluntary, democratically negotiated, equitable downscaling of economic production and consumption to assure that society's throughput – resource use and waste – stays within safe ecosystem boundaries

### Futility Limit

As Daly (2007: 17) argues, the rich countries of the planet have reached a stage of “non-economic growth” (increases in production come at the cost of resource depletion and well-being that is worth more than the commodities made) and the population is facing a “futility limit.”

Any utility (level of satisfaction of the populations' needs and wants) earned from increased production and consumption is surpassed by the disutility of the level of sacrifice that has to be endured (workload, loss of leisure, resource depletion, exposure to pollution, congestion)

Daly's argument is that as we move from the traditional “empty world” to today's “full world” economy, we must adjust the economics accordingly.

We can no longer afford to treat the environmental issues as “externalities.” We must start economizing on and invest in the limiting factor (natural capital).

Adhere to the tenets of Buddhist economics and the “small is beautiful” slogan or the low-impact “spaceship economy” in contradistinction to the voracious “cowboy economy”

Supportive of alternative constructions of economy and society, such as producer-consumer cooperatives, eco-communities, local currencies and social philosophies of Buen Vivir and Ubuntu, and promote concrete welfare reform policies such as work-sharing and the reduction of working hours, job guarantee schemes, introduction of income guarantee, basic and maximum income/wealth, and a shifting from a corporate to a cooperative economy.

If escaping the issue of just redistribution via the growth imaginary is no longer possible, then a more genuine political settlement of social questions becomes imminent.

Quantitative growth is an inherent characteristic of the capitalist reproduction process and, since growth, by default, puts enormous pressure on nature, capitalism is not at the end of the day ecologically sustainable.

Proponents of SSE, such as Daly and Lawn , believe that a steady- state economy is compatible with capitalism (a system based on private property and markets), albeit regulated by a strongly interventionist social-democratic state. After all, as Lawn (2011) rightly points out, the real deal in capitalism is to make a profit,

not to grow the company. If you don't make a profit you die and even though profit is made by increasing output and sales (the first option), the profitability can also be accomplished by producing better quality products and selling the same quantity of output at a higher price (a second option) or by producing the same quantity more efficiently (the third option). It is thus possible to have a steady-state capitalist economy, with profits but not necessarily with an increased throughput (growth).

Blauwhof (2012) discusses these issues thoroughly. He notes that although Lawn's first option obviously leads to growth in both throughput and GDP, the third option does not. In fact, it can lead to a decreased demand, unsold products and a lower GDP. However, this option has limits, as wages, working hours per product and other input costs cannot be squeezed forever and also, at some point, the competition will catch up with the efficiency improvements. Regarding the second option, this could lead to GDP growth but not throughput growth, as increased revenues can be earned by using the same amount of inputs. Nevertheless, the relation of higher prices with constant wages (with which the goods will be bought) can lead to a series of problems associated with a lack of demand. In other words, although in principle the profit motive is not identical to the growth imperative, a zero-growth economy does not make much sense to the profit-maximizing players of a competitive economy.

By using Marxian economic analysis of capital accumulation (Blauwhof 2012), 15 including aspects of Marxist theory such as the tendency of the rate of profit to fall over time (Li 2007), it becomes evident that a zero-growth society cannot be compatible with an economic system based on the pursuit of profit and accumulation. Even more important is to look at the geography of the spatial expansion of capital to overcome the limits of capital accumulation, as "capitalism could not survive without being geographically expansionary and perpetually seeking out 'spatial fixes' for its problems".

For Marxist eco-socialists, a fundamental contradiction exists between capital accumulation and planetary boundaries. Capital as a process (or social relation) of self-expanding value, bound by the laws of capitalist competition, runs the risk of annihilating itself, and the whole planet. Accordingly, the SSE institutional and policy reforms proposed by Daly (2013) and other ecological economists and degrowthers (Kallis 2011, 2015; Kallis et al. 2012), are well-intentioned and ethical but not really compatible with the workings of a capitalist economy.

From a system based on private property of the means of production and the commodification of all aspects of social life and nature, to one based on a collective ownership by freely associated individuals and a restoration of the commons.

1. Put life at the center of our economic systems,
2. Radically re-evaluate how much and what work is necessary for a good life for all,
3. Organize society around the provision of essential goods and services,
4. Democratize society, and
5. Base political and economic systems on the principle of solidarity.

These principles, as further specified in the letter and the degrowth literature in general, certainly aim at a more egalitarian and sustainable society and they do pose obstacles to the normal circuits of capital accumulation. But as long as their critical approach to the general concept of “growth society” is not combined with a class analysis and critique of capitalism (Foster 2011), degrowth’s arguments can be picked up in an ad hoc manner and transformed by “bourgeois forces” so that they don’t become detrimental to the basic mode of operation of capitalist social formations.

Degrowth is obliged to offer viable solutions to the job losses and declining living standards of working people and the poor (Pollin 2018: 22). This can be done only when it takes seriously the class and class-relevant dimension of the economic and ecological crisis,

The degrowth school tends to avoid the central social question of capitalism and prefers to draw attention to alternative paths of economic and social organization, such as the social and solidarity economy, and sustainable community movement organizations. It places emphasis on creative, bottom-up initiatives and horizontal networks of collectivities that are blossoming rhizomatically. It supports a co-evolution of social, cultural and ecological systems.

These are all welcome features of another way of doing things *now* but they are not enough, since any good examples of an alternative economy work only on the fringes of the dominant capitalist mode of production.

In societies based on class antagonisms and unequal distribution of power, any scientific evidence and logically valid arguments offered by the degrowth movement and its supporters, are a necessary but not sufficient condition for social change.

A collective identity that is willing to initiate change is needed. This is constructed through the mechanisms of hegemony, that is by articulating a plurality of seemingly autonomous and unconnected interests and demands into a coherent hegemonic vision that is collectively forged through discourse and aims at spreading its influence into society and “capturing”/altering the state, in order to bring forth social change.

More radical policy proposals that aim at drastic income and wealth redistribution reforms, in parallel with the promotion of producer cooperatives, as an alternative democratic form of organization of the economy, would require the formation of a well-built alliance between environmental and working-class movements.

A Gramscian theory of the state suits degrowth’s work on the combination of grassroots and institutional actions.

Other theorists don’t agree that real change can ever occur through the state, but at the same time acknowledge that changing the world without taking power is very difficult.

Intervene and try to introduce as many degrowth aspects as possible into official policy contexts.

An immense task indeed.

Trantas (pdf)

## 18

# History of Capitalism

SMM: Less Is More includes a really fascinating section on the creation story of capitalism. The story is basically of peasants who threw off the rule of aristocrats and built egalitarian communes that also were quite animistic, with an ecologically-minded relationship to non-human (or your great phrase “more-than-human”) life. Rulers invented capitalism to basically extract more from the peasant communities and compel farmers to extract more from the land. The takeaway seems to be that in the absence of such psychopathic aristocrats and autocrats, people generally self-organize into more or less eco-anarchist democracies. There are many examples of Indigenous societies incorporating social tools to maintain democratic politics and prevent wealth and power hoarders from taking over. Are there practical mechanisms (that you didn’t include in Less Is More) that you’d point to for achieving such enviable accountability in modern fossil states, or do we just need to hope for collapses and fragmentation?

JH: It’s worth remembering that the ecological ontologies that characterize many Indigenous communities today are not some kind of timeless trait. They have been formulated in response to capitalism. In most cases these communities, or their ancestors, have had first-hand experience of the violence of colonial capital. They know how destructive it is, to both humans and ecologies, especially on the frontiers of the world-system. Consider the devastation wrought by the European invasion of the Americas, which wiped out 90% of the population and turned vast tracts of land into plantation monoculture and strip mines. That’s the context here. Indigenous communities have seen apocalypse up close, and their ontologies have been formed accordingly, with an acute awareness of the values that are required if we are to thrive together on this planet.

For the first 400 years of its history, capitalism caused immiseration virtually everywhere it went: enclosure, dispossession, genocide, mass enslavement, colonization, famine. It wasn’t until 1870 that we began to see any improvement in life expectancy in Europe, and that was the product of the labour movement

and related struggles for democracy, municipal socialism, and basic interventions like public sanitation, public housing, and public healthcare. We don't see improvement in the global South until progressive movements succeed in achieving decolonization. This history is important, because it reveals that what's required for progress isn't growth as such (as in, an aggregate expansion in the commodity economy), but rather a fair distribution of income and opportunity, and access to universal public goods. It's not rocket science, but it does require a political struggle. So one might say that degrowth redefines progress. The goal is to achieve well-being for all, in balance with the Earth's ecosystems, and any step we take in this direction (i.e., degrowth) represents progress.

On Hickel's 'Less is More' -Interview

# 19

## Global Political Economy

*Oatley*

Mainstream American international political economy (IPE) has gradually lost relevance as a framework for understanding developments in the global political economy. It offers little help for understanding the impact of the China Shock, the development and consequences of the Global Financial Crisis, or the anti-system politics that began to emerge in 2016. These are the three developments that largely defined global political economy during the first quarter of the twenty-first century. It is even less helpful for explaining the climate crisis and the energy transition, the issues that will increasingly shape the global political economy for the next quarter century and beyond. Restoring relevance to American IPE will require the development of theoretical frameworks that are intrinsically systemic and dynamic. I suggest that the Uneven and Combined Development, and the Political Economy of Complex Interdependence, perspectives, supplemented by greater attention to system parameters, provide a strong foundation upon which to build such frameworks.

Thomas Oatley: Regaining relevance (paywall) Thomas Oatley: Blog



# **Part I**

# **Appendices**



## Appendix A

## About



*Dyre Haugen and Dyrehaugen* is Webian for *Jon Martin* - self-owned Globian, Webian, Norwegian and Canarian with a background from industrial research policy, urban planning and economic development consulting on global, regional and urban scales. I am deeply concerned about the (insane) way humanity (i.e. capitalism) interfere with nature. In an effort to gain insights in how and why this happens stuff is collected from around the web and put together in a linked set of web-sites. The sites are operated as personal notebooks. However, these days things can be easily published to the benefit of others concerned with the same issues. But be aware - this is not polished for presentation or peer-reviewed for exactness. I offer you just to have a look at my ‘work-desk’ as it appears in the moment. Any comment or suggestion can be mailed to [dyrehaugen@gmail.com](mailto:dyrehaugen@gmail.com) You can follow me on twitter as @dyrehaugen. Thanks for visiting!



## Appendix B

# Links

### Current Dyrehaugen Sites:

- rcap - On Capitalism (loc)
- rclm - On Climate Change (loc)
- recs - On Economics (loc)
- rngy - On Energy (loc)
- renv - On Environment (loc)
- rsts - On Statistics (loc)
- rurb - On Urbanization (loc)
- rvar - On Varia (loc)
- rwsd - On Wisdom (loc)

### Blogs:

- rde - Blog in English (loc)
- rdn - Blog in Norwegian (loc)

### Discontinued:

- jdt - Collection (Jekyll) (loc)
- hdt - Collection (Hugo) (loc)

### Not listed:

- (q:) dhe dhn jrw56
- (z:) rcsa rpad rstart



# **Appendix C**

## **NEWS**

### **C.1 210111 Increasing the Material Footprint**

‘Green Growth’ policies creates euphoria among investment bankers even in the middle of the Corona pandemic. Governments around the globe are believed to come up with very strong extraction incentives under the ‘Green Growth’ label.

Extraction Stimulus (The Guardian)

### **C.2 210102 A Macabre Spectacle**

The central, befuddling economic reality of the United States at the close of 2020 is that everything is terrible in the world, while everything is wonderful in the financial markets. It’s a macabre spectacle. Asset prices keep reaching new, extraordinary highs, when around 3,000 people a day are dying of coronavirus and 800,000 people a week are filing new unemployment claims. Even an enthusiast of modern capitalism might wonder if something is deeply broken in how the economy works.

Why Markets Boomed in a Year of Human Misery (NY Times)

### **C.3 210102 Climate Finance Shadow Report 2020**

Oxfam has released this report with subtitle *Assessing progress towards the \$100 billion commitment*. Progress is NOT in line with need or pledges.

Climate change could undo decades of progress in development and dramatically increase global inequalities. There is an urgent need for

climate finance to help countries cope and adapt. Over a decade ago, developed countries committed to mobilize \$100bn per year by 2020 to support developing countries to adapt and reduce their emissions. The goal is a critical part of the Paris Agreement. As 2020 draws to a close, Oxfam's Climate Finance Shadow Report 2020 offers an assessment of progress towards the \$100bn goal.

Based on 2017–18 reported numbers, developed countries are likely to claim they are on track to meet the \$100bn goal. And on their own terms, they may be. But how the goal is met is as important as whether it is met. The dubious veracity of reported numbers, the extent to which climate finance is increasing developing country indebtedness, and the enduring gap in support for adaptation, LDCs and SIDS, are grave concerns. Meeting the \$100bn goal on these terms would be cause for concern, not celebration.

Oxfam Report (pdf)