

# Capitalism

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# 1

## Capitalism



Capitalism, it turns out, is good at economic growth but does a lousy job at serving people's needs.

The current market-economic model, capitalism, is not win-win.

Capitalism can be understood as society driven by accumulation.

Capitalism is an inherently irrational system because the pursuit of profit to the exclusion of all other considerations leads to disaster.

Capitalism is a class society based on infinite expansion, through the exploitation of labor and the ransacking of nature.

Capitalism has been a deadly detour for humanity.

The current world capitalist system is unsustainable and unreformable.

Capitalism is like a ship where the whole crew has gone under deck

to oil the machinery for the greatest speed and efficiency while none stays at the bridge navigating and steering.

Nothing can be done under capitalism to improve the world - we just have to wait for it to collapse.

We must do away with a system whose drive to accumulate capital puts it at war with the mass of humanity and with nature. If we do not imagine the end of capitalism — and act on that imagination — we may well be facing the end of the world.

Capitalism: fr. *capita* or ‘head’ of cattle etc. = ‘counting-ism’, whose essential tool is the ac-counting statement, and which propels the urge to quantify everything (‘human capital’, ‘social capital’, ‘knowledge capital’, etc., little of which is convincingly quantifiable).

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

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

Capitalism is an economic system which in today’s world can be better described as the dominance of the economic system over the political system and society.

Capitalism is a system of ownership NOT a system of production. Capital is a mechanism of ownership NOT a mechanism of production.

In practical, real-world terms, capitalism is the most inefficient system ever invented. Although it produces riches for some, it leaves billions of people at its margins, many fighting to survive, many surviving in precarious positions, environmental destruction built into it, and climate catastrophe almost upon us.

Joseph Schumpeter har lært oss at kapitalismen i bunn og grunn er et resultat av utilsiktede bivirkninger.

Capital is “the characteristic the means of production acquire when they are used to hire labor and generate surplus value”. Milanovic

capital: command-system whose mode of functioning is accumulation-oriented (Mészáros)

capitalist “growth”: a specific bourgeois-imperial project to sustain the accumulation of capital through the exploitation and robbery of humans and the rest of life. (Jason W. Moore)

*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 = Value in Motion*

*Natural Capital* - the word “capital” in its original non-monetary sense means “a stock or fund that yields a flow of useful goods or services into the future.” The word “capital” derives from “capita” meaning “heads,” referring to heads of cattle in a herd. The herd is the capital stock; the sustainable annual increase in the herd is the flow of useful goods or “income” yielded by the capital stock—all in physical, not monetary, terms. Money is fungible, natural stocks are not; money has no physical dimension, natural populations do. Exchanges of matter and energy among parts of the ecosystem have an objective ecological basis. They are not governed by prices based on subjective human preferences in the market. Like cattle, capital transforms resource flows into products and wastes, obeying the laws of thermodynamics. Capital is not a magic substance that grows by creating something out of nothing. Daly (2014) Use and abuse of the ‘Natural Capital’ concept

*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.

*Capitalism is incompatible with ecology*

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.’

Capitalists argues that whoever owns the means of production owns whatever the means of production produces even if they are not the ones who produces it.

Capitalism is an economic system which emerged around five centuries ago and introduced a series of incentives, through competition, to discipline companies and force them to grow in each period, as well as to reinvest profits in order to raise their production capacity to a higher level, in addition to awarding a growing share of those profits to the people who supplied the capital. In this way, under capitalism the whole entrepreneurial fabric is pushed towards boosting its production capacity. This is what, under particular institutional arrangements, has driven the spectacular increase in economic activity, infrastructure and, finally, the living standards of people over the past two hundred years. (Garzon)

Capitalism is just a machine to turn our life support systems into un-spendable wealth.

Capitalism is a system of ownership not a system of production. Owners strategically sabotage production.

Capitalism is run by capitalists and not consumers.

Capital is dead labor, which, vampire-like, lives only by sucking living labor, and lives the more, the more labor it sucks.

“We need capitalism,” Senator Marco Rubio of Florida said last year. But “in those instances in which the market’s most efficient outcome is one that’s bad for our people, for our national security, for our national interest, bad for America—in those instances what we need is targeted industrial policy to further the common good and to protect our people, our country, and our future.”

Capitalism is fundamentally a debt based economic system run by the iron (and sometimes not so iron – see Enron’s debacle) law of balance sheets, double-entry bookkeeping and accounting identities.

Capitalism: economic system in which credit finances ... mainly the acquisition of companies by leveraged private equity funds and the subsequent keeping afloat of the whole mess after rates have gone up. Trust me it’s all super efficient.

## 1.1 Definition

*Wikipedia*

Capitalism is an economic system based on the private ownership of the means of production and their operation for profit. Central characteristics of capitalism include capital accumulation, competitive markets, a price system, private property and the recognition of property rights, voluntary exchange and wage labor. In a capitalist market economy, decision-making and investments are determined by every owner of wealth, property or production ability in capital

and financial markets whereas prices and the distribution of goods and services are mainly determined by competition in goods and services markets.

Wikipedia: Capitalism

*Milanovic*

In the neo-classical world, capital is the sum of values of productive and financial assets. Because capital is extremely heterogeneous, we cannot express it in physical, but only in value terms. This has led to the Cambridge Controversy which petered out but was never resolved. In our usual work on wealth inequality, we also add the value of non-productive assets like jewelry, paintings etc. And for some assets that do not yield cash return, but are used by their owners (like housing) we add them too at their estimated value.

Marx's concept of capital is very different. Consider for example a shoe-maker who works in his own shop. In our usual work as neoclassical economists, we would estimate the value (price) of all the tools that he owns and include this in our national capital. For Marx though this is not capital. Capital is "the characteristic the means of production acquire when they are used to hire labor and generate surplus value". Our shoe-maker does hire anyone. His machines are simply the means of production, the physical tools. They are not capital until he expands his store, takes over its management, and hires workers to work with the tools he owns. At that point, the tools become capital. For the national accounting, Marx's concept of capital will therefore exclude the value of all machines and tools owned by either worker-owners (like our shoemaker) or cooperative firms and most of non-incorporated businesses. In countries where owner-worker sector is relatively large like in Latin America, lots of what is today considered "capital" would cease to be so. From household surveys we know that about a third of total income in Latin American countries comes from the owner-worker sector. We can then venture a guess than perhaps (a bit less than) one-third of what is today considered capital will be "lost". Since that part of capital is less unequally distributed than the "capitalistic" capital, it is very likely that we would empirically find that the concentration of capital à la Marx is significantly greater than currently estimated.

There is yet another, more difficult, issue. Marx, like all classical authors (Quesnay, Smith, Ricardo), takes wages to be advanced before the process of production begins. It means that if our shoemaker decides to become a capitalist, he not only would have to own the tools (which we already assumed he does), but enough cash on hand to hire workers. This assumption seems much more reasonable than the neoclassical (tacit) assumption that wages are paid at the end of the process of production. Why? Because if wages are paid at the end, then workers are co-entrepreneurs, since their (promised) wage depends on whether our shoemaker-capitalist is able to sell his shoes at the expected price or not. This is clearly unrealistic, or even absurd. Workers do not bear the risk of the enterprise; in fact, the crucial difference between labor and capital owners is that the risk is entirely borne by the latter. If workers' wages have to be paid

before the process of production begins, somebody has to have the wherewithal to do so. That somebody is a capitalist. This is his “variable capital”. Thus, in terms of national accounts and calculations of wealth inequality, we would have to allocate all wage income accrued in capitalist enterprises to their owners. This means that the wages fund of, say Tesla or Google has to be imputed as capital, in its aliquot proportion, to all owners of shares in Tesla or Google. Marx’s concept of capital would therefore include a significant chunk of what goes under the name of labor income today. If I am the owner of 1 percent of Google shares, my capital will not be only the current value of these shares (equal, in principle, to the expected discounted amount of profit), but also 1% of the wage-bill paid by Google. The problem here is the time period: should Google’s future wage bill be cumulated as the value of shares is?

If we use the following notation, A = value of productive and financial assets used in the capitalist sector, B = value of productive and financial assets used in the owner-workers sector, C = non-productive wealth, D = wages paid in the capitalist sector, the current concept of capital is equal to A + B, the current concept of wealth adds to that C, while Marx’s concept of capital would be equal to A + D.

As capitalism becomes more “capitalistic” the very size of what is deemed to be capital expands. This seems to make sense. In an economy composed of small producers, say thousands of small land-holders, the overall capital will be small. There will be very few capitalist enterprises (hence A is small) and wages paid by them will be a small share of the overall labor income. Thus we come to the conclusion that what is capital is historically-determined.

When we compare capital in France and Cameroon, we are not just comparing how many tools exist in France and in Cameroon: we are really comparing how many tools are put to work to generate profit for their owners. There is, in conclusion, no capital as such, outside of the concrete reality and existing relations of production.

Milanovic (2022) Capital as a historic concept

## 1.2 Capitalism as Mode of Production

*Smith*

Fundamental principles and rules for reproduction that define any capitalism, and shape the dynamics of capitalist economic development:

1. **Producers are dependent upon the market:** Capitalism is a mode of production in which specialized producers (corporations, companies, manufacturers, individual producers) produce some commodity for market but do not produce their own means of subsistence. Workers own no means of production, or insufficient means to enter into production on their own, and so have no choice but to sell their labor to the capitalists. Capitalists

as a class possess a monopoly ownership of most of society's means of production but do not directly produce their own means of subsistence. So capitalists have to sell their commodities on the market to obtain money to buy their own means of subsistence and to purchase new means of production and hire more labor, to re-enter production and carry on from year to year. So in a capitalist economy, everyone is dependent upon the market, compelled to sell in order to buy, to buy in order to sell to re-enter production and carry on.

2. **Competition is the motor of economic development:** When producers come to market they're not free to sell their particular commodity at whatever price they wish because they find other producers selling the same commodity. They therefore have to "meet or beat" the competition to sell their product and stay in business. Competition thus forces producers to reinvest much of their profit back into productivity-enhancing technologies and processes (instead of spending it on conspicuous consumption or warfare without developing the forces of production as ruling classes did, for example, under feudalism). Producers must constantly strive to increase the efficiency of their units of production by cutting the cost of inputs, seeking cheaper sources of raw materials and labor, by bringing in more advanced labor-saving machinery and technology to boost productivity, or by increasing their scale of production to take advantage of economies of scale, and in other ways, to develop the forces of production.
3. **"Grow or die" is a law of survival in the marketplace:** In the capitalist mode of production, most producers (there are some exceptions, which I will note below) have no choice but to live by the capitalist maxim "grow or die". First, as Adam Smith noted, the ever-increasing division of labor raises productivity and output, compelling producers to find more markets for this growing output. Secondly, competition compels producers to seek to expand their market share, to defend their position against competitors. Bigger is safer because, ceteris paribus, bigger producers can take advantage of economies of scale and can use their greater resources to invest in technological development, so can more effectively dominate markets. Marginal competitors tend to be crushed or bought out by larger firms (Chrysler, Volvo, etc.). Thirdly, the modern corporate form of ownership adds irresistible and unrelenting pressures to grow from owners (shareholders). Corporate CEOs do not have the freedom to choose not to grow or to subordinate profit-making to ecological concerns because they don't own their firms even if they own substantial shares. Corporations are owned by masses of shareholders. And the shareholders are not looking for "stasis"; they are looking to maximize portfolio gains, so they drive their CEOs forward.

### 1.2.1 Market vs Social Efficiency

Under capitalism, the whole point of using resources efficiently is just to use the saved resources to produce even more commodities, to accelerate the conversion of even more natural resources into products – to be “used up, worn out, burned up, and discarded” so the cycle can begin all over again – capitalist efficiency turns into its opposite.

In the 1860s, the English economist William Jevons famously observed that gains in technological efficiency – specifically, the more economical use of coal in engines doing mechanical work – actually increased the overall consumption of coal, iron and other resources, rather than “saving” them, as many had hoped.

“It is the very economy of its use which leads to its extensive consumption... [E]very... improvement of the engine, when effected, does but accelerate anew the consumption of coal.”

This “rebound” or “backfire” was not a function of technological improvement per se. Under different social arrangements, if profit were not the goal of production, then such gains in efficiency could indeed save these natural resources for the benefit of society and future generations. But Jevons lived and we live under capitalism. In this system cheaper inputs only give producers greater incentive to “grow the market” by selling more product at lower prices to more consumers and thus to push sales and profits still higher.

If we consider efficiency from the standpoint of society and ecology, including future as well as present generations – instead of just from the standpoint of the production unit – then the definition of efficiency is completely the opposite of market efficiency.

From a social-ecological perspective, it would be absurdly inefficient to waste resources producing goods and services we don’t need, to produce goods designed to wear out or become obsolete as fast as possible – just so we can do the same work all over again.

It would be so much more efficient and less wasteful to build cars, appliances, computers etc. to be as durable and long lasting as possible, to need as few “model” changes as necessary, to be as upgradable and rebuildable as possible – and take longer vacations.

From society’s standpoint, it would be ruinous to contaminate the country’s topsoil, pollute our public water supplies and poison ourselves with an endless array of toxic pesticides and other synthetic chemicals, just to produce corn or soybeans a few cents cheaper per bushel for a decade or so until the soil is completely exhausted and poisoned.

[Smith \(pdf\)](#)

*Brand*

A capitalist economy can be defined in a number of ways. Initial alternatives are

through its social relations of property, which is based on the dual separation between labor and capital (Marx 1996 [1867]; Wood 2002), or between valued and devalued labor in the reproductive sphere (Mies 1998; Barca 2020). It can also be demarcated in terms of how markets organize economic relations (Polanyi 2001 [1944]) or how the commodity and exchange-value form organizes the relation to both objects in general (Kosoy and Corbera 2010; Robertson 2012) and the means of production (Minsky 2008). The capitalist economy can also be defined by its expansionary drive and imperative of accumulation that directs its development (Luxemburg 1951 [1913]; Foster 2005) and governs its relation to nature (Altvater 1993; Saito 2017).

Brand (2020) Self-limitation (pdf)

*Heron*

Capitalism's endless pursuit of profits (or growth) is an effect of historically specific social relations. Capital is *compelled* to pursue its expansion. Workers are *compelled* to increase their productivity.

In the process, the ecological conditions for the workers' and capital's reproduction are destroyed.

Eco-socialism seeks to abolish these compulsions by abolishing capitalism's social relations.

[Heron (2021) twitter Thread](<https://twitter.com/KaiHeron/status/14232543885088727089>

*Milanovic*

To call a country capitalist, the definition requires first, that most of production be carried on by companies whose assets are privately owned, second, that the owners of assets directly or indirectly manage the companies which in turn use hired labor to produce things or services. The fact that labor is hired is important: workers do not play an entrepreneurial role, they are just told what to do. The system of production is hierarchical, not democratic. Finally, economic decision-making is decentralized.

Now, do we have serious proposals to change any of the three parts of that definition so that we move away from capitalism? I do not see them. To be clear, let's see what they would imply, that is, let's list the conditions under which capitalism would change in a substantial way. For example, if assets were nationalized. This is obvious. Second, if most of production is done by small-scale producers (worker-owners). In that case, there would be no hired labor. In effect, laborers (who are at the same time capitalists too) exert the entrepreneurial role. And third, if economic coordination is centralized, say through an explicit plan or heavy government regulation of key activities.

As I said, I do not see any of these elements being much supported today. However, I can imagine some changes. For example, there may be in the future more companies that look like today's start-ups. People with ideas canvass capital.

In that case, the capitalist is no longer directly or indirectly the “decider”; he or she is just the lender, the investor. Capital is still private, it gets a return, but the fact of ownership does not give the right to manage production. That role belongs to labor, actually to the people with ideas. A system where owners of money are simply providers of that money with no managerial role and where that role falls to labor is no longer capitalism in the sense that I defined it. This is one change that I can imagine.

An increasing proportion of people who are (say) in the top 10 percent of US total income distribution are both in the top 10 percent of income distribution by capital, and in the top 10 percent of income distribution by labor. In other words, they are not just rich people: they are amongst the richest workers, and amongst the richest capitalists. This is a very different, “new” capitalism.

Milanovic (2022) Substack

## 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

## Law of Value

*Jason Moore*

Every civilization must decide what is, and what is not, valuable. The Marxist tradition makes occasional reference to a “law of value.”

Historians of capitalism don’t much care to speak of a law of value, much less put it to work, some also reject it as a kind of metaphysics. But there are hopeful signs that this lacuna is being addressed. Recently, value thinking has made a comeback of sorts—some pushing to grasp how value is rooted in historical capitalism’s production of nature.

Among Marxist Greens, the dominant approach remains Nature and Capitalism, Nature plus Capitalism. In this, the “exploitation of nature and labor” are co-productive of capitalist development - a move that confuses, even elides, how capitalism values the specific contributions of both.

Absent synthesis, Marxist Greens chose an arithmetic rather than dialectical solution. What happened was an intellectual override of Marx’s value thinking by a historical materialism largely cleansed of its value relations. Crystallized by the groundbreaking work of John Bellamy Foster and his colleagues, historical materialism was reconfigured as ontological dualism: the “metabolism of nature and society”. Humans make history, and so does nature. This solved a big problem. It addressed a major lacuna in Marxist thought, putting Nature into the frame. The history of capitalism could now be addressed through an expanded conceptualization: the history of capitalism equals the exploitation of nature and labor. Endless accumulation equals the degradation of nature equals catastrophe. The law of value is sometimes invoked, but as window dressing, not part of the window itself

The difficulty emerges in the lack of explanation of how value is produced, and how the relations of value are reproduced on an extended scale. Historical materialism cleansed of its value relations allows for a certain ease of description:

there is a “metabolic rift” between human and natural systems; capitalism is a human system; capitalism does terrible stuff to natural systems. Catastrophe ensues. The problem with all of this is that it doesn’t really explain how these historical processes *work*. This becomes a problem because effective political strategy and policy responses must have a sense of how capitalism has transformed the biosphere, and how the biosphere is transforming capitalism. This is what a value-relational approach can offer.

Working from the curious abstraction that humans are separate from nature—as if the air we breathe, the food we eat, the energy we use have no meaningful analytics—the Green position cannot answer its fundamental questions: How do we view nature, in part or as a whole, as valuable? What are the ethics of a sustainable civilization? How are the valuations of nature practiced in the modern world through markets, states, and ideas?

Such questions can only be addressed by inverting the great biases of Green Thought. Not, “How are humans separate from nature?”, but “How do humans “fit” in the web of life?” Not, “How are humans destroying nature?”, but “How do humans put nature, human natures included, to work?” These are the questions that might allow for a more nearly adequate analysis of how capitalism works through nature, and how nature works through capitalism. Effective answers will turn on our capacity to see humans as part of nature, to see civilizations as producers and products of particular, historical natures, and to see those historical natures at work in the birth and development, not just the “collapse” of civilizations. On offer through a reconstruction of Marx’s value thinking is the possibility of joining the politico-economic and ethico-political dimensions of “laws of value” in successive historical systems.

### **From land to labour productivity**

For capitalism, the choice has been clear, and peculiar. “Value” is determined by labor productivity in commodity production: the average labor-time embedded in the average commodity. This kind of value was unprecedented, and its expressions were spectacular. For feudalism, and tributary civilizations in general, wealth turned on land productivity.

### **Cheap Natures**

A capitalist looks at a forest and sees dollar signs, an environmentalist trees and birds and soils, a world-ecologist how humans and other species have co-produced the forest and how that “bundled” forest simultaneously conditions and constrains capital today. It is this ethico-political moment of capitalism’s Cheap Nature strategy that is today in question as never before, as movements for food sovereignty, climate justice, and de-growth challenge valuations of wealth and power premised on capital and its dualist ontology.

### **Nature of ‘Law’**

Let us be clear that “law” is a term we get from Marx, who got it from Hegel. Law, in this sense, is not an iron law of determination, but rather a law in

the “Hegelian sense of the ‘abstract’”. To speak of a law of value, then, is not to engage history in a prisonhouse of structural abstraction, but to advance a working proposition about a durable pattern of power and production that has been obtained over the time and space of historical capitalism. To pick up on one of Marx’s favored metaphors, the law of value acts as a kind of gravitational field, shaping broad patterns, yet allowing significant contingency.

The law of value as a durable pattern stems from value relations that unify a contradictory relation between and among humans and the rest of nature. This concept of value therefore defies the Cartesian ordering of reality into a Nature/Society binary.

If the substance of value in historical capitalism is abstract social labor, understood as necessary labor-time, the relations that make this possible reach beyond the point of commodity production, and into the reproduction of labor-power and the appropriation of extra-human natures. It is in this sense that we can speak of the law of value as an organizing principle of capitalism as world-ecology, joining the accumulation of capital, the pursuit of power, and the co-production of nature as an organic whole

### **Cartesian Dualism**

One of the enduring legacies of Cartesian dualism is a privileging of substances over relations in thinking about value.

### **Marxist Law**

The Marxist law of value forgets that Nature—with capital “N”—contributes to the value of all the products that humans use. To which the Marxist, quite properly, says that the whole basis of Marx’s political economy is the distinction between “wealth” and “value.”

## **THE LAW OF VALUE AS A LAW OF CHEAP NATURE**

The way forward looks something like this. The substance of value is socially necessary labor-time. The drive to advance labor productivity is fundamental to competitive fitness. This means that the exploitation of commodified labor-power is central to capital accumulation, and to the survival of individual capitalists. But this cannot be the end of the story. For the relations necessary to accumulate abstract social labor are necessarily more expansive, in scale, scope, speed, and intensity. Capital must not only ceaselessly accumulate and revolutionize commodity production; it must ceaselessly search for, and find ways to produce, Cheap Natures that can deliver a rising stream of low-cost food, labor-power, energy, and raw materials to the factory gates. (Or office doors, or . . . .) These are the Four Cheaps. The law of value in a capitalist society is a law of Cheap Nature.

### **Accumulation Waves**

Every great wave of accumulation turns on Cheap Nature, understood as use-values produced with a below average value-composition. In systemic terms,

Cheap Nature is produced when the interlocking agencies of capital, science, and empire—blunt categories, yes—succeed in releasing new sources of free or low-cost human and extra-human natures for capital.

#### **Cheap Nature as Accumulation Strategy**

Cheap Nature is “cheap” in a historically specific sense, defined by the periodic, and radical, reduction in the socially necessary labor-time of these Big Four inputs: food, labor-power, energy, and raw materials. 1 Cheap Nature, as accumulation strategy, works by reducing the value composition, but increasing the technical composition, of capital as a whole.

The genius of capitalism’s Cheap Nature strategy was to represent time as linear, space as flat, and nature as external.

#### **Commodity Frontiers**

Commodity frontiers, or frontiers of appropriation, are central. This leads to the tightly connective movements of “internal” restructuring and geographical expansion that restore and reconfigure the Four Cheaps. The great expansions of the long nineteenth and twentieth centuries turned on cheap coal and oil, cheap metals, and cheap food, alongside the massive destabilization of peasant societies from eastern Europe to East Asia.

Capitalism depends on a repertoire of strategies for appropriating the unpaid work/energy of humans and the rest of nature outside of the commodity system. These strategies cannot be reduced to so-called economic relations but are enabled by a mix of science, power, and culture. Crucially, science, power, and culture operate within value’s gravitational field, *and are co-constitutive of it*.

#### **Exploitation and Appropriation**

The implication is explosive: the law of value represents a determination of socially necessary labor-time which occurs simultaneously through organizational and technical innovation and through strategies of appropriating the unpaid work/energy of “women, nature, and colonies”.

Without massive streams of unpaid work/energy from the rest of nature—including that delivered by women—the costs of production would rise, and accumulation would slow.

Every act of exploitation (of commodified labor-power) therefore depends on an even greater act of appropriation (of unpaid work/energy). Wage-workers are exploited, everyone else, human and extra-human, is appropriated. As goes the old Marxist joke: The only thing worse than being exploited is . . . *being appropriated*.

In other words: Value doesn’t work unless most work isn’t valued.

Value, then, cannot be regarded as a discrete “economic” process alongside that of class struggle and class formation any more than value-relations can be understood as a social process independent of the web of life. There is no recipe

that can deliver us from either abstract structuralism or abstract voluntarism; the most useful guide is to tack back and forth between the logic of capital and the history of capitalism, between the apparently “social” and the seemingly “environmental.”

The essential problem with both Red and Green approaches is their acceptance of modernity’s most basic assumption: Humans are separate from Nature. Marx’s contribution pointed towards a much different line of thinking: Humans are “natural forces”; they are linked to nature internally; capitalism “robs” us of our “vital forces” in the same way as it robs the soil of its nutrients; our life-activity simultaneously changes us, our relations within nature, and the “historical natures” around us.

The contradictions and contingencies of capitalism unfold through developments within and between the zone of exploitation and the zone of appropriation. In this, exploitation encompasses labor-power within the commodity system, while appropriation encompasses the transfers of uncapitalized work/energy necessary to accumulation but not actually penetrated by the capital relation.

Modernity’s law of value is an exceedingly peculiar way of organizing life in a civilization. Born amidst the rise of capitalism after 1450, the law of value enabled an unprecedented historical transition from land productivity to labor productivity as the metric of wealth and power. It was an ingenious civilizational strategy, for it enabled the deployment of capitalist *technics*—crystallizations of tools and ideas, power and nature—to appropriate the wealth of uncommodified nature (human work included) in service to advancing labor productivity within the zone of commodification. The great leap forward in the scale, scope, and speed of landscape and biological transformations in the three centuries after 1450 may be understood in this light.

Marx’s value theory identifies a “deep structure” of historical capitalism. Understanding capitalism as premised on a fundamental disequilibrium in the value relation of capitalization and appropriation in the web of life.

### **Limits to Capitalism**

It would be mystifying to say that the limits of capitalism are ultimately determined by the biosphere itself, although in an abstract sense this is true. But this is a view of Nature as an independent system. This is insufficient to understand how capitalism reaches limits, *how* capitalism has transcended limits historically, and *how* capitalism has remade successive historical natures in a way that may pose intractable problems for its survival today.

Marx’s conception of value seems to offer a useful way to answer these questions. It allows us to discern not merely the patterns of power, re/production, and accumulation over the longue durée, but the logic animating these patterns’ emergence and evolution - locating value as a gravitational field.

### **Money**

Money is very important, and of course central to capitalist civilization. What money represents, however, is not nearly as obvious. Money is so important in historical capitalism because it is central to three interconnected processes: 1) carving out a part of human activity, paid work, and giving it special value, 2) de-valuing the rest of nature, so as to put these natures to work for free, or low cost, 3) governing the evolving boundary between capitalization and appropriation, between “economy,” its constitutive relations, and the web of life.

Marx’s essential insight on the role of money-capital in *negotiating blockages* within the circuit of capital applies equally to those operating within the circuits of Cheap Nature.

### **Value Thinking**

Recognizing capital accumulation as both objective process and subjective project, Marx’s value thinking offers a promising way to comprehend the inner connections between accumulation, biophysical change, and modernity as a whole.

These inner connections could be glimpsed from the origins of modernity. They underpin the epoch-making transformations of land and labor in early modern capitalism (Moore 2017). These transformations were not however, the straightforward result of capital in its economic expression. This strange metric, value, oriented the whole of West-Central Europe towards an equally strange conquest of space. The geographical movements of commodification and appropriation were mutually determined by a symbolic-material reworking of space through value.

### **Frontier-making**

While all civilizations had frontiers of a sort, capitalism did something very different. Before the sixteenth century, a civilization’s frontiers—such as feudal Europe’s drive east of the Elbe—were more- or-less an output of the system. With the rise of capitalism, frontier-making was much more fundamental: not merely a safety valve, but a constitutive spatial moment of unlocking the epoch-making potential of endless accumulation. The extension of capitalist power to new, uncommodified spaces became the lifeblood of capitalism.

The appropriation of unpaid work signifies something beyond the important—but still too partial—notion of environmental costs and externalities as “missing” from the determination of value. For capitalism is not merely a system of unpaid costs (“externalities”), but of unpaid work (“invisibilities”).

The “free gifts” of nature are not “low-hanging fruit” that can simply be picked without much time or effort. Cheap Natures are actively produced by human activity bundled with the rest of nature; human and extra-human natures both are replete with creativity and contingency. All life is actively, creatively, incessantly engaged in environment-making, such that, in the modern world, human ingenuity (such as it is) and human activity (such as it has been) must

activate the work of particular natures in order to appropriate particular streams of unpaid work. Such activation is a co-produced reality, bundling the life-activities of human and extra-human nature in the present, and accumulated over time.

The substance of value is abstract social labor, or socially necessary labor-time, implicated in the production of surplus value. On the other hand, this production of value is particular—it does not value everything, only labor-power in the circuit of capital—and therefore rests upon a series of devaluations. Plenty of work, the majority of work in the orbit of capitalism, does not register as valuable.

For good reason, Hribal (2003) asks, “Are animals part of the working class?” The question itself illuminates the law of value’s absurd, yet consistent, praxis. Although confusion persists on the matter, it is now clear that Marx understood that extra-human natures perform all sorts of useful (but not specifically Valuable) work for capitalist production, and that such useful work was imminent to the capital-relation.

All of these de-valued and un-valued forms of work are, however, outside the value form (the commodity). They do not directly produce value. And yet—and this is a very big and yet—value as abstract labor cannot be produced except through unpaid work/energy. This leads me to an unavoidable conclusion: the value *form* and the value *relation* are non-identical.

The “commodification of everything” can only be sustained through the incessant revolutionizing, yes, of the forces of production, but also the relations of reproduction.

The historical condition for socially necessary labor-time is socially necessary unpaid work. De-valued work is an “immanent . . . antithesis” within the generalization of commodity production and exchange.

In this contradiction, between the expanded reproduction of capital and the reproduction of life, we have “two universes, two ways of life foreign to each other yet whose wholes explain one another”. The geographical implication of this enabling and constraining tension between paid and unpaid work? The necessity of frontier-making.

Commodity frontiers were so epoch-making because they extended the zone of appropriation faster than the zone of commodification.

The endless frontier strategy of historical capitalism is premised on a vision of the world as endless.

#### *VALUE: SYSTEMIC OR “ECONOMIC” RELATION?*

It will consequently not suffice to identify the influence of abstract social labor as an “economic” phenomenon, although this remains pivotal. The endless frontier strategy of historical capitalism is premised on a vision of the world as endless: this is the conceit of capital and its theology of endless substitutability.

At best, substitutability occurs within definite limits, primarily those of energy flows and the geographical flexibility they offer. The history of capitalism is one of relentless flexibility rather than endless substitutability.

The conditions through which successive world-ecological revolutions have been realized—each yielding a quantum leap in the mass of “physical bodies” and making new streams of unpaid work/energy available for commodity production—may be understood as a succession of one-off affairs. Capitalism has moved from peat and charcoal to coal to oil, from the breadbaskets of the Vistula, southern England, the American Midwest, from labor frontiers in Europe and Africa, Latin America, and South and East Asia. These are not repeatable events. Substitutability does not unfold through infinite time and space.

Abstract social labor, in this reading, is the economic expression of the law of value. That law is unworkable historically without strategies of appropriating cheap nature. Why? Because the creation of socially necessary labor-time is constituted through a shifting balance of human and extra-human work; the co-production of nature, in other words, is constitutive of socially necessary labor-time.

If climate change suppresses agricultural productivity—as it is has been doing for some time now—the value-composition of agricultural production shifts accordingly. Socially necessary labor-time forms and re-forms in and through the web of life.

Early capitalism’s landscape transformations, in their epoch-making totality, were unthinkable without new ways of mapping space, controlling time, and cataloguing external nature—and they are inexplicable solely in terms of world-market or class-structural change. The law of value, far from reducible to abstract social labor, finds its necessary conditions of self-expansion through the creation and subsequent appropriation of cheap human and extra-human natures. These movements of appropriation must, if capital is to forestall the rising costs of production, be secured through extra-economic procedures and processes.

By this I mean something more than the recurrent waves of primitive accumulation that we have come to accept as a cyclical phenomenon of capitalism (Angelis 2007). These also remain pivotal. But between our now cherished dialectic of “expanded reproduction” and “accumulation by dispossession” (Harvey 2003) are those knowledges and associated practices committed to the mapping, quantifying, and rationalizing of human and extra-human natures in service to capital accumulation. Thus the trinity: abstract social labor, abstract social nature, primitive accumulation. This is the relational core of capitalist world-praxis. And the work of this unholy trinity? To produce Cheap Natures. Extend the zone of appropriation. In sum, to deliver labor, food, energy, and raw materials—the Four Cheaps—faster than the accumulating mass of surplus capital derived from the exploitation of labor-power. Why? Because the rate

of exploitation of labor-power (within the commodity system) tends to exhaust the life-making capacities that enter into the immediate production of value.

In a world treated as boundless, capital as a whole has evinced a cumulative, but cyclically punctuated, tendency to search out and appropriate new, “physically uncorrupted” zones of cheap labor, food, energy, and raw materials. Exhaustion signals a rising value composition of capital, and the inflection point of decline for a given production complex to supply a growing stream of unpaid work to regional accumulation. To the degree that “foreign preserves” can be identified and dominated, the relative “degeneration of the industrial population” matters little.

### **Summary**

We can now connect the dots between the rise of capitalism and the emergence of the law of value. Value relations incorporate a double movement to exploitation and appropriation. Within the commodity system, the exploitation of labor-power reigns supreme, but this supremacy is only possible, given its tendency toward self-exhaustion, to the degree that the appropriation of uncommodified natures counteracts this tendency. This has been difficult to discern because value relations are necessarily much broader than the immediate production of the value form (the commodity). The generalization of commodity production has proceeded through an expansionary web of value relations whose scope and scale extends well beyond production. The problem of capitalist development is one of the uneven globalization of wage-work dialectically joined to the “generalization of its conditions of reproduction”. The centrality of wage-work in certain Marxist perspectives is not wrong but partial, given the unsustainability of the circuit of capital as closed system. The difficulty in pursuing this alternative analysis has been rooted in the dualisms immanent to modern thought; for to construct capitalism in this fashion is to transcend the man/woman, nature/society boundaries upon which the whole edifice of modernist thought depends. For not only do we need to unify the distinctive but mutually formative dialectics of human work under capitalism through the nexus of paid/unpaid work, or “productive” and “reproductive” work. We also need to recognize that capitalism’s dynamism has owed everything to appropriating and co-producing ever more creative configurations of human and extra-human work across the *longue durée*.

### **Appropriation vs Plunder**

Appropriating cheap natures was and is a far more creative act than the dependency language of plunder allows (e.g., Clark and Foster 2009). “Appropriation” represents a productive activity every bit as much as “exploitation.”

Enabled a rising rate of surplus value by treating the land, *simultaneously*, as a force of production and a “free gift.”

It did not matter that horrific levels of mortality accompanied this rising labor productivity so long as the costs of appropriation—through indigenous and

African slave trades—were sufficiently low.

Sugar and wheat frontiers remade the world only through extraordinary movements of capital, knowledge, and humans, each movement a mighty expenditure of energy aimed at transforming nature's work into the bourgeoisie's value.

Coal and oil are dramatic examples of this process of appropriating unpaid work, understood in such a relational framework.

The “fertility” of cheap natures was the pedestal for productivity advance within the commodity zone.

One of the key reasons why capitalism was able to consolidate across the early modern era was its ability to appropriate the astounding realities, and realize the extraordinary potentialities, of uncommodified natures worldwide.

The introduction of Cheap Food, as civilizational strategy, “acts like an increase in fixed capital.”

Historical capitalism has been able to resolve its recurrent crises because territorialist and capitalist agencies have been able to extend the zone of appropriation faster than the zone of exploitation. This has allowed capitalism to successively overcome seemingly insuperable “natural limits” through the coercively-enforced and scientifically-enabled restoration of the Four Cheaps: labor-power, food, energy, and raw materials. The Four Cheaps are produced by effecting “accumulation by appropriation” faster than “accumulation by capitalization.” This is possible on a planet where capitalization is limited and most life reproduces without the help of capital: the reality of early but not twenty-first century capitalism. Hence, the centrality of the frontier and imperialism in capital accumulation. Significant enlargements in the zone of appropriation resolve capitalism’s crises by simultaneously reducing the value composition of production, expanding physical output, and opening new spheres of capital investment. All of this can proceed so long as capitalization is checked, and appropriation liberated. This is, indeed, the history of capital, empire, and science in the modern world: every new era of capitalism brings with it a new industrialization, a new imperialism, a new science.

A new industrialization. A new imperialism. A new science . . . a new nature?

### **Historical Nature**

The convention, even among radicals, is to see nature as “out there.” This is Nature as a set of resources and extra-human relations to be mobilized and treated sustainably or unsustainably. This is indeed one of the realities we must deal with. It is how capital views nature. It is capital’s civilizational *project* to bring reality into line with this vision. Its geography is the geography of nature-in-capitalism. Nature as contained, controlled, rationally coordinated. At another level of abstract, the web of life works as we all experience it to work: our “environment,” all that surrounds us and flows through us. Here is nature as a whole; we are of it, and “it” shapes all our lives—the lives of

civilizations and “big structures” as well. Its geography is the geography of capitalism-in-nature. This is the *process* of historical capitalism. It is messy, cyclical, and full of surprises.

Capitalism’s law of value therefore represents a project that creates a new *historical nature*: for the capitalist era and for its successive phases of development.

The illusion is to see capitalist agencies developing new “ecological” regimes just as they have developed new trade regimes or geopolitical arrangements.

Like Arrighi, I see successive long centuries of capitalist development as central to the story of capitalism: capitalism does not “automatically” restructure (Arrighi and Silver 1999). My periodization—readers will detect a familial resemblance to Arrighi’s model—looks something like this: 1) a Germanic-Iberian cycle (c. 1451–1648), in which the expansionary phase turns to relative decline after the 1557 financial crisis; 2) a Dutch-led cycle (c. 1560s–1740s), in which decline sets in after 1680; 3) a British-led cycle, c. 1680s–1910s), with relative decline after 1873; 4) an American-led cycle (c. 1870s–1980s), with relative decline after 1971; and 5) a neoliberal cycle that commenced in the 1970s.

We do not yet know how to reconstruct the narrative in a way that recognizes the double internality of capitalism-in-nature/nature-in-capitalism.

We may now derive a working proposition: the law of value is a way of organizing nature.

Are not the two common usages of value—as morality and economy—implied in capitalism’s law of value?

I do not propose a revision of Marx’s law of value in a strict sense: the substance of capital is abstract social labor. But the relations that make abstract labor’s growth possible cannot be reduced to the economic sphere; they must be grounded in the technics of capitalist power and the conditions for the expanded reproduction of capital on a world-scale. Neither an adequate history of capitalism, nor a sufficiently dynamic theory of capitalist limits, is possible within an economicistic reading of the law of value.

Capitalism, as project, seeks to create a world in the image of capital, in which all elements of human and extra-human nature are effectively interchangeable. In the fantasy of neoclassical economics, one “factor” (money, land, resources) can be substituted for another; the elements of production can be moved easily and effortlessly across global space (Perelman 2007). This effort to create a world in the image of capital is what I call capitalism’s correspondence project, through which capital seeks to compel the rest of the world to correspond to its desire for a universe of “economic equivalence.”

Extra-human natures, too, resist the grim compulsions of economic equivalence: superweeds frustrate genetically-modified agriculture; animals resist their assigned roles as objects and forces of production. In this way, capitalism’s correspondence project meets up with all manner of contending and contentious

visions and resistances to create a historical process full of contradictions.

As the flurry of news reports on the “superweeds” sweeping across the GMO soy zones of the United States revealed in 2010–11, biological natures now appear to be evolving faster than the capacity of capital to control them.

These paired movements of geographical expansion and restructuring are at the core of capitalism’s successive spatial fixes, necessary to resolve successive conjonctures of overaccumulation. They are constituted through a double movement: 1) the widening and deepening the zone of commodification (value production/abstract social labor), and 2) on an even greater scale, the widening and deepening the zone of appropriation. This latter movement turns on the production of abstract social nature. Abstract social nature is produced through the biopolitical, geographical, and scientific-technical knowledges and practices necessary to secure the conditions for renewing the Four Cheaps. This means that new “frontiers” of unpaid work must be identified, and then pressed into the service of capital accumulation.

#### **Capitalism as a *project* vs Capitalism as a *process***

This reading of the law of value allows us to see the difference between capitalism as historical project and capitalism as historical process. As project, capitalist civilization produces both symbolic forms and material relations that lend Cartesian dualism its kernel of truth; the law of value does indeed reproduce a way of seeing reality that is dualist. Capitalism, as project creates the idea and even a certain reality of “the” environment as an external object. The idea of the environment as external object—rather than as *oikeios*, the creative relation of species and environment-making—is not false, but rather a historical creation of the capitalist world-ecology. The mistake of environmental studies has been to confuse the real historical creation of the idea of environment as external object with the reality: the reality that environments are always inside and outside of us, material and symbolic at once. This is why I emphasize capitalism as a dialectic of project (what the law of value wishes to do, in creating a world that corresponds of value’s interchangeability), and process. Capitalism, as world-historical process, is a co-production of humans and the rest of nature. This co-produced historical reality compels the capitalist project to deal with nature (as *oikeios*) no matter the utopian fantasies of value and its universe of economic equivalents. As a process of capital accumulation, capitalism must relentlessly dissolve the boundaries of life in its voracious internalization and reconfiguration of unpaid work—human and extra-human alike—in service to the utopian project of endless valorization.

For if the production of capital has been the strategic pivot of capitalism, to an even greater extent accumulation has unfolded through the appropriation of planetary work/energy. Such appropriation—yes of cheap resources (“taps”) but also of cheap garbage (“sinks”)—does not produce capital as “value,” but it does produce the relations, spaces, and work/energy that make value possible.

The appropriation of Cheap Natures has not only compelled capital to seek

out new sources of cheap labor-power, food, energy, and raw materials, but to enclose the atmosphere as a gigantic dumping ground for greenhouse gases. This enclosure—a relation of capital-in-nature—is today generating barriers to capital accumulation that are unprecedented, especially in agriculture. And at the risk of putting too fine a point on matters, this enclosure of the atmosphere is a class relation: not only as cause-effect sequence (“the capitalists did it”!) but as a necessary condition of world class relations over the past two centuries.

The geographical flexibility and historical evolution of capitalism as world-ecology.

Value operates through a dialectic of exploitation and appropriation that illuminates capitalism's peculiar relation with, and within, nature. The relations of exploitation produce abstract social labor. The relations of appropriation, producing abstract social nature, enabled the expanded accumulation of this abstract social labor.

Jason Moore (2018) The Value of Everything? Work, Capital, and Historical Nature in the Capitalist World-Ecology (pdf)



# 4

## 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<sup>1</sup>

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 omnicidal 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.

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<sup>1</sup><https://braveneweurope.com/timothee-parrique-giorgos-kallis-degrowth-socialism-without-growth>

On Hickel's 'Less is More'<sup>2</sup>

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)

## 4.1 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

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<sup>2</sup><https://www.the-trouble.com/content/2021/2/11/ecosocialism-is-the-horizon-degrowth-is-the-way>

part of the social process, and that becomes meaningful primarily against the power of other owners.

Wikipedia

## 4.2 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>	❶ →	<i>income services</i>
↓ ❷			
VALUES (FINANCIAL)	<i>capital value</i>	← ❸	<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.

### 4.2.1 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.

### 4.2.2 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

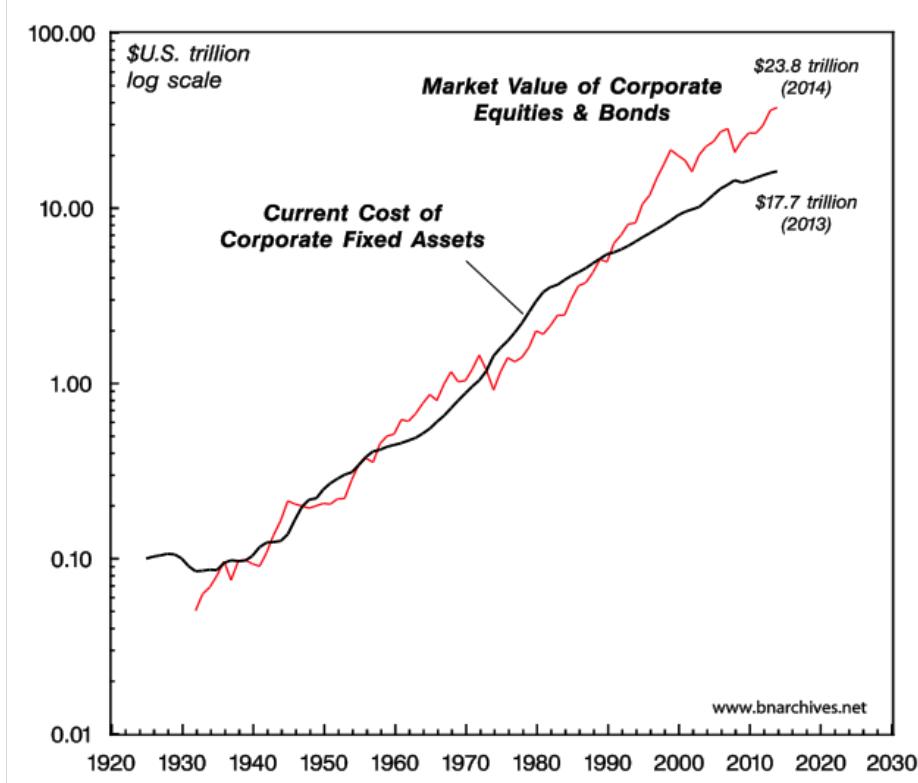
entity has half the util quantity of the second, while for a classical Marxist this same price ratio is evidence that the SNALT quantity of the first entity is half that of the second.

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.

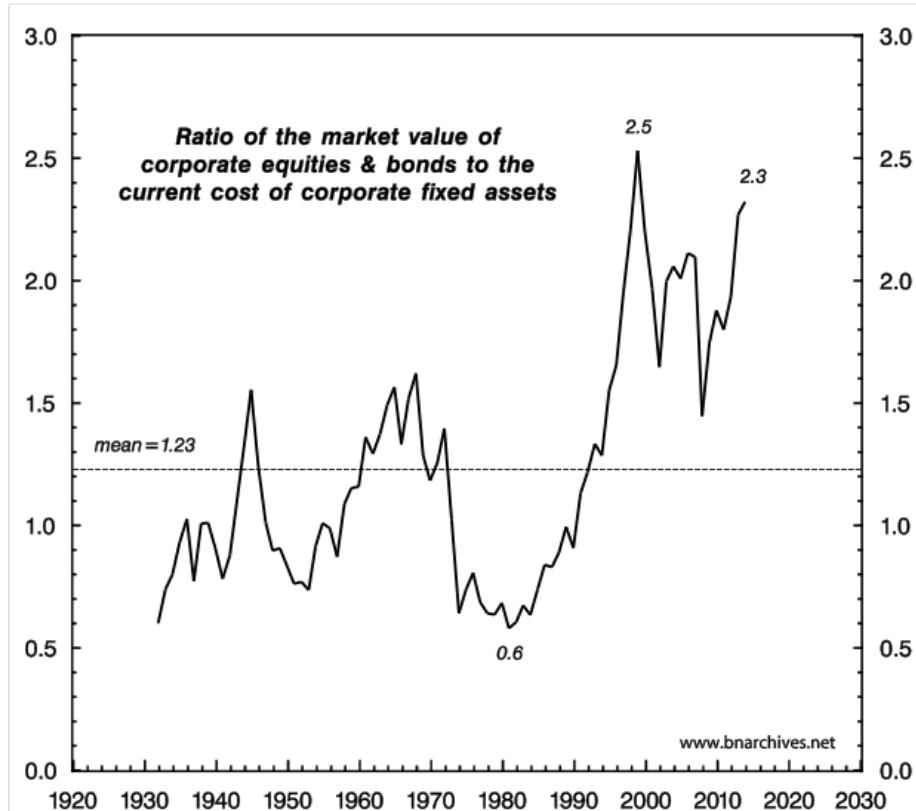
#### *Tobin's Q*



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.

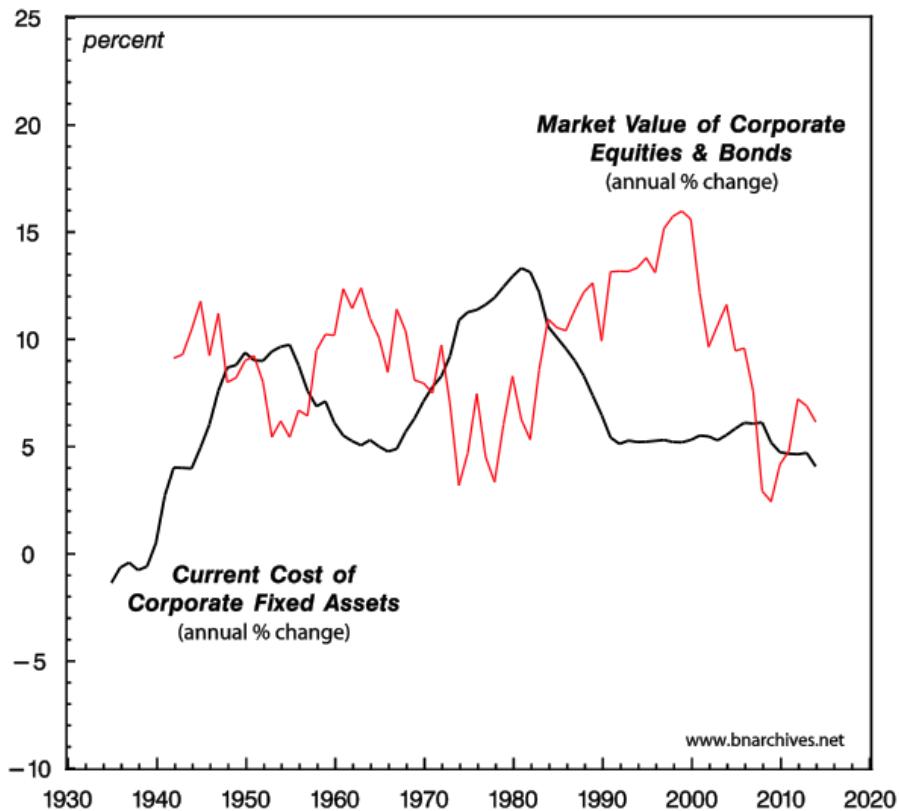


Figure is patently inconsistent with the fundamental duality of real and financial capital. We can perhaps concede that real capital does not have a material quantum, and then pretend that this quantum is proportionate to the market price of the underlying capital goods. We can perhaps accept that there 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.

### 4.2.3 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.

#### 4.2.4 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

### 4.3 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.

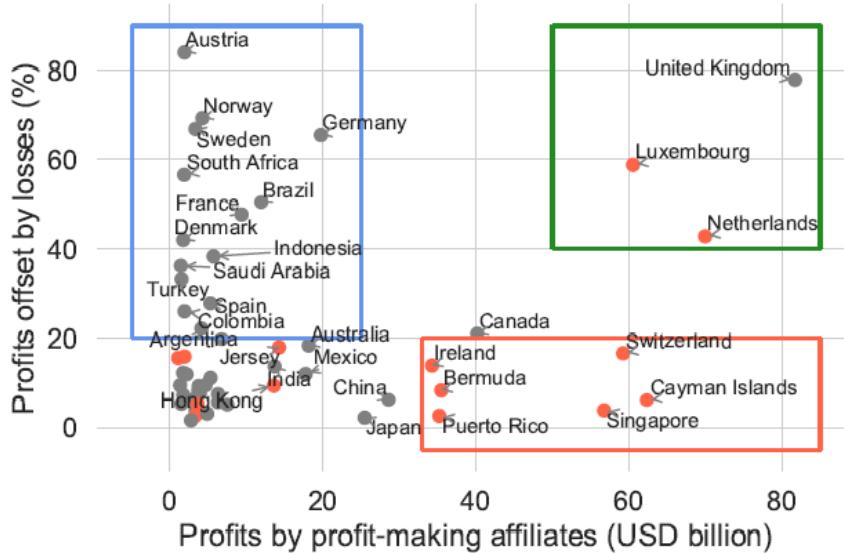


Figure: The total profits made by profit-making affiliates is plotted against the percentage of profits offset by losses. Three types of countries are highlighted with boxes. In red are ‘profit centres’, reporting very high profits not offset by losses. In green are ‘coordination centres’ (or conduits), 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)

## 4.4 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))



# 5

## Rentier Capitalism

So where does capital go in a stagnant world economy? ‘As countries have deindustrialized, they have also seen a massive build-up of financialized capital, chasing returns to the ownership of relatively liquid assets rather than investing long-term in new fixed capital’. The process is one of constant disinvestment away from productive capital ‘and falling long-term interest rates, as the supply of loanable funds far outstrips demand’. The outgrowth of finance capital has in turn fed asset-price bubbles, delivering a periodical mirage of wealth effects to richer households, enabling them to boost their consumption. When bubbles burst, these same households tend to ‘withdraw from consumption to pay down their debts, generating long periods of economic malaise’.<sup>footnote20</sup> This dynamic of stagnation-financialization is what underlies the rentierization of capitalism, and not the other way around, as Christophers claims. In the face of stagnant growth rates, capital accumulation becomes a largely zero-sum redistributive conflict in which investment flees to the safety of rentierism. Neoliberal reforms did not originate this process, though they certainly magnified it by removing restrictions to monopoly profits and facilitating bubble-induced capital gains. As in pre-capitalist societies, the rhythms of productive growth are now increasingly subordinate to the rentier dynamics of finance and mercantile activity, though this time the underlying cause is not the smothering grip of the rentier, but capitalism’s own productive exhaustion.

The problem is that, as rentierism takes over, capitalism looks less and less like itself.

To determine whether a society merits the label ‘capitalist’ or not, the crucial question is what sets the pace of societal reproduction. If, as Christophers claims, rentierism has indeed become the dominant logic, displacing productivity growth and creative destruction as the central principle of social organization, then the capitalist mode of production has become subservient to something else. In which case, to speak of ‘rentier capitalism’ would be a misnomer—we

would need a new term for it.

'Of course, there's plenty of evidence for this still being capitalism or mostly capitalism', writes McKenzie Wark in *Capital is Dead*. The question, rather, is 'whether an additional mode of production is emerging and whether it is qualitatively different enough to call it something else'.

'So the bad news is: this is not capitalism anymore, it's something worse. And the good news is: capital is not eternal, and even if this mode of production is worse, it is not forever. There could be others.'

So what is the latest monster that class society has engendered? Wark baptises it the *vectoralist* mode of production.

Recent technological advances have made information extremely cheap and abundant, raising the problem of 'how to maintain forms of class inequality, oppression, domination and exploitation, based on something that in principle is now ridiculously abundant'. To resolve this contradiction, a new mode of production has morphed out of capitalism, one based on the control of what she calls 'vectors of information', an abstraction that designates the 'infrastructure on which information is routed, whether through time or space'.

If the ownership and control of the means of production confer upon the capitalist the power to organize labour, then ownership and control of the vector gives the vectoralist the power to organize the means of production themselves, through 'patents, copyrights, brands, trademarks, proprietary logistical processes and the like'. For Wark, much of the power and property of the world's largest corporations is now in vectoral form.

Importantly, the vectoralist class is a 'new kind of ruling class', that does not appropriate a quantity of surplus value so much as 'exploit an asymmetry of information'.

The result is 'not just a rentier bubble of speculation spooling out of the "real economy"', but something worse, because information has ontological properties that change the commodity form in qualitative ways. Once created, information 'is infinitely replicable, cheap to store, cheap to transmit', which means that its commodification needs artificial means of enclosure, like intellectual property. As the commodity escapes its material limits and private property moves into such a high level of abstraction, everything becomes up for grabs, even privacy: 'we have run out of world to commodify. And now commodification can only cannibalize its own means of existence, both natural and social.'

In short, capitalism is dead and vectoralism is feasting on its corpse.

Zacares

# 6

## 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 \(pdf\)](#)



# 7

## Corporations

*Smith on Bakan*

When researching his book *The Corporation*, Canadian law professor Joel Bakan interviewed Milton Friedman on the subject of the “social responsibility” and the responsibilities of executives. Friedman, channeling Adam Smith, told him that corporations are good for society but corporations should not try to do good for society. Bakan summed up this discussion: “Corporations are created by law and imbued with purpose by law. Law dictates what their directors and managers can do, what they cannot do, and what they must do. And, at least in the United States and other industrialized countries, the corporation, as created by law, most closely resembles Milton Friedman’s ideal model of the institution: it compels executives to prioritize the interests of their companies and shareholders above all others and forbids them from being socially responsible – at least genuinely so.”<sup>19</sup> In short, given unrelenting economic pressures and severe legal constraints, how could corporations adopt “stasis” as their maximand?

Richard Smith (2015) Green Capitalism (pdf)

*Bakan*

Joel Bakan (2014) *The Corporation* (pdf)

### 7.1 Capitalism without Capitalists

*Doctorow*

One of the most exciting, eye-opening articles I’ve read in AGES. Showing how shareholder capitalism is a lie BY ITS PROPONENTS’ OWN TERMS...Genius.

<https://lpeblog.org/2020/02/18/privatizing-sovereignty-socializing-property-what-economics-doesnt-teach-you-about-the-corporation/>

Marx thought individual property would end up being socialized, and he was right...but also wrong. The state hasn't socialized property, corporations have. Corporatism is "capitalism without the capitalist."

The corollary of "limited liability" is "entity shielding." Shareholders aren't on the hook for the company's debts, but the company can't be dunned for the shareholders' debts, either.

Shareholders "cannot use the [company's] assets, exclude others from them, lend them out, borrow on them, sell them, and they have no legal claim to the proceeds from the sale of assets or to company profits." They are not, in short, owners.

Who owns the company? The company owns itself. "The corporate entity is the residual claimant, and this residual profit is then allocated at the discretion of management."

Shareholder capitalism is a word-game: "All the specialized law-and-economics vocabulary for corporate firms is but an artifact of the false premise that the stockholders are its owners."

Corporations can only exist at the largesse of the state, which charters them. Limited liability and entity shielding cannot be accomplished by contract alone. Corporations are the original public-private partnership.

Boards don't derive their power from stockholders, they get it from the state. The board is formed BEFORE the company has stockholders.

"Our world teems with abstract legal entities, chartered by public authority as owners & principals, managed by fiduciaries."

"Corporations are not creatures of the market, but public-privatehybrids licensed to colonize the market. This greatly heightens the 'political' in 'political economy.' "

Doctorow (2020) Capitalism without Capitalists

*Ciepley*

We imagine we live in a bourgeois capitalist economy, in which the means of production are owned by natural persons, the "capitalists" of capitalism. On this, the Marxist economist, the liberal economist, and the neoliberal economist agree. But we do not. Ours is a corporate economy. Overwhelmingly, the means of production are owned, not by natural persons, but by abstract legal entities—corporations. Marx was thus right in predicting that the fetters of bourgeois, individually-owned property would be burst asunder to be replaced by socialized property. But it is not at the level of the state that productive property has been socialized. It is at the level of the corporation. It is, notes Paddy Ireland, "capitalism without the capitalist." The implications of this are manifold and take us outside the confines of what conventional economics can illuminate.

As a political theorist reading around in what, a dozen years ago, was the latest literature on corporations, my epiphany came upon encountering the work of Henry Hansmann and Reiner Kraakman on “entity shielding.” While “limited liability” protects the stockholder from the debts of the corporation, “entity shielding” (a term the authors coined) protects the corporation from the debts of the stockholder. The stockholders’ personal creditors may take their stock. But they cannot in addition pull assets out of the corporation. Indeed, the stockholders themselves cannot pull assets out of the corporation. If one wishes to take one’s investing dollars elsewhere, one cannot demand that money back, but must find someone to “take one’s place,” that is, find someone to buy one’s stock.

This sharply distinguishes the corporation from the classic general partnership. Departing partners pull out their portion of the firm’s assets. Furthermore, the personal creditors of individual partners can levy against the partnership assets and, those exhausted, even against the personal assets of the other partners (by the principle of “joint and several liability”). In a classic partnership, the assets of the partnership simply are the assets of the partners. They are legally entangled. In contrast, the assets of the corporation and the assets of the stockholder are legally “partitioned.”

This partitioning of the assets of the corporation from those of the stockholder brings a number of economic benefits to the corporate firm—from tradeable shares to more specializable assets. The details need not detain us. But to me, the implication was clear. Although Hansmann and Kraakman, eminent members of the “law and economics” movement, persisted in speaking of stockholders as the “owners” of the corporate firm, their arguments showed that there is no meaningful sense in which this is true. Stockholders cannot use the assets, exclude others from them, lend them out, borrow on them, sell them, and they have no legal claim to the proceeds from the sale of assets or to company profits.

Instead, all of these rights of ownership belong to the corporate entity, which management exercises on its behalf, because it is the corporate entity that is their true owner. This is just what it means for assets to be fully “partitioned”: they have different owners. Moreover, stockholders do not even have a right to the profits that remain after all contractual obligations have been met—the so-called “residual.” The corporate entity is the residual claimant, and this residual profit is then allocated at the discretion of management.

That the corporate entity is the true owner came to me as a revelation. But it shouldn’t have. It is the defining legal feature of all corporations and has been emphasized by corporate charters and incorporation statutes for hundreds of years and from the very first.

Yet it is precisely this legal entity that is missing from the typical neoclassical and law-and-economics treatment of the corporate firm. Had it been acknowledged, there would have been no need to invent novel terms like “lock-in” and “entity shielding,” or even “limited liability.” Of course stockholders can’t pull

out assets. It isn't their property. Of course the creditors of stockholders can't levy on corporate assets. It isn't the stockholders' property. Of course stockholders have no liability for the debts, torts, or crimes of the corporation. It isn't their property, and they exercise no control over it. All the specialized law-and-economics vocabulary for corporate firms is but an artifact of the false premise that the stockholders are its owners.

Set this aside, and the analytical and normative edifice erected around the corporation by neoliberal commentators crumbles. Corporate firms are not creatures of private property and private contract alone. The legal entity at their core, which carries all the property, contracts, and liabilities, is created by "legal fiat" of the state, and cannot be fully replicated through private contract (not even with the help of the common law trust). Corporate firms are public-private hybrids—the original public-private partnership in the economy—first developed in an age when kings and legislatures granted the privilege of incorporation to private individuals, enlisting their private capital in the pursuit of purposes with clear benefits to the Crown or public, such as opening trade to distant lands or building infrastructure.

Even more significant is the source of the right by which corporate boards enjoy, by law, complete control over the property and personnel of the corporate firm. Sole proprietorships and partners derive their "right to rule" from property (indirectly) and contract (directly). As owners, they can exclude others from their property, or more usefully, they can give them access to it on condition that they sign a labor contract. It is widely thought that, analogously, corporate boards derive their right to rule from the stockholder-owners. But this cannot be the case. The stockholders are not the owners of the assets and have no right to exclude anyone from them, nor control them. Indeed, corporate boards are created by the charter and begin running the firm before stock is even issued. The board creates the stockholders; the stockholders do not create the board.

From where, then, does the board's authority come? From the charter, which comes from the state. The authority of corporate boards does not derive from private ownership and private contract, but from the sovereignty of the public authority. This raises many questions. If stockholders are neither the owners nor authorizers of the corporate firm, then why are they treated as its "principals," with the presumption that management should work strictly in their (pecuniary) interests, over the well-being of workers, consumers, the community, and the environment? After all, they are just one contributor to the success of the firm among many, and far from the most important. The criterion of "efficiency"—that Protean word of the utilitarian economist—is of little use as an alternative guide, even if we construe it narrowly as "profit maximization." If a firm maximizes profits, the next question is, how are these to be distributed among stockholders, workers, consumers (as rebates), research and development, plant expansion, philanthropy, and so forth? "Efficiency" can provide no answer to this.

Furthermore, if stockholders are neither owners nor authorizers, why are they

given (in Anglo-American countries) the sole right of electing the board members? If the board's authority comes from the state, and the state is constitutionally mandated to guarantee to its citizens a republican form of government (Article IV, Section 4), could it be argued that workers, who are the subjects of the board's government, have a constitutional right to a republican form of corporate government, in which they elect the board? Similarly, does it make them quasi-public employees, deserving of some of the protections of public employees? Again, conventional economics can tell us little beyond making the obvious point that any governance alternative must at least maintain firm profitability to be viable.

And if the board's authority is of public provenance, then is private profit a sufficient rationale to justify a corporation's creation? Were earlier generations of legislators not correct to expect from corporations some public benefit beyond the ordinary, especially given the moral hazard that attends any institution in which those who control it do not bear liability for the consequences of this control?

Economists in the mainstream tie all economic phenomena (and many non-economic phenomena) back to the interaction of natural persons, their preferences, and their endowments. They are, by methodological choice, nominalists, atomists, materialists. But ours is a world teeming with abstract legal entities, chartered by the public authority as owners and principals, and managed by corporate fiduciaries that exercise governmental authority and distribute the profits. These corporations are not creatures of the market, but public-private hybrids licensed to colonize the market. This greatly heightens the "political" in "political economy," and specifically in the corporate economy. And it frees us from the straitjacket of believing that, by rights, all power and perquisites belong to the stockholder. Given what has become of today's prototypical stockholder—ignorant of the business, free of liability for its conduct, and focused on short-term gains, others be damned—it is time to search for viable alternatives.

Ciepley (2020) Privatizing Sovereignty, Socializing Property

*Barnes*

This book explores the terrain midway between repairing and replacing capitalism. It envisions a transformed market economy in which private property and businesses are complemented by universal property and fiduciary trusts whose beneficiaries are future generations and all living persons equally.

Universal property, as I use the term in this book, is a set of non-transferable rights backed by a subset of wealth we inherit together. Such property isn't mine, yours or the state's, but ours — literally held in trust for all of us, living and yet-to-be born. It belongs to us not because we earned it but because we co-inherited it, as if from common ancestors. This co-inheritance is, or should be, a universal economic right, just as voting is a universal political right.

To say that all of us are co-inheritors of universal property does not, however, mean that we should manage it ourselves. That job should be assigned to two types of institutions: trusts with a fiduciary responsibility to future generations, and pension-like funds that pay equal dividends to all living persons within their jurisdictions.

While we are thinking historically, it is worth remembering that the limited liability corporation, which is so dominant today, is a relatively recent phenomenon. Prior to the nineteenth century, there were barely a handful of corporations in the UK and US; the dominant form of business organization was the partnership (in which all partners are liable for the partnership's debts). Limited liability corporations arose only when it became necessary to amass capital from strangers.

Until the eighteenth century, there was no such thing as intellectual property. Ideas and inventions floated freely in the air. The world's first copyright law, the Statute of Anne, was passed in England in 1710. Today, the world is flooded with copyrights, patents, trademarks and trade secrets, all essential to the profits of giant corporations

The idea of universal property isn't new. It was the invention of Thomas Paine, the English-born essayist who inspired America's revolution and much else. Indeed, virtually all the ideas in this book can be traced back to a single essay he wrote in the winter of 1795/96

There are two kinds of property, he wrote: "firstly, property that comes to us from the Creator of the universe — such as the Earth, air and water; and secondly, artificial or acquired property — the invention of men." Because humans have different talents and luck, the latter kind of property must necessarily be distributed unequally, but the first kind belongs to everyone equally. It is the "legitimate birthright" of every man and woman.

Peter Barnes (2021) Capitalism's Core Problem: The Case for Universal Property

# 8

## Currencies

*Marques*

RMB usage has been boosted not only by Chinese statecraft but also by economic actors' recent difficulties in using the dollar. The American financial sanctions against Chinese trade partners, the cyclical instability of international finance, as well as peripheral countries' low inflows of dollars have encouraged firms and banks to use the renminbi as an alternative to the dollar. In addition to contributing to a broader understanding of the drivers of currency internationalization, this article proposes a model that explains the mechanisms that push firms and banks away from the incumbent international currency. I posit that changes in domestic and international conditions influence currency transaction costs, thereby propelling economic actors to increase their use of currencies with relatively lower transaction costs.

Marques (2021) Financial Statecraft - Renminbi Internationalization (pdf)



# 9

## Dependency

A situation of “dependence” is one where “the economy of certain countries is conditioned by” development processes elsewhere.

*Kvagraven*

Global imbalances have been well known for decades and perhaps most famously pointed out by the dependency theorists of the 1960s and 1970s. Although global production and finance have transformed since then, the core tenets of dependency theory remain relevant.

While dependency theory is often associated with Latin America, you can find ideas associated with such an approach across the world and spanning centuries, such as theories of colonial drain from India, Japanese scholarship on the power relations between centre and periphery, radical African scholarship and the Caribbean dependency school. A dependency research program involves taking a global historical approach to the issue, taking the polarizing tendencies of global capitalism as a starting point, and focusing on structures of production as well as on the specific constraints faced by peripheral economies.

While taking such an approach may come naturally to some radical economists, it stands in stark contrast to the micro-oriented view that characterizes much of contemporary development economics, which abstracts from global, political and structural problems (see e.g. the recent policy proposal for developing countries by the Nobel Prize winning economists Duflo and Banerjee). This post lays out how the dependency approach is particularly relevant now, how dependency theory came to be marginalized in economics despite its enduring relevance, and finally, how such an approach leads us to think bigger and more structurally about possible solutions.

While we have seen a deepening of global economic integration since the 1970s, which has been associated with an increase in efficiency and ‘flattening’ of the

world, the spread of global value chains involves rigid power imbalances and deep vulnerabilities for those at the bottom of the hierarchy.

Many developing countries have been able to move into just-in-time manufacturing, but this production is still characterized by relatively low-skilled and low-tech work and a heavy reliance on companies concentrated in the centre.

To drive the revival of the economy we need to think creatively about how we can allow for a rebalancing of production so that industry in the developing world can be more sustainable, secure and more oriented towards domestic needs.

Developing countries continue to be vulnerable to financial cycles generated by the center – which was a key insight by dependency theorists. As investors flock to ‘safe’ assets (read: assets in the centre) in the wake of the COVID-19 pandemic, there have been dramatic reversals of capital flows – indeed the largest outflow ever recorded. Furthermore, many developing countries have experienced currency depreciations as well as severe debt and liquidity problems.

Development within Indonesia was not determined according to the industrial needs of the economy, but rather in line with the interests of foreign capital. Therefore, the manufacturing sector of Indonesia is characterized by limited technological capability and the country remains a net importer of advanced technologies.

Even for China, a country that has made significant advances in terms of upgrading and massively expanding its manufacturing exports based on its integration into GVCs, this expansion has involved a strong dependence on FDI, rapid de-nationalisation of the export-oriented manufacturing sector and relatively low levels of domestic innovation incorporated into exports.

The dependency research program was marginalized for political and ideological reasons.

Dependency theory holds important lessons for understanding and combating the global hierarchies of forms of production, innovation and finance that constrain developing countries’ policy space to address the crisis effectively. This leads us to discussions about how to change the global economic architecture, for example through a global green new deal, reform of the international monetary system, reform of global systems of food production, and reform of governance of international trade and intellectual property rights.

Kvan gravren (2020) How Dependency Theory Remains Relevant Article

## 9.1 Financial Statecraft

*Karas*

Over the past decade, two, intertwined research agendas on international financial subordination (IFS) and subordinate financialization (SF) have proposed to

identify how an increasingly finance-dominated global capitalism incorporates the (Semi-)Peripheries.

The IFS research agenda recognizes that a “subordinate” national currency comes with a risk premium increasing the costs of financing public debt – in other words, the current, US dollar-based currency hierarchy acts as a structural fiscal constraint in the Global South, limiting the scope for badly needed public investments. Foreign capital – in the form of foreign currency-denominated sovereign and private debt-, foreign aid, and foreign direct investment – is then touted as a solution to this artificial and unfair developmental constraint.

The SF agenda examines how this straightjacket on fiscal space has been further compounded with the liberalization of global capital mobility over the past forty years, diffusing credit-based accumulation strategies from the Core to the Peripheries: the financialization of (semi-)peripheral economies radically misallocates financial resources from socially and environmentally vital public goods and transformative industrial policies towards developmentally regressive strategies of accumulation driven by speculation and asset-price inflation.

We study the politics governing the management of money in Hungary and Turkey, two semi-peripheral economies where the executive has built a vast array of direct and indirect tools to intervene in monetary policy, retail banking and credit allocation to manage financial subordination.

It would be tempting to equate (semi-) peripheral economies with passive states dispossessed by global capital mobility and financialization. Contra this narrative, we observe that over the past decades, governments in many developing countries have developed new forms of political control over money not despite, but because of their exposure to- and previous experience with- debt crises, capital flight and foreign exchange volatility.

An expansion in public control over finance should not be confused with de-financialization: credit-based accumulation strategies are often economically attractive for incumbents to boost GDP, while they also enable new forms of political control over the social allocation of credit, which stabilize patron-client relationships between state and particular social groups while further deepening capitalist social relations and the exploitation of subordinated classes.

We call *financial statecraft* these emerging forms of state power, and we distinguish between two forms: *defensive financial statecraft* groups political interventions which aim to regovern finance, limit the macro-economic destabilizing effects of exposure to financial risk and subordinate the process of finance-based accumulation to domestic political imperatives. By contrast, *offensive financial statecraft* describes policy interventions to govern society through finance by strategically deepening financialization: centralized executive control over credit conditions, interest rates and the social allocation of credit enables incumbents to establish rentier social contracts between state and society to stabilize their political regimes. Since the 1997 Asian financial crisis, many (semi-) peripheral economies have engineered both defensive and offensive forms of financial

statecraft to *regovern finance* and *govern society through finance*.

Our two cases, Hungary and Turkey, represent a particular form of semi-peripheral financial statecraft we call *statist authoritarian financialization* (*AF*). Under *AF*, the executive directly shapes monetary and macro-financial policy by imposing its preferred interest rates and macroprudential regulations to Central Banks. Simultaneously, the executive also uses moral suasion, or simply nationalizes private banks to monetize government debt, and force banks to lend at preferential rates to discrete groups of households and firms. Under *AF*, the executive develops a “financial vertical” which blends formal and informal instruments in an attempt to politically control the entire domestic circuit of credit from the Central Bank down to retail banks.

However, without provisions for democratic accountability and under the conditions of capitalist accumulation and exploitation, such an expansion of governmental control doesn’t democratize money as a public good: Similarly to natural resource rents, unaccountable, centralized political control over money merely cements a political economy of rent-based (in this case subsidized credit-based) social contracts between incumbents and discrete, politically salient social groups to stabilize anti-democratic, authoritarian regimes.

The Hungarian and Turkish pathways contain multiple lessons which resonate in the wider Global South.

A first lesson is that without radically new political institutions and policies ensuring democratic accountability, an expansion of centralized state control over money ensures no progressive alternative to neoliberal forms of credit-based accumulation and only deepens finance-based accumulation strategies elaborated under neoliberal capitalism. Instead of using money for socially and environmentally progressive causes, incumbents in the Global South may find the developmentally regressive logic of using subsidized credit for boosting a finance-insurance-real estate-construction nexus difficult to resist given the promises of short-term economic and political dividends.

A second significant lesson lies with the limits of strictly national strategies to manage the constraints of the global currency hierarchy and the risks of global capital mobility in the Global South. Hungary and Turkey illustrate that no matter the expansion of direct executive control over the domestic management of money, the financial statecraft of (semi-) peripheral economies remains structurally incapable of mitigating the effects of global financial cycles driven by Core Central Banks such as the FED. Without international collaboration and new international institutions, the constraints posed by the current dollar-based global currency hierarchy and global capital mobility will continue to restrict fiscal space in the Global South, and instead of opening financial means to invest in essential public goods, will incentivize developmentally regressive finance-based accumulation strategies.

A radical alternative to de-risking private capital investments in the Global South would be to derisk public finance instead: letting states invest in essential

social and environmental public goods under a novel progressive paradigm that firmly departs from prioritising profit-maximisation. In Europe, the COVID19 crisis showed that Core Central Banks have the means to derisk the public debt of emerging economies: it is a purely (geo)political decision if this dormant capacity is not leveraged to build a more just international financial architecture.

Karas (2023) Financial Statecraft and its Limits in the Semi-Periphery



# 10

## Development

### 10.1 Progress vs Development

Our most important gains in social progress — toward democracy, labour rights, civil rights, gender equality, public services, etc — have been won through collective resistance *against* the forces of capital accumulation, not spontaneously bequeathed by them. (Jason Hickel)

### 10.2 History of Development

The high consumption rate of developed economies has historical reasons; once you switch, there's no going back, so we should not take them as an example to learn from. (People's Bank of China)

### 10.3 Hunger

*Eisenberg*

*Hungry child, I didn't make this world for you. You didn't take any stock in my railroad. You didn't invest in my corporation. Where are your shares in standard oil? I made this world for the rich And the will-be-rich And the always-have-been-rich. Not for you, Hungry child.* Langston Hughes, “God to Hungry Child”

Because food production is organized for capital accumulation and not for human consumption needs, it will always be vulnerable to shocks and, as this series of articles will argue, structurally incapable of actually feeding humanity.

The jumping-off point for this investigation will be a methodological note about

apprehending the world's subsistence system as a singular object, a 'food regime'. Harriet Friedman and Philip McMichael defined the concept of a food regime as a "rule governed structure,"<sup>1</sup> a set of "international relations of agricultural production and consumption [linked] to forms of accumulation broadly distinguishing periods of capitalist transformation since 1870," which constituted a coherent price-governed world market.<sup>2</sup> Food regime analysis, fusing the concept of the 'regime of accumulation' from the Regulation school<sup>3</sup> with insights about the spatial dialectic between center and periphery from World-Systems Analysis, is a framework for attending to the global scale of agricultural production and the contradictions that necessarily emerge from this.

Friedman and McMichael specifically posited that there were two distinct food regimes defining the passage into globalization, both mediated by agricultural capital in the US. First, from 1870 to World War I, there was a 'colonial-diasporic' food regime, with two geographic components: monoculture plantations in tropical colonies, and family farming in the temperate settler frontiers of the US, Canada, Argentina, New Zealand, Uruguay and South Africa. The former sites provided sugar-dense fruit and starches, and the latter settler-colonial regions provided a steady flow of cheap wheat, all shipped to the imperial metropole. Together, agricultural production in these peripheries converged to supplement the industrialization of Europe.

The second food regime, following an interwar 'interregnum' in which no coherent regime stabilized, began in earnest in 1947 with the negotiation of the General Agreement on Tariffs and Trade (GATT) and the Bretton Woods system. This 'mercantile-industrial' regime was organized around the export of US agricultural surpluses abroad, often in the form of aid, to the decolonizing periphery as a means of combating communist movements. The canonical family farm experienced its twilight as the US farming sector was substantially concentrated and centralized in terms of both landownership and capital. The resulting postwar agribusiness complex, with the help of philanthropic funds such as the Ford Foundation, began to internationalize through the export of productive capital such as seeds, machinery and chemical inputs.<sup>4</sup> This period also inaugurated the channeling of grain surpluses through the 'animal protein complex' of cattle, poultry and hogs. In the mid-1970s, there were monumental food shortages, coinciding with stagflation and the energy crisis, which precipitated a shift from the state developmentalism of the midcentury towards a world market dominated by transnational firms.

Viewed diachronically and dialectically, the successive food regimes of the 19th and 20th centuries can be seen as contingent arrangements of immanent tendencies in capital accumulation, marked primarily by the centralization and internationalization of capital and the neoliberal encounter of the underdeveloped periphery with surplus capital from the core.

The simplification of industrial agriculture that began with colonial monocultures, and has been universalised through successive food regime episodes, has now reached a fundamental crisis point.

Hunger is a necessary outcome of the global food regime.

Eisenberg (2022) Hunger Regime

## 10.4 Portugal: Lithium Ore

(see ngy)

## 10.5 Sierra Leone: Chinese Trawler Port

A \$55m (£39m) deal struck by the government of Sierra Leone with China to build an industrial fishing harbour on 100 hectares (250 acres) of beach and protected rainforest has been criticised as “a catastrophic human and ecological disaster” by conservationists, landowners and rights groups.

The gold and black sands of Black Johnson beach fringe the African nation’s Western Area Peninsula national park, home to endangered species including the duiker antelope and pangolins. The waters are rich in sardines, barracuda and grouper, caught by local fishermen who produce 70% of the fish for the domestic market.

Guardian

## 10.6 Norway: Motvind

(see de)

## 10.7 Latin America

*Toozé*

The region might be better able to cope, if shocks could be absorbed through common resources, or pools of credit. If you lump all the islands of the Caribbean and the Central American zone from Panama to Belize together, you have a substantial bloc with a combined GDP of over \$400 billion and a population of 90 million. But this unit exists only in the mind of management consultants and statisticians. In actual fact, 90 million people are spread across a fragmented collection of 35 nations and territories.

	Population (latest available)	Gdp per capita current \$ (2019)
Guatemala	17,284,000	4,620
Honduras	8,447,000	2,575
El Salvador	6,108,000	4,187
Nicaragua	6,028,000	1,912
Costa Rica	4,726,000	12,244
Panamá	3,652,000	15,731
Belize	408,867	4,815
Cuba	11,238,317	8,822
Haiti	11,200,000	1,273
Dominican Republic	10,911,819	8,282
Jamaica	2,723,246	5,582
Trinidad and Tobago	1,349,667	17,398
Bahamas	369,670	34,865
Barbados	277,821	18,148
Saint Lucia	166,526	11,611
Saint Vincent and the Grenadines	109,434	7,457
Grenada	103,328	10,809
Antigua and Barbuda	85,567	17,113
Dominica	71,293	8,111
Saint Kitts and Nevis	46,204	19,935
Puerto Rico (US)	3,548,397	32,874
Guadeloupe (France)	390,253	24,668
Martinique (France)	372,594	24,623
Curaçao (NL)	154,843	19,701
Aruba (NL)	109,517	29,007
US Virgin Islands (US)	106,405	35,934
Cayman Islands (UK)	58,238	85,975
Sint Maarten (NL)	37,224	29,160
Turks and Caicos (UK)	31,618	31,353
Saint Martin (France)	35,334	
BVI (UK)	28,054	
Caribbean Netherlands (NL)	24,593	
Anguilla (UK)	13,037	
Saint Barthélemy (France)	9,961	
Montserrat (UK)	4,922	
	90,231,749	

The region is a shatter zone of empire, settler colonialism, mono-cropping plantation agriculture, resource extraction and former slave-based economics, imperialism and national liberation struggles. It is an arena of combined and uneven development in extreme form. Burned-out experiments in economic nationalism, socialism on one island and colonial hangovers, oligarchic tax havens, petrochem-

ical complexes, gated tourist resorts, maquiladora manufacturing zones, peasant agriculture exist side by side. Integrated into a single unit, they might form a diversified regional economy. Instead, they are thrown together in a Balkanized patchwork. The region, one is tempted to say, consists of a collection of overlapping “peripheries”.

### Brazilianization

American Affairs published a brilliant essay by Alex Hochuli proposing that readers in the West should recognize the “Brazilianization” of “the world”. The essay should be widely read. It paints a compelling picture of a world discovering that it is “modern but not modern enough”.

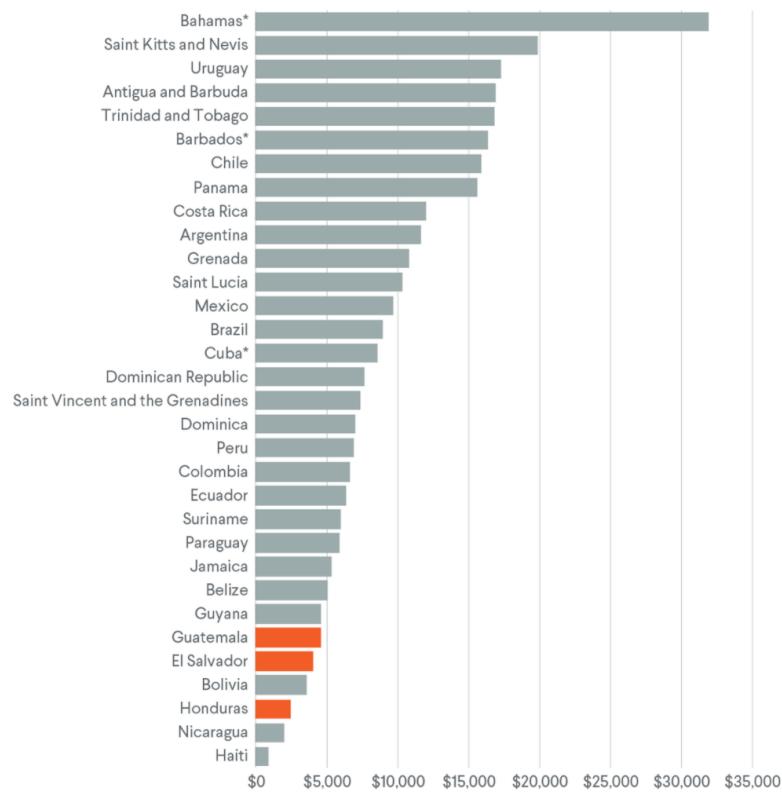
Since the late 1990s as the global growth rate was lifted by the dramatic acceleration of Asia, Brazil has found itself falling behind. Brazil’s recession that began in 2014 was exceptionally severe.

“Welcome to Brazil. Here the only people satisfied with their situation are financial elites and venal politicians. Everyone complains, but everyone shrugs their shoulders. This slow degradation of society is not so much a runaway train, but more of a jittery rollercoaster, occasionally holding out promise of ascent, yet never breaking free from the tracks. We always come back to where we started, shaken and disoriented, haunted by what might have been. ... Brazil consequently finds itself stuck—caught in the perennial fluctuation between hope and frustration. And the fate of being modern but not modern enough now seems to be shared by large parts of the world:”

Since 1987 the overall growth record of Latin America and the Caribbean has, indeed, been disappointing. On average it has been worse than that of sub-Saharan Africa. Given their low starting point, African countries still lags far behind. But Latin America has been comprehensively outgrown by South Asia and East Asia.

### Scraping By in the Northern Triangle

Gross domestic product per capita, 2018



\*2017 data

Source: World Bank.

COUNCIL ON  
FOREIGN  
RELATIONS

Only three countries in the region - Costa Rica, the Dominican Republic, and Panama - with just over 20 percent of the region's population between them, have been able to sustain rapid growth over a thirty year period. Each occupies a clear niche.

Costa Rica has a highly educated population. It is the main destination for foreign direct investment in business-support services in Latin America. It has a fast-growing medical-device-manufacturing sector that generated \$4 billion in exports in 2018. Costa Rica has a booming eco tourism business.

The Dominican Republic which was once primarily a low-coast manufacturing center, now boasts the second-largest tourist economy in Latin America. It draws in FDI on a large scale and has set itself the objective of achieving high-income status by 2030.

Panama's economy centers on the canal and the financial center clustered around it. The logistics industry in Panama accounts for 19 percent of the world total in dead-weight tonnage.

Honduras, has become a major garment production center, being the leading exporter of T-shirts to the United States. Honduras and Nicaragua have developed a specialization in the export of wiring-harnesses for global auto manufacturers

These patterns of growth are fragile and utterly dependent on external demand and foreign finance.

Brazil was not immune to the storms in global financial markets in 2020. But its foreign exchange reserve of over 350 billion dollars gives it a real measure of autonomy. For all the pressure on the real, Brazil was free to mount a large fiscal response to the crisis. And Brazil's elite can count on powerful support from the outside. In 2020, as in 2008, Brazil was provided with a dollar swap line from the Fed. Amongst "emerging markets", only South Korea, and Mexico were in the same position. Indonesia was rebuffed.

Apart from dollar support, a major source of domestic resilience for Brazilian finances is the fact that domestic capital markets are deep. Most of Brazil's public debt is owed to domestic creditors. The share of domestically held debt for the Central American countries was half that of Brazil. In the crisis they were forced to turn to the IMF and the World Bank.

Toozé (2021) The Caribbean, Central America and the "Brazilianization" thesis

## 10.8 Modernization

Modernization theory, with all its blindspots, is a hard habit to break. But, if our aim is not to use "the world" as a foil onto which to project national dramas, but to actually think about it, we will be better served not by defining norms, whether they be Western Europe, the US or Brazil, whilst relegating China, for instance, to the category of exceptional Sonderweg. It is the process of uneven and combined development itself, the generator of similarity and difference that we should be focusing on.

Toozé (2021) The Caribbean, Central America and the "Brazilianization" thesis

## 10.9 Brazilianization

*Hochuli*

Covid-19 has disguised state failure in the very heartlands of global capitalism. We all seemingly live in "less-developed countries" now. Hollowed-out state capacities, political confusion, cronyism, conspiratorial thinking, and trust deficits have exposed

d the crumbling legitimacy that now makes rich and powerful states look like banana republics. The twentieth century—with its confident state machines, forged in war, applying themselves to determine social outcome

s—is over. So are its other features: organized political conflict between Left and Right, or between social democracy and Christian democracy; competition between universalist and secular forces leading to cultural modernization; the integration of the laboring masses into the nation through formal, reasonably paid employment; and rapid and shared growth.

If liberalism was a set of ideas appropriate to the bourgeoisie's rise and then consolidation—all in the name of freedom—it is today in a state of deaptation, wielded in defense of hierarchy and domination.

The new global elite is entirely désebourgeoisée; there are no fixed and hard rules, everything is up for negotiation. Morality is at most an individual, subjective matter, if not a cause for embarrassment; the elite prefer the empty avowals of corporate ethics nowadays, not moral pronouncements. Morality is no longer the keystone of paternal, social authority. The postmodern elite feels no responsibility. It has not internalized the law, and thus feels no guilt.

The hustler is a generic type, “unobtrusively inserting himself into social situations or in spinning about him a web of deceitful relations, just so that he may derive some more or less extorted profit from them.” (The opposite to the hustler is formal wage labor, taken to be “legal, recognized, regular and regulated.”<sup>14</sup>) This attitude is no longer restricted to the ghetto, but becomes the ideal subjectivity of the neoliberal “entrepreneur of the self.”

Brazilianization represents a doomed future, not just of social exclusion and savage capitalism, but also the end of the state's monopoly on violence, the emergence of powerful non-state actors, criminal gangs, etc.

The Panama Papers were of course met with a collective shrug; nothing changed. But what are you gonna do? Is this not precisely a very Brazilian “corrosive tolerance”?

In Brazil, the same ruling class that profited from colonialism, slavery, and the latifundia system was also the one that backed the 1964 coup so as to prevent workers from gaining any more of a foothold in society, an act that thereby also stopped the country's chance at national autonomy. Elites preferred dependency and submission to international capital and to the United States.

As a result, they also missed what may have been the last entry ramp to catch-up development.

The European Union. The regional bloc is best understood as an “economic constitution” which is devised to prevent politics from interfering with market regulation, thus locking in policy choices. When national elites opt for membership in the bloc—in spite of the EU’s neoliberal death spiral—they trade away national autonomy and with it political responsibility for social outcomes.

If colonial Brazil, a society based around naked economic extraction, was at the vanguard of capitalism, contemporary Brazil is now at the vanguard of the crisis of modernity. Brazilianization is not the act of becoming backward. Nor is it the importation of something foreign. Rather, Brazil merely expressed earlier the forms and tendencies of social development that are immanent to the social world of rich countries.

The truly doom-laden future that Brazil has in store for us is the collapse of state authority.

Modernization everywhere meant the destruction of old feudal vestiges in the countryside, urbanization, and the incorporation of the masses through formalized work in an industrializing society. This process would generalize wealth and citizenship—or at least, it would form an urban proletariat who would fight for these rights, gaining concessions and thereby disciplining elites. It would root out patrimonial and clientelist relationships. Politics would become more regularized, ordered along ideological lines, with salutary effects on the state and its bureaucracy—at least in the most advanced countries.

The undoing of modernization through its principal process—the coming apart of formal employment and of the rise of precaritization—is the root of the whole phenomenon of “Brazilianization”: growing inequality, oligarchy, the privatization of wealth and social space, and a declining middle class. Its spatial, urban dimension is its most visible manifestation, with the development of gentrified city centers and the excluded pushed to the periphery.

In political terms, Brazilianization means patrimonialism, clientelism, and corruption. Rather than see these as aberrations, we should understand them as the normal state of politics when widely shared economic progress is not available, and the socialist Left cannot act as a countervailing force. It was the industrial proletariat and socialist politics that kept liberalism honest, and prevented elites from instrumentalizing the state for their own interests.

Neo-feudalism comes into view, with its four interlocking features, which bear resemblance to Brazilianization: parceled sovereignty, new lords and peasants, hinterlandization, and catastrophism.

Alex Hochuli (2021) Brazilianization

*Ulrich Beck*

The first age of modernity was distinguished by its securities, its certainties, its clear boundaries; the second is distinguished by its insecurities, its uncertainties, its dissolution of boundaries. In this second age of modernity, every field - the economy, society and politics - is governed by the risk regime

Everything is possible and consequently nothing can be predicted and controlled. In this world of global risks the Fordist regime of standardised mass production on the basis of an inflexible, segmented, hierarchical division of labour becomes a decisive impediment to the utilisation of capital. Where demand is unpredictable, both in quantity and quality, where markets have diversified worldwide and are therefore uncontrollable, where information technologies simultaneously make possible new kinds of decentralised and global production, then the bases of standardised production and work, as formulated in Frederick Taylor's "scientific management" (and adopted by Lenin for the Soviet philosophy and organisation of work) are no longer applicable.

Rises in productivity require flexibility in all dimensions: work time, place of work and work contract. So the risk regime, and precarious employment, encompass and transform ever larger parts of work and living conditions. This occurs not only in low-skill employment but also in jobs demanding high qualifications. Indeed, the category of workers who can be called "permanently temporary" is growing fastest in the information economy.

This revolution in the labour market replaces the orderly world of Fordism and Taylorism with a political economy of uncertainty whose social and political implications are still unclear. We have a new power game between territorially fixed actors - labour, governments, parliaments and trade unions - and non-territorially bounded actors - capital, financial and commercial forces. Capital has become global, while labour remains local. The nation state's room for manoeuvre has shrunk to the alternative of either paying for increasing poverty with high unemployment (as in most European countries) or of accepting conspicuous poverty in return for somewhat less unemployment (as in the USA).

Rising unemployment in Europe can no longer be ascribed to cyclical economic crises; it is a consequence of the success of a technologically advanced capitalism. We have to change our economic language. Economic growth, for example, is no longer a valid indicator of job creation, just as job creation is no longer a valid indicator of employment and employment is no longer an indicator of income levels and secure status. Even the life of the affluent is becoming insecure and today's success is no guarantee against tomorrow's fall. The job miracle in the US hides the political economy of uncertainty: the US is the only advanced society in which productivity has been steadily rising over the past two decades while the income of the majority - eight out of ten - has stagnated or fallen. This has happened in no other advanced democracy. Endemic insecurity will in future characterise the lives, and the foundations of the lives, of the majority of the population - even in the apparently affluent centre of society.

Ulrich Beck (1999)

## 10.10 The Ruin of Capitalism

*Toozie on Tsing*

Amongst the books that affected me most in 2021 was Anna Lowenhaupt Tsing's *The Mushroom at the End of the World*, a study of communities of mushroom pickers in the Pacific Northwest, Yunnan China and Kyoto Prefecture, Japan.

Out of this seemingly obscure topic, out of its obscurity Tsing weaves a dizzying account of capitalist modernity. It is a study, as her subtitle has it, of "the possibility of life in capitalist ruins".

In approaching capitalism beyond heroic reifications we will do better not to begin with pristine nature (1st nature), or with the capitalist machine, the factory. We will do better if we start with ruins, "spaces of abandonment for asset production. Global landscapes today are strewn with this kind of ruin."

"In a global state of precarity, we don't have choices other than looking for life in this ruin."

In an extended sense the very atmosphere that wraps around our planet, burdened as it is with our emissions, is a ruin.

If we acknowledge our precarity, we give up the promise of a certain future but gain a recognition of a certain, limited kind of freedom.

"The only reason all this sounds odd is that most of us were raised on dreams of modernization and progress."

"... I imagine you talking back: "Progress? That's an idea from the nineteenth century." The term "progress," referring to a general state, has become rare; even twentieth-century modernization has begun to feel archaic."

Progress felt great; there was always something better ahead. The problem is that progress stopped making sense.

It is common to think of capitalism as a machine. A machine has a clearly defined purpose and a number of particular parts.

A factory is a giant machine. A plantation is designed to be a machine. It is tempting to think of all sorts of things as machines that are actually not.

Mushroom picking for Tsing is fascinating precisely because it is, in her words, the "anti-plantation" (37), the anti-factory, the anti-machine, an assemblage.

The mushroom economy, is an economy. It generates considerable value. But it is an assemblage not a machine.

Assemblages for Tsing are coming together of people and animals and things. They do not constitute firm and clear identities. They have no clearly defined boundaries. But they are powerfully productive. They are well-suited to navigating the terrain of ruins.

Interestingly, for Tsing this heterogeneous notion of an aggregate, that avoids the notion of a fixed totality, or a closed system, or a thing with clearly defined boundaries, also offers a different way of understanding time and history.

If history without progress is indeterminate and multidirectional, might assemblages show us its possibilities?

What calls out for explanation, then, is when they happen to converge. In these moments of unexpected coordination, global connections are at work. But rather than homogenizing forest dynamics, distinctive forests are produced despite the convergences. It is this process of patchy emergence within global connection that a history of convergences can show.

### Scalability

In this spirit, I lead a foray into mushroom forests as “anti-plantations.” The expectation of scaling up is not limited to science. Progress itself has often been defined by its ability to make projects expand without changing their framing assumptions. This quality is “scalability.” The term is a bit confusing, because it could be interpreted to mean “able to be discussed in terms of scale.” Both scalable and nonscalable projects, however, can be discussed in relation to scale.

Scalability, in contrast, is the ability of a project to change scales smoothly without any change in project frames. A scalable business, for example, does not change its organization as it expands. This is possible only if business relations are not transformative, changing the business as new relations are added. Similarly, a scalable research project admits only data that already fit the research frame. Scalability requires that project elements be oblivious to the indeterminacies of encounter; that’s how they allow smooth expansion. Thus, too, scalability banishes meaningful diversity, that is, diversity that might change things. Scalability is not an ordinary feature of nature. Making projects scalable takes a lot of work

Modernity’s own account of capitalism, in the grand heroic, progressive mode is self-deluding. In fact, capitalism always operates in multiple modes. Capitalism in its development has of course, seen the gigantic development of machine-like, scalable production, distribution and consumption. But, the totality it pretends to, is never complete. It exists alongside, depends on and helps to create new models of economy that operate in salvage mode, amongst ruins in the manner of assemblages. And successive histories are layered upon each other.

Toozé (2022) on Tsing’s *The Mushroom at the End of the World*

# 11

## Fictitious Capital

*Robinson*

So gaping is the chasm between fictitious capital and the real economy that financial valorization appears as independent of real valorization. This independence, of course, is an illusion. The entire financial edifice rests on the exploitation of labor in the “real” economy. If the system came crashing down, the crisis would dwarf all earlier ones, with the lives of billions of people hanging in the balance. The unprecedented injection of fiat money into the financial system may result in a new kind of stagflation, in which runaway inflation is induced by such astronomical levels of liquidity even as acute inequality and low rates of profit prolong stagnation.

Roberts (2022) Can Global Capitalism Endure?



## 12

# Imperialism



How is imperialism relevant today? How has it mutated over the past century? What are different theoretical and empirical angles through which we can study imperialism? These are the questions we deal with in our edited volume on 'The Changing Face of Imperialism'.

We understand imperialism as a continuing arrangement since the early years of empire-colonies to the prevailing pattern of expropriations, on part of those

who wield power vis-à-vis those who are weak. The pattern of ‘old imperialism’, in the writings of Hobson, Hilferding and Lenin, were framed in the context of the imperial relations between the ruling nations and their colonies with political subjugation of the latter, captured by force or by commerce, providing the groundwork for their economic domination in the interest of the ruling nations. Forms of such arrogation varied, across regions and over time; including the early European invasions of South America, use of slaves or indentured labour across oceans, and the draining off of surpluses from colonies by using trade and financial channels. Imperialism, however, has considerably changed its pattern since then, especially with institutional changes in the prevailing power structure.

We do not have a single theory of imperialism applicable to all times, but several which correspond to multiple historical manifestations of imperialism in the contemporary phase of capitalism. Earlier theories of imperialism focused on the conflicts between nations representing interests of national capitals, while nation-states currently are no longer the organizing unit in the context of globalisation and universal capitalism. Thus, the characterisation of imperialism today cannot be limited to a rivalry between advanced capitalist countries nor as an expression of conflict between developed and underdeveloped nations. Rather, it has to encompass the power structure and internal articulation of global capitalism.

The cost-cutting exercises by Multi-National Corporations, which displaces the domestic workers by cheaper foreign labour, achieved either through emigration of production (“outsourcing”) to overseas or through immigration of workers. This so-called neoliberal globalisation is the new imperialist stage of capitalist development, where imperialism is characterised by the exploitation of “southern” labour by northern “capital”.

Today’s imperialism is marked by the retreat and subservience of the state to international finance and, consequently, as the only political option, a selective delinking of the national economy from the global economy.

Today’s imperialism is a policy of conquest through force and violence over the “outside” of the capitalist world.

The “third world” countries, now located within the overall circuit of global capital, have access to global finance, markets and technology, and their big bourgeoisie have become major players in the international market. However, the significant factor remains that the workers in these countries are way behind those of the United States, in terms of their wages, and their lives are not on par with those of the workers in developed countries. Through reforms and globalisation, we witness a process of enrichment of the ruling classes, while the vast masses of people remain detached from these capitalist processes and remain impoverished.

*Imperialism as domination through financialisation and neo-mercantilism*

Latin American economies failed to adopt a successful neomercantilist model, also that the region did not benefit from the new international division of labour, which shifted the manufacturing industry from the United States to developing economies.

The role of military spending in US, with imperialism as the velvet glove as opposed to the iron fist of the rise of neoliberal policies and globalisation.

Workers do not, on balance, gain from US imperialism, at least since 1985. This contrasts the previous three decades when US workers had much more power to get a piece of the imperialist pie.

*India, colonialism and contemporary issues with imperialism*

Britain, the world capitalist leader at the centre of the global payments system, was crucially dependent on India's export earnings for financing the current account deficits with the rest of world. With access to the rising foreign exchange earnings of its colonies, Britain could settle its own external deficits as well as to export capital overseas.

Faced with a shortage of labourers at the end of slavery, the planters in the British colonial islands pressurised their imperial government to find ways to supplement labour cheaply. The desperately poor and famine-stricken populations of colonies in Asia and in India, in particular, turned out as the target of an organised large-scale emigration of indentured labourers from India to plantation colonies, on basis of coerced labour in sugar plantations. It can also be seen that the waves in immigrant flows were singularly linked to the fortunes of sugar plantations. A triangular network involving labour (indentured), commodities (both raw sugarcane and processed) and finance characterised the relationship between Britain and the such colonies. This was the variety of imperialism, rooted initially in slave trade and later in movements of indentured labour which proved a lucrative source of earning surpluses and it's appropriation by commercial and financial interests of imperial Britain.

There has not been any finance/service-led growth in India. The distribution of income moving very sharply in favour of corporates, which is to the disadvantage of India's working population, mostly in agriculture and in the informal non-agricultural sectors.

Sen (2019) Changing Face of Imperialism

Sen (2019) Book

## 12.1 Global Value Chains (GVC)

### 12.1.1 Oligopoly-driven Development

*Selwyn Abstract*

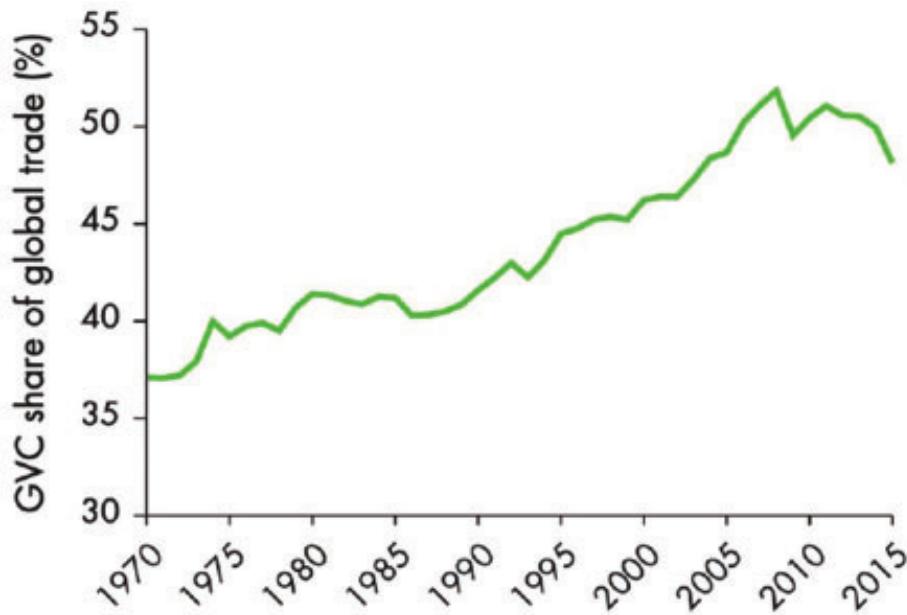
The World Development Report 2020 (WDR2020) asserts that global value chains raise productivity and incomes, create better jobs and reduce poverty, and proposes state policies to facilitate global value chain-based development. We deploy an immanent critique of WDR2020 to interrogate its claims regarding wages and working conditions. Using the Report's own evidence, we identify contradictions in its claims, which stem from its use of comparative advantage trade theory to reconceptualize global value chain relations. This perspective predicts mutual gains between trading partners, but its core assumptions are incompatible with the realities of global value chains, in which (mostly Northern) oligopolistic lead firms capture value from (mostly Southern) suppliers and workers. We show how WDR2020 conceals these contradictions by misconstruing, inverting and ignoring evidence (particularly of labour's agency), whilst failing to recommend redistributive measures for the unequal outcomes that it recognizes. By redeploying heterodox conceptions of monopoly capital and by using a class-relational approach, we scrutinize WDR2020's overly positive portrayal of lead firms. We provide alternative theoretical foundations to better explain the evidence within the Report, which shows that global value chains concentrate wealth, exacerbate inequalities and constrain social upgrading – with negative consequences for supplier firm workers in developing countries.

*Selwyn Memo*

### **WDR 2020 World Development Report**

Ever since their inception in 1978, World Development Reports (WDRs) have sought to promote their portrayal of inclusive global development. Framed in the mutual gains rhetoric of comparative advantage trade theory, they are pitched at the level of the general interest – as applicable to the entire international policy-making community. WDR2020 Trading for Development in the Age of Global Value Chains ('the Report') presents itself in the same light, confidently proclaiming that 'GVCs boost incomes, create better jobs and reduce poverty' (WDR2020: 3)

In a world of global value chains (GVCs), according to the Report, developing countries no longer need to establish entire industries. Rather, through linking up with lead firms (mostly transnational corporations (TNCs)), they can access best-practice techniques and latest technologies, and match them with their comparative advantage 'factors of production' of cheap labour and natural resources. The Report emphasizes the benefits of 'relational' GVCs whereby 'durable firm-to-firm relationships promote the diffusion of technology and access to capital and inputs along chains'



The Report's core argument that 'GVCs boost incomes, create better jobs, and reduce poverty'. In fact, the Report itself provides evidence to suggest that GVCs concentrate wealth, repress incomes, create many bad jobs (low-wage, low-skill, low-security and with poor working conditions), and reproduce new forms of in-work poverty.

Monopoly capital theory is more consistent with the evidence of unequal outcomes generated through GVCs.

Selwyn: Understanding development in a Global Value Chain World: Comparative Advantage or Monopoly Capital Theory?

Selwyn (2021) Oligopoly-driven development: The Word Bank's Trading for Development in the Age of Global Value Chains in perspective (pdf)

### 12.1.2 Digital Imperialism

American "Big Tech" corporations are gaining massive profits through their control over business, labor, social media and entertainment in the Global South.

Big Tech is not only global in scope, it is fundamentally colonial in character and dominated by the United States.

Digital colonialism is the use of digital technology for political, economic and social domination of another nation or territory.

Under classic colonialism, Europeans seized and settled foreign land; installed infrastructure like military forts, sea ports and railways; deployed gunboats for economic penetration and military conquest; constructed heavy machinery and

exploited labor to extract raw materials; erected panoptic structures to police workers; marshaled the engineers needed for advanced economic exploitation (e.g. chemists for extracting minerals); siphoned out Indigenous knowledge for manufacturing processes; shipped the raw materials back to the mother country for the production of manufactured goods; undermined Global South markets with cheap manufactured goods; perpetuated dependency of peoples and nations in the Global South in an unequal global division of labor; and expanded market, diplomatic and military domination for profit and plunder.

In other words, colonialism depended upon ownership and control of territory and infrastructure, the extraction of labor, knowledge and commodities and the exercise of state power.

This process evolved over centuries, with new technologies added into the mix as they were developed. By the late nineteenth century, submarine cables facilitated telegraphic communications in service of the British empire. New developments in recording, archiving and organizing information were exploited by US military intelligence first used in the conquest of the Philippines.

Today, Eduardo Galeano's "open veins" of the Global South are the "digital veins" crossing the oceans, wiring up a tech ecosystem owned and controlled by a handful of mostly US-based corporations. Some of the transoceanic fiber-optic cables are fitted with strands owned or leased by the likes of Google and Facebook to further their data extraction and monopolization. Today's heavy machinery are the cloud server farms dominated by Amazon and Microsoft that are used to store, pool and process big data, proliferating like military bases for US empire. The engineers are the corporate armies of elite programmers.

More broadly, digital colonialism is about entrenching an unequal division of labor, where the dominant powers have used their ownership of digital infrastructure, knowledge and their control of the means of computation to keep the South in a situation of permanent dependency. This unequal division of labor has evolved. Economically, manufacturing has moved down the hierarchy of value, displaced by an advanced high-tech economy in which the Big Tech firms are firmly in charge.

Digital colonialism is rooted in the domination of the "stuff" of the digital world that forms the means of computation — software, hardware and network connectivity.

It includes the platforms acting as gatekeepers, the data extracted by intermediary service providers and the industry standards, as well as private ownership of "intellectual property" and "digital intelligence." Digital colonialism has become highly integrated with conventional tools of capitalism and authoritarian governance, from labor exploitation, policy capture and economic planning to intelligence services, ruling class hegemony and propaganda.

The shift to cloud services nullified the freedoms FOSS licenses had granted to users because the software is executed on the computers of the Big Tech corpo-

rations. Corporate clouds dispossess the people of the ability to control their computers. Cloud services provide petabytes of information to corporations, who use the data to train their artificial intelligence systems.

In the South, the majority of the people are essentially stuck with low-level feature phones or smartphones with little data to spare. As a result, many millions of people experience platforms like Facebook as “the internet,” and data about them is consumed by foreign imperialists.

In other words, the tech giants control business relationships across the commodity chain, profiting from their knowledge, accumulated capital and dominance of core functional components. This allows them to bargain down or dispense with even relatively large corporations who mass-produce their products as subordinates. Universities are complicit. The most prestigious ones in the core imperialist countries are the most dominant actors in the academic production space, while the most vulnerable universities in the periphery or semi-periphery are the most exploited, often lacking the funds for research and development, the knowledge or capacity to patent findings and the resources to fight back when their work is expropriated.

China, after decades of high growth, generates around 17 percent of global GDP and is predicted to overtake the US by 2028, feeding into claims that American empire is on the decline (a narrative that was previously popular with the rise of Japan). When measuring the Chinese economy by purchasing power parity, it is already larger than the US. However, as economist Sean Starrs points out in the New Left Review, this wrongly treats states as self-contained units, “interacting as billiard balls on a table.” In reality, Starrs contends, American economic dominance “hasn’t declined, it globalized.” This is particularly true when looking at Big Tech.

Portraying the US and China as equal contenders in the battle for global tech supremacy, as is often done, is therefore highly misleading.

In reality, the US is the supreme tech empire. Outside of US and Chinese borders, the US leads.

Instead of sharing knowledge, transferring technology and providing the building blocks for shared global prosperity on equal terms, the rich countries and their corporations aim to protect their advantage and shake down the South for cheap labor and rent extraction. By monopolizing the core components of the digital ecosystem, pushing their tech in schools and skills training programs and partnering with corporate and state elites in the South, Big Tech is capturing emerging markets.

## 12.2 World Bank

*Bair Abstract*

In this article, we analyze the strategies, surprises, and sidesteps in the World Bank's 2020 World Development Report, *Trading for Development in the Age of Global Value Chains*. Strategically, the Report promotes an expansion of neoliberal globalization couched in the language of global value chains. Curiously detached from the broader academic literature on global value chains in international trade, it promotes a sequentialist vision of global value chain upgrading that evokes the stagism of classic modernization theory. The authors sidestep important issues, such as China's pivotal role in the landscape of global trade, and are largely silent on others, including climate change. Significantly and somewhat surprisingly, given the general endorsement of global value chain integration, the Report acknowledges negative distributional trends associated with the rise of global value chains, including the excessive benefits reaped by "superstar firms" and the now well-documented decline in labor's income share. These observations are not reflected in the document's policy section, however, where the World Development Report largely recapitulates familiar prescriptions, with the threat of nationalist populism and rising protectionism providing a new bottle for this old wine. Drawing on a range of literature including United Nations Conference on Trade and Development's 2018 Trade and Development Report, we highlight not only the limits of the Bank's adherence to an increasingly embattled orthodoxy, but also the necessary starting points for a more useful discussion of the merits, limits, and future of global value chains.

Bair

## 12.3 Dollar Empire

*Schwartz Memo*

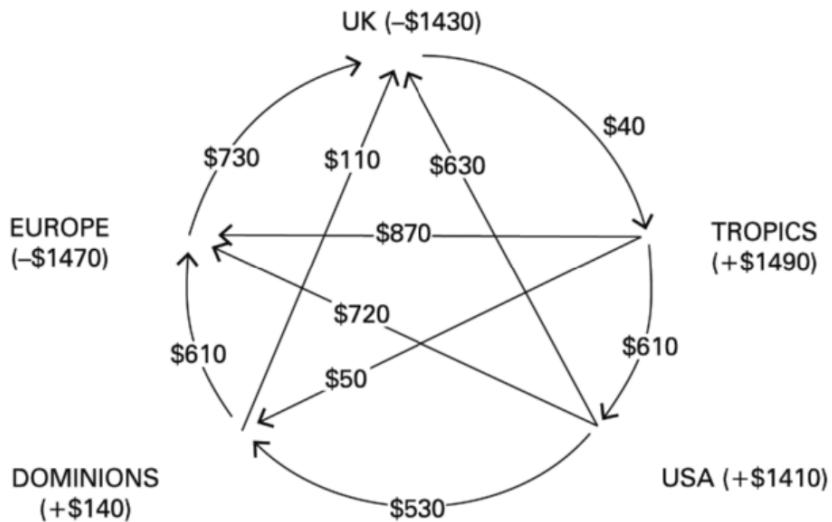


Figure: Structure of net world trade surpluses, 1928. (Diagram from States vs. Markets, arrow points in direction of surplus.)

Global use of the dollar largely benefits the top 1 percent of wealth holders in the United States, while imposing job losses and weak wage growth on much of the rest of the country. This situation flows from the structural requirements involved in having a given currency work as international money.

A country issuing a globally dominant currency necessarily runs a current account deficit.<sup>1</sup> Prolonged current account deficits erode the domestic manufacturing base. And as current account deficits are funded by issuing various kinds of liabilities to the outside world, they necessarily involve a build-up of debt and other claims on US firms and households.

A large share of those foreign claims are on US firms in the form of corporate equity. US holdings of foreign firms' equity are roughly equal in size, but these are largely held by the top 1 percent. The bulk of US debt to the rest of the world is public and private debt, including securitized mortgages. As the top 1 percent largely avoid taxation, the broad US public is on the hook for those debts. The rich reap the rewards of dollar dominance in the form of financial rents and easier tax avoidance. Meanwhile, the rest of us compete against artificially cheap low wage imports while struggling to find affordable housing.

#### Two flaws in traditional histories of the nineteenth century European empires

The first flaw sees the centers of those empires as internally coherent, unified nation states, like those that populated Europe and North America after the first and second world wars. Instead, I argue, nineteenth-century imperial European

states are better understood as systems of power with permeable boundaries between the center and a hierarchically ordered, integrated set of peripheries.

The imperial European states of the nineteenth were hardly the linguistically and culturally unified states of the postwar era. All had seen massive immigration—including from their tropical colonies—into populations who themselves spoke distinct dialects, while also emitting millions of emigrants to the temperate zone colonies. As Ian Lustick has demonstrated, imperial officials did not draw sharp lines between center and periphery, even as they drew nearly impermeable lines everywhere on the basis of race. Consistent with Feygin and Leusder's argument, banking elites in London, Montreal, and Melbourne had more in common with each other than with the ranchers, dockworkers, or butchers bringing Australian lamb and prairie wheat to that London banker. Metropolitan and settler elites circulated across center and periphery in parallel with the unskilled laborers in steerage, as the careers of Leo Amery or Cecil Rhodes show.

The second and related flaw is in taking the later empires built in Africa (and to a lesser extent Asia) as the generic model, rather than the earlier British “empire of food.” From an economic standpoint—which mattered for the British pound—the real imperial action occurred earlier in the nineteenth century with the genocide and displacement of indigenous populations in thinly settled temperate zones and their replacement by mostly European settlers. Australia, Argentina, Canada, New Zealand, and, above all, the United States became prodigious exporters of the food and agricultural raw materials that fed the workers and machines of Europe’s industrial revolution. Compare: total British investment in Australia, with a population roughly 4 million in 1900, roughly equaled that in British India, with a population of over 300 million. British exports to Australia and New Zealand from 1894 to 1913 exceeded its exports to all of sub-Saharan Africa. All of that trade and investment was denominated in pounds sterling, flowing through banks with sterling-denominated ledgers, and managed, yes, by a transnational but culturally and largely ethnically British financial elite.

This is the historical context in which we should understand the geo-political and geo-strategic advantages of the dollar’s role in the monetary system. The dollar functions not only as the currency of a specific nation, but also as the currency of a global imperial state centered on but not exclusively limited to the United States as a formal legal entity. As in the nineteenth century, the lines between the imperial core and its dependencies are blurred, those dependencies have differential status in the imperial hierarchy, challengers reside inside and outside that hierarchy, and a single currency is an important bulwark of that empire. There are four important aspects to this role for the US dollar.

First, the dollar partially frees the US state and allies from resource constraints. In both world wars, the British temperate zone empire of food was a decisive factor tipping the balance of physical resources in favor of the Allies against Germany. And Britain’s tropical empire, particularly India, was a decisive manpower resource in World War I, providing the vast majority of combatants

outside the European theatre and over 20 percent of total troop strength; the white settler colonies contributed a further 20 percent. The British empire, including its constituent parts, largely issued sterling-denominated debt to buy these physical and human resources. Similarly, dollar debt funds US special forces who train local militaries today as auxilia.

Although there is no mechanical relationship, the cumulative US current account deficit from 1992 to 2019 equals 83 percent of cumulative US official defense spending over that period. Major expansions of the military budget run concurrent with increases in the current account deficit. In essence, current account surplus economies give the US enough consumer goods on credit to free up domestic productive resources for the outsized US military apparatus. This ability to draw on global resources rests not only on other actors' belief that they can use those dollars in the future to purchase US goods, but also on their own economies' reliance on the US market for growth. Excepting China after 2010, the major export surplus countries all grew more slowly than the United States after 1992, despite their export surpluses. And other major countries with current account deficits are also hostage to US growth—most obviously, Canada and Mexico. How would Britain grow if the City of London were not the global center for dollar based financial flows, or Ireland not a convenient tax haven? Holding and using dollars keeps their currencies from appreciating and pricing their exports out of world markets.

Second, all five Anglo countries are tightly tied geopolitically to the United States through some combination of intelligence cooperation, alliance-based joint exercises, actual warfighting, and a dense network of circulating elites. The integration of military and intelligence organizations is every bit as dense as with finance, and, as with finance, there is a hierarchy of privilege and access that radiates out from the center. These military ties run parallel to the financial ones. The truism that oil exporters exchange dollar pricing of oil for US military protection can be understood in even broader terms, as the current debate over removing troops from Germany shows.

Third, the Federal Reserve Bank is de facto the world's central bank. By acting as lender of last resort in global crises, the Fed has structural power over almost all of the global financial system. Access to the Fed is a life or death issue for non-US banking systems in major financial crises. The US dollar is, in technical terms, global "state money" or "outside money." Put as simply as possible, monetary systems generally are composed of both inside money (created inside the financial system) and outside money (created by the state outside the financial system). Banks exchange purchases of public debt for a license to create inside money, that is, credit to other private actors. This credit need not rely on prior savings. Rather, the extension of credit creates a loan, which shows up as an asset; the simultaneous deposit of loan funds into the borrower's account creates a liability for the bank. Et voilà, new money now exists. Globally, non-US banks generate almost all of the 60 percent of cross-border lending that is US dollar-denominated. In other words, they voluntarily create the dollar liabilities

on their balance sheets that make them ultimately depend on the Fed in a crisis. But ‘voluntarily’ here needs to be understood in the context of societies whose exports to the United States transform stagnation into merely mediocre growth. The Eurozone’s cumulative export surplus from 2011 to 2018 equals 90 percent of the US cumulative current account deficit.

Only regulation and bankers’ weak self-discipline limit the creation of inside money. In the 2000s, European and other banks took dollars earned through their trade surpluses and dollar-denominated inside money created in the eurodollar system and recycled them into global lending. The balance sheet of the average European or Canadian banking system was over one-third dollar denominated, amounting to roughly \$14 trillion of assets in 2017. This created considerable vulnerability if, as in 2008 and 2020, the collateral backing the asset side of the balance sheet collapsed and borrowers defaulted on their loans. All those banks needed US dollars, but their central banks could not create outside money to bail out banks’ US dollar-denominated liabilities. Instead, the Fed created dollars—outside money—to lend to those central banks for on-lending to their local systems. As with military cooperation, more tightly integrated and cooperative countries received better treatment and faster access to these swap lines. The inner Anglo-circle of financial ties is so close that some analysts refer to “Anglo-American finance” as a coherent whole, and describe the Bank of Canada as the “13th Federal Reserve Bank.” The use and recycling of dollars maintains the transfer of resources noted in the first two points above.

Fourth, widespread use of the dollar means that most trade and financial flows are settled through plumbing controlled by either the US state or entities regulated by the US state. This gives the US state, mostly via the Treasury Department, a kind of tactical or operational power vis-à-vis non-US financial systems in non-crisis situations. The global financial plumbing system uses the Fed-wire, CHIPS and SWIFT networks, which largely settle through New York. Regulatory oversight of the networks and non-US banks’ need for a presence in the United States give the US state the ability to compel behavior from non-US banks. For example, the threat of exclusion from clearing networks compels foreign banks to comply with sanctions against geo-political enemies. SWIFT expelled Iranian and North Korean banks from its payments network, greatly hindering their nuclear programs and their normal commerce. The US state also used the threat of expulsion from the payments network to compel banks to enforce sanctions on some Russian banks and firms after Russia invaded Crimea. The US state similarly used SWIFT data on global financial transfers to identify and target terrorist groups. The Fed supplies the carrot of crisis management, while the Treasury yields the stick of exclusion from the payments system.

Analysis like Feygin and Leusder’s is correct call out the exorbitant burden the US dollar imposes on the non-elite US population. But that burden needs to be seen in the context of the overall system of power radiating unevenly from Washington, New York, Silicon Valley, and so on, through a network of allied states, firms, and free floating intellectuals that cross the permeable boundaries

of formal citizenship and legal domicile. That system of power is anchored in and funded by use of the dollar as the de facto currency of a global imperial state centered on (not in) Washington. The exorbitant privilege does not net out the exorbitant burden; it is the obverse of a coin held by much of the global power elite.

Schwartz



# 13

## Laws of Capitalism

Capitalism is a legal order, not a statistical regularity.

### 13.1 On Piketty

*Grewal Memo*

The response to the crisis in Europe has suggested that Brussels now operates as an arm of finance capital and that monetary union is more likely to prove the undertaker of European social democracy than its savior.

Piketty's most recent volume, published in French in 2013, and in English in 2014 as *Capital in the Twenty-First Century* — a knowing nod to Karl Marx — is a sprawling, ambitious text that builds on this earlier work while rendering it accessible to a wider audience. Its argument, backed by impressive empirical data, may be summed up in three words: capitalism generates inequality.

*Capital in the Twenty-First Century* has thus prompted discussion of inequality, financial regulation, and political economy across an unusually wide spectrum, and for this alone the work deserves the praise it has received.

Piketty's major claim — that capitalist societies exhibit a persistent trend of increasing inequality — should come as a prompt to examine the underlying legal and institutional foundations of capitalist economic relations.

*Capital in the Twenty-First Century* is a study of modern inequality — of differences in income and wealth among people of equal juridical status.

*Reassessment of Kuznets - no 'self-correcting market'*

Kuznets won a Nobel Prize in 1971 for his study of U.S. economic growth and national income between 1913 and 1948. His study arguably revealed a trend

in capitalism toward initially increasing but later decreasing inequality — the inverted U-shaped relationship now dubbed the “Kuznets Curve” (pp. 13–15). Piketty sees his own research as broadening “the spatial and temporal limits of Kuznets’s innovative and pioneering work” (p. 16).<sup>19</sup> Bringing in more countries and a longer time horizon — strictly speaking three centuries, though adequate data are generally available only for the twentieth — leads Piketty to revise Kuznets’s argument. Kuznets was charting a historical anomaly.

The attraction of the “Kuznets Curve” is its suggestion, at least in its popularized version, that further economic growth will automatically correct the problems that growth itself brings — and without having to elaborate the causal mechanisms that bring about such self-correction.

Kuznets was appropriately circumspect about the limits of his model and the generality of his conclusions. Others have subsequently argued, however, that the same inverted U-shaped relationship suggesting a “self-correcting market mechanism” obtains in many other areas: environmental degradation, health outcomes, and educational opportunities.

Piketty’s comprehensive reassessment of Kuznets’s data has unsettled the confidence that the market will “self-correct” in terms of inequality and highlighted instead the exceptional nature of the postwar period.

Piketty’s empirical analyses confirm in the register of the statistical a reality we already intuit.

This empirical ratification flatly contradicts earlier narratives concerning the relationship between capitalism, equality, and democracy that have long been taken for granted by the many people of North America and Europe who got ahead in the postwar period but whose children and grandchildren look increasingly unlikely to be able to do the same.

A few hundred individuals now possess fortunes so vast that their wealth represents not so much private luxury as public power. They can buy media corporations and private military contractors; they can sway individual elections and determine electoral trends. When they decide to engage in philanthropy, they can direct expenditures on a scale that rivals the capacity of almost any national government or international organization, and thus reorient humanitarian, cultural, and scientific agendas to their personal priorities. They can coopt state functions to preserve or extend their wealth through privatizations, special bailouts, and preferential treatment of various kinds, which socializes risk while privatizing profit.

Why, then, has  $r > g$  held generally? Piketty has painstakingly established that it has, and he has some suggestions as to how it undergirds the more visible inequalities of income and wealth. As for its ultimate causes, however, we must treat Piketty’s book as a catalyst for further research on the legal, social, political, and economic dimensions of inequality under capitalism.

What the critics of the neoclassical position were suggesting was not simply

that it is incoherent to attempt to value capital without positing an exogenous rate of return, but also that “capital” does not really exist in any determinate fashion. *Rather, what exists is legally structured access to the variety of resources that people use to produce things, and the market value of this access cannot be determined without examining its distribution — which is necessarily given by politics and social conditions rather than by a purely technical process.*

While critics have argued that Piketty missed this point, owing to his use of standard neoclassical formulas,<sup>67</sup> it may nevertheless be possible to interpret his conclusions sympathetically. What he has estimated is not a physical stock of stuff so much as the market valuation of the extent of capitalist privilege, ramified across a range of assets from houses to machines to software programs, which he recognizes has varied across historical periods as a result of changing economic policy.

Perhaps his analysis can thus be said to be Sraffian in spite of itself: we may note the incoherence of trying to assume an aggregate rate of return on capital even while recognizing that the deepest import of Piketty’s work will be to bring renewed attention to the view that distribution is a social and political issue.

### CAPITALISM AS A LEGAL ORDERING

Understanding why  $r > g$  has generally held — and why it briefly did not — requires an account of capitalism as a socioeconomic system structured through law. Capitalism is fundamentally a legal ordering: the bargains at the heart of capitalism are products of law.

While these legal foundations go mostly unexamined in Capital in the Twenty-First Century, the book should prompt further study of the actual laws of capitalism — those behind the statistical regularities discussed as “laws” — that is, of the various legal and institutional arrangements governing capitalist economic systems.

Before the term “capitalism” became widespread in the late nineteenth century, the regime in which most people secure material needs through market exchange was simply called “commercial society.” The legal underpinnings of commercial society were of central concern to its early observers — students of classical political economy. From Smith’s Lectures on Jurisprudence in the early 1760s through the French économistes’ analyses of agrarian production and property law to Marx’s study of labor regulations, the ambition was not to study markets in the abstract, but to uncover the legal foundations of commercial society. In this pursuit, these economists were not merely observers but advocates of reform of one kind or another. To use a limited (and anachronistic) vocabulary, their concerns were inextricably “normative” and “positive” — in part for the general reason that there is never a clean analytic separation between these orientations, but also because the “economy,” which was the object of their study, was in the process of active construction.

In that construction, the two markets of overwhelming concern to the early

theorist-advocates were those in grain and labor. Reforming them required eliminating price controls and supply requirements on grain — which constituted what has been called the “moral economy” in food, whereby the state or local community accepted ultimate responsibility for its provision — and abolishing guild restrictions on entry into trades, as well as feudal dues and related obligations in the countryside. It was believed that the labor and grain markets were linked, such that a reorientation in one required, and pushed along reciprocally, a corresponding reorientation in the other. The result of this deregulated grain-labor market would be, according to its advocates, progress for the poor, productivity in agriculture, the enhancement of the power and wealth of the state (owing to a larger tax base), and the dissolution of vestigial feudal relations through the commercialization of labor relations and the free rental or sale of farmland.

*The focus of free market advocacy*

At the heart of this argument was the claim that higher grain prices would lead to more abundant food and higher wages, ultimately helping the poor. Defenders of the moral economy resisted this conclusion, either on the ground that this claim, like many others in the discourse of political economy, was paradoxical, or else by arguing that higher grain prices might indeed stimulate agricultural production but that the increased long-run provision of food would do nothing to alleviate the short-term dearth that was the target of government regulation. Reforming markets in grain and labor required reconceptualizing property and contract law, in addition to developing new state regulations and public infrastructures.

The consequence of these policies was the creation of the modern industrial economy, in which urban workers sell their labor in competitive markets for wages and then use this money to purchase foodstuffs produced by a much smaller number of farmers. The gradual generalization of such wage work in the eighteenth and nineteenth centuries made European states (and subsequently their colonies) into “capitalist” societies, in which markets and the division of labor are central to the distribution of essential goods and services, in contrast to earlier societies in which markets played a less central role in the production and distribution of basic resources.

This “freeing” of the grain and labor markets was not a simple hydraulic process (though it was often depicted as such) in which the dead weight of state regulation was removed, allowing a wellspring of commercial sociability to bubble up. Rather, this new market regime was understood from its inception to be a positive legal construction. It required the creation of a new legal order, the drafting of the laws of capitalism. At the foundation of these laws was a new conception of juridical equality based on freedom of contract and private property in which no formal distinctions among parties would be recognized.

Corresponding to this equality before law was the delegation of productive activity to private agents linked through markets — that is, to agents understood

to be acting in their “private” capacity.

The regime was given public legitimation through new constitutional orders that ratified formal equality among persons and gave special protections to the rights of contract and property.

#### *Constitution of Capitalism*

In France and the United States — and then elsewhere — these new constitutional orders solved the puzzle of creating a political whole out of the legally equal, discrete individuals of commercial society by establishing revolutionary frameworks predicated on the distinction between “sovereignty” and “government.” In practice, this ordering provides for the periodic reaffirmation of the sovereignty of the people in the form of direct ratification of fundamental legislation, either at the moment of constitutional inauguration or through ongoing processes of constitutional amendment, but through a variety of countermajoritarian mechanisms, it places limits on the ability of the people to radically revise the legal rules underlying commercial society. The result is what we might call the “constitution of capitalism,” understood in a double sense as the constitutional order that most capitalist societies have adopted historically and the legal foundation of the social processes that constitute the economic system of capitalism.

#### *Streeck*

A detailed study of these legal foundations is essential to understanding the institutional structure of capitalism. Here the insights of institutional political economy and law and economics may be usefully adapted to the task. As Professor Wolfgang Streeck has recently argued, the institutionalist turn in social science has produced general insights that can, with a few “parametric specifications,” be put to use in the study of capitalism as a “specific type of social order,” undergirded by distinct legal arrangements. Supplementing Marx’s insights about the organization of wage-labor, Streeck suggests a variety of other empirical features characterizing capitalism. These include the presumed legitimacy of pursuing gain through private contract without, for the most part, being constrained by traditionalist “supernorms,” expectations of social solidarity, restraints on competition, or elite duties to ensure “system survival”; the expectation that rule followers are “rational-egoistic” in their orientation rather than norm internalizers with respect to the purpose of a rule (as with, for example, financial regulations); and a “differential endowment of classes with resources,” which results in classes having different capacities for effective agency, including disparate ability to mobilize political coalitions to advance their interests.

The mid-twentieth-century reversal of  $r > g$  emerged from deep changes in the regulation of the market.

Understanding the movement from patrimonial capitalism to the postwar “mixed economy” and back requires a nuanced account of what John Commons

long ago called the “legal foundations of capitalism,” and which legal realists from Robert Hale to Karl Llewellyn to Jerome Frank put at the center of their analyses. The return to Hale-style legal realism in the analysis of public institutions and “private” law may help stimulate a “law and economics” approach to the study of capitalism, rather than an approach in which markets are considered abstractly. Subjects that would be particularly important to study include the causes and consequences of the post-feudal reconstitution of property law, and the ways in which labor, public benefits, and corporate law together structure the modern labor market as an arena of “contested exchange” in which “economic power” is structured through various contractual mechanisms. These and related inquiries would help us understand the conditions under which formal equality of contract is compatible with widening economic inequality. We must also consider the way that law structures not just the particular bargains in capitalism (most prominently, the wage bargain), but also the broader social and political setting of the market. Here the dynamics of public and private debt, the regulation of finance in an age of “financialization,” the constraints placed on democratic control of the economy by international integration, and the problem of “commodification” understood as the regulation of “contested commodities” and “blocked exchanges” may prove especially salient.

In studying these issues, Piketty’s work should lead us to consider how the legal foundations of capitalism influence the rate of return on capital and its consistent outpacing of overall growth.

The ways different areas of the law interact to affect the inequality  $r > g$  may be considerably complex.

While Piketty’s numbers invite a welcome debate on inequality, they do not, of course, tell us how to regard that inequality, let alone how to remedy it.

Piketty’s empirical assessments need to be situated within a broader structural account of the dynamics of capitalism, as I suggest above in describing capitalism as a legal ordering.

#### *Andrew Glyn and Wolfgang Streeck*

Combining Glyn and Streeck with Piketty helps us to identify where the fault lines of future political contests will lie: in broad fights over debt, taxation, and public spending as the fiftieth through ninetieth percentiles in the income and wealth tables lose ground to the top 10%, and in more specific conflicts as professionals and small businesspeople in the top 10% lose ground to the 1% and yet smaller fractions. They also suggest that these problems ultimately emerge from differential power — the ability of some groups rather than others to control the state.

Piketty’s proposal for a global wealth tax assumes a co-ordinated, top-down, data-driven, and retrospective response to the inequalities that capitalism generates — and in this he globalizes the familiar presumption of many economists

that taxation *ex post* is a better way to address inequality than *ex ante* changes to the legal rules governing the economy.

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On that view, it is more efficient to allow the unencumbered market to generate wealth — which can later be redistributed — than to attempt to alter the organization of the market in the first place. But the question as to whether *ex ante* or *ex post* mechanisms are more efficient assumes that both are politically feasible — and it may be naïve to assume that after letting the inequality-producing market run its course there will be any agent left at the end of the process capable of demanding redistribution.

Indeed, on a more path-dependent conception of political action, it may be only through structural changes to the economy — which galvanize political coalitions while resurrecting distributive questions — that an electorate becomes capable of demanding higher tax rates. It was mass political empowerment at the height of the labor movement, drawing on post-war solidarity, that achieved the high marginal tax rates of the mid-century as part of a broader redesign of the terms of economic cooperation. If Piketty's proposal for a global capital tax is, in his own words, "utopian" (p. 515), it is because it presumes a political agent capable of enacting it, which is neither present now nor likely to be generated by the trends he identifies.

If contemporary capitalism increasingly resembles the period before the exceptional times began, we should perhaps draw on the corresponding array of political strategies: general strikes and labor activism, experiments with new forms of cooperative industrial organization, and radical political and social movements.

What has occurred since the 1970s, to varying degrees, is a shift of approximately 5% of national wealth from the fiftieth through ninetieth percentiles up into the top decile, much of it into the top percentile.

The failure of the financial crisis of 2008 to produce any lasting movement for fundamental economic reform may seem to confirm Professor Perry Anderson's pessimistic assessment over a decade ago that "[t]he only starting-point for a realistic Left today is a lucid registration of historical defeat.

To this pessimism of the intellect, however, we should muster an optimism of the will. More than Lenin or Bernstein, Capital in the Twenty-First Century brings Antonio Gramsci to mind. Whatever the limits of his particular proposals, Piketty has fired a forceful shot in what Gramsci described as the "war of position," the slow but vital work of consciousness-raising that must precede the "war of manoeuvre," 144 or "movement," 145 during which distributional

claims are asserted directly in political contests.

The history of capitalism in the twenty-first century remains to be written — and politics, rather than the natural operation of the market, will finish the story.

As Piketty concludes: “If democracy is someday to regain control of capitalism, it must start by recognizing that the concrete institutions in which democracy and capitalism are embodied need to be reinvented again and again”

Grewal (2014) Review of Piketty (full pdf)

## 13.2 The Value of Law:: The Judiciary and the State

Anton and Don join Mike Macnair for a discussion on law in history and in Marxist thought. They discuss the purpose of law, the different schools of philosophy of law, how Hegel conceived law and the state, and what Marx and Engels took from it, the legal theories of the Soviet theoretician Pashukanis, the role of the constitution in a bourgeois state, what is the role of judges in capitalism and how to organize law in a socialist society.

Podcast with Macnair (Cosmonaut Magazin 2021 )(<https://cosmonautmag.com/2021/10/the-value-of-law-the-judiciary-and-the-state-with-mike-macnair/>) (pdf)

## 13.3 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.

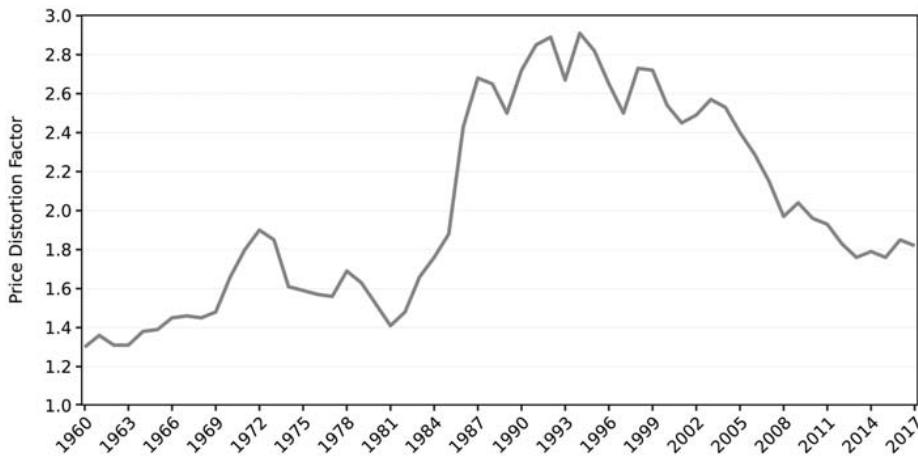


Figure: Price Distortion Factor (1960–2017).

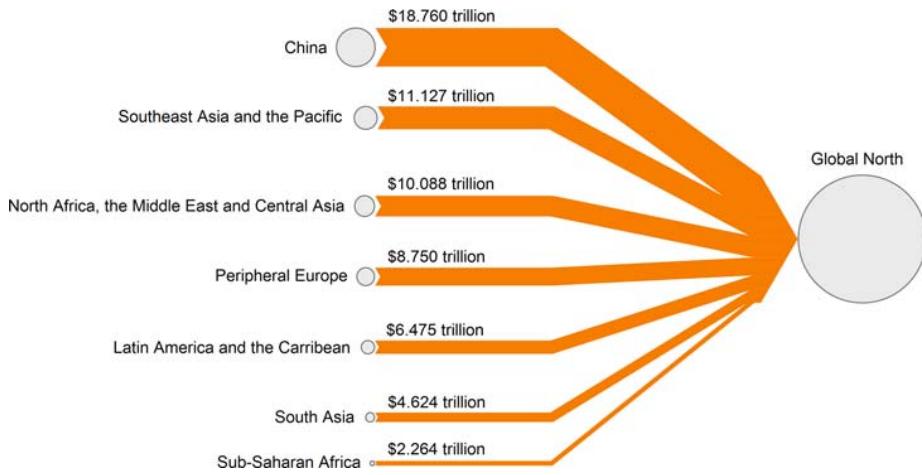


Figure: Drain from the global South (1960–2017).

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.

*Dorninger*

Highlights

- We provide empirical evidence that supports the theory of ecologically unequal exchange.

- High-income nations are net importers of embodied materials, energy, land, and labor. • High-income nations gain a monetary trade surplus via this resource appropriation.
- Lower-income nations provide resources but experience monetary trade deficits.
- The observed inequality is systemic and hampers global sustainability in multiple ways.

#### Abstract

Ecologically unequal exchange theory posits asymmetric net flows of biophysical resources from poorer to richer countries. To date, empirical evidence to support this theoretical notion as a systemic aspect of the global economy is largely lacking. Through environmentally-extended multi-regional input-output modelling, we provide empirical evidence for ecologically unequal exchange as a persistent feature of the global economy from 1990 to 2015. We identify the regions of origin and final consumption for four resource groups: materials, energy, land, and labor. By comparing the monetary exchange value of resources embodied in trade, we find significant international disparities in how resource provision is compensated. Value added per ton of raw material embodied in exports is 11 times higher in high-income countries than in those with the lowest income, and 28 times higher per unit of embodied labor. With the exception of embodied land for China and India, all other world regions serve as net exporters of all types of embodied resources to high-income countries across the 1990–2015 time period. On aggregate, ecologically unequal exchange allows high-income countries to simultaneously appropriate resources and to generate a monetary surplus through international trade. This has far-reaching implications for global sustainability and for the economic growth prospects of nations.

Dorninger (2021) Ecologically Unequal Exchange (paywall)

## 13.4 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.

Gräßner (2020) EU Lack of Convergence (pdf)

# 14

## State

The capitalist state, which includes the police, the army and institutions such as the civil service and legal system, exists to suppress any radical attempts at change. In the last resort, the state has armed bodies that can arrest protesters, kill revolutionaries and break up demonstrations and strikes.

### 14.1 State Capitalism

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Capitalism cannot exist as one capital, the state.

### 14.2 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, whole-

sale 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)

### 14.3 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

### 14.4 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 geo-economic 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)”.

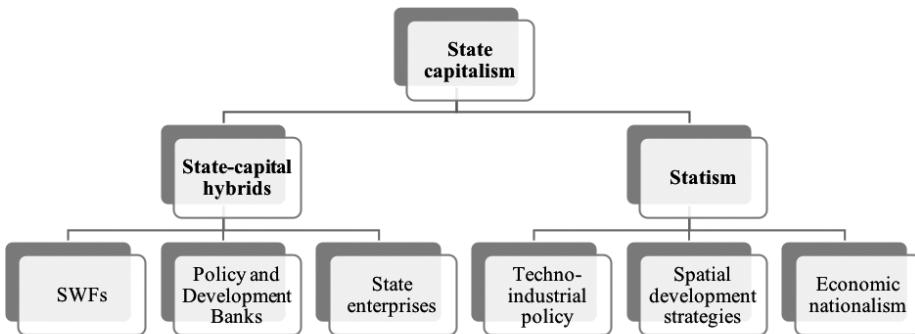
Without discounting the persistence of neoliberal thinking in this agenda, nor the pivot toward Wall Street, our contention is different: what we are currently witnessing is not so much the death of Development, but a significant redefinition of the Development project, in the context of the restructuring 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.

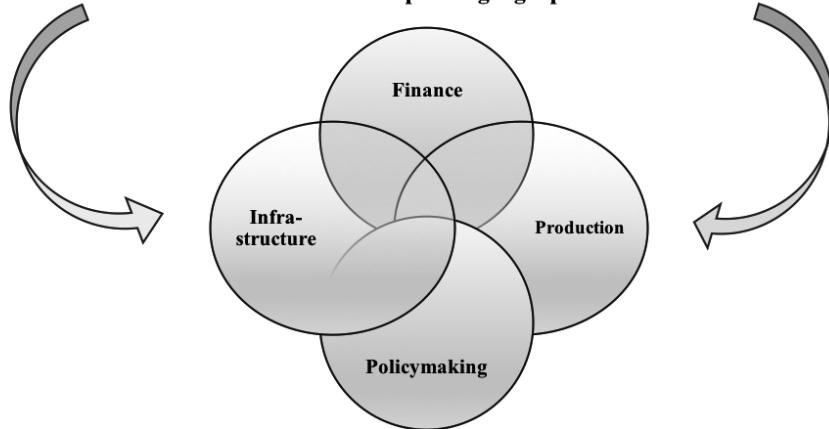
One of the defining features of the world economy over the past fifteen years has been the return of state capitalism, which broadly refers to configurations of capitalism where the state plays a particularly strong role in organising the economy and society, in supervising and administering capital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

#### Two modalities of state capitalism



#### Four development geographies



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 delegitimising 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 political 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 politicized 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*

## 14.5 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

#### **14.5.1 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 Case of Norway (loc)

#### **14.6 The State is the manifestation of The Free Market**

*vk in comment to Branko Milanovic*

From the point of view of Marxism, the State is not an independent actor from capitalism. This is made very clear by Marx, for whom the State is the amalgamation of class dominance that emanates from the development of capitalism.

Extrapolating for any mode of production, we have that the State is the manifestation of class struggle of said mode of production, e.g. the feudal State, the

ancient State etc. etc. The State is always born from the mode of production, never the inverse: the State is the superstructure of the mode of production.

In the specific case of capitalism, if we apply this concept, we have that the State, ultimately, is the neutral arbiter of the free market. Someone has to enforce private property, otherwise, the physically stronger will always expropriate the physically weaker, no matter if the weaker is wealthier than the stronger. Private property would self-destruct into the raw Survival of the Fittest.

Hence capitalism cannot exist without the State. The free market is, ultimately, artificial: it does not exist in nature.

Yes, intercapitalist struggle is constant and structural, according to Marx. The capitalist class oppresses the working class as a whole, i.e. as a class, but, at the individual or regional level, capitalist rivalry do and must exist. Marx himself tells us the example in Capital, where capitalists from one specific sector make political campaign to higher wages... in the other sectors. In its most acute form, there is a total war: WWI was the quintessential intercapitalist war, the so-called interimperialist war par excellence. It brought the end of classical liberalism and paved the way for the so-called neoclassical economy.

Again, it is easy to visualize why pure capitalism without the State and, as such and with, without ferocious and to-the-death intercapitalist competition, is impossible: imagine the perfect capitalist world, where every adult male divides equally planet Earth between themselves (including all the females in the planet, that is, each one will be a family), as capitalists. Each portion of this planet will be an individual capital, owned by exactly one family. Free market competition begins, in a way everything that happens to each individual capital will be the result solely of free, purely meritocratic, capitalist free market competition.

The first problem arises: planet Earth is not equal in all of its parts: some families will receive a wasteland, while others will be sat on gold mines, while others will be spawned in fertile lands. But the most important one here would be the families who would inherit the water.

The capitalists who own the water would then subjugate the rest, in a domino effect, until they become the new oligopoly. They would then amass this accumulated rent profit, this superprofit, to then mount a military sector, which would then subjugate the rest. If the water capitalists don't manage to unite wholly at once, then it is a simple matter of a shock of titans, an interimperialist war to decide which water oligopoly will reign supreme. The process will then continue as normal, until all the weaker capitalists will be enslaved and proletarianized (i.e. transformed into the working class). The ones who resist would be killed, which means they would "exist the game". Meritocracy and fair competition break down as moral-ethic concepts.

Obviously, really existing capitalism doesn't behave that way. That's because the State, as the high council of the capitalists, arises as capitalism develops. First of all, because capitalism isn't born from a virgin planet Earth, but from

the contradictions of feudalism, so the capitalist class has to gain class consciousness in order to topple the feudal dominant classes before properly founding capitalism. Second, the working class is born from already existing relations of production, not from a race of fallen capitalists. So the working class already “exists” the moment the capitalist class gains class consciousness. Third, as capitalism becomes hegemonic and so does grow the working class’ class consciousness, so does the State develops, as the neutral arbiter of the free market, of which one of the functions is to administer and equally distribute among the members of the capitalist class the so-called “inherent monopolies” such as water, land as abstract space (property rules of land), and war (modern day terminology: defense). That’s why the capitalist classes around the world – including the American one – accept that the State has the monopoly of the Armed Forces: if it was in private hands, this capitalist would use it to dominate all the other capitalists.

Nowadays, the State as the neutral arbiter of the free market is called “minimum state”, in order to differentiate this essential function from its expanded function, which is to also administer the welfare state (which the social-democrats also call the “social wage”, because it gives the working class a series of services that are essential to its comfort). The Neoliberal faction defends the State should go back to just do its original function, i.e the “minimum State”, while the Keynesian, Social-Democratic faction defends the State should be “maximum” i.e. accumulate both the function of the neutral arbiter of the free market and build and administer the welfare state.

To sum it up, the State not only is not alien to capitalism, but is the manifestation of the Free Market itself.

vk (2023)

# 15

## Decoupling

### 15.1 Ecomodernism vs Ecosocialism

*Angus*

John Bellamy Foster, author of Marx's Ecology and many other ecosocialist books, has taken up the subject in depth. In "The Long Ecological Revolution," a masterful article in the November issue of Monthly Review, he writes:

"No revolutionary movement exists in a vacuum; it is invariably confronted with counterrevolutionary doctrines designed to defend the status quo. In our era, ecological Marxism or ecosocialism, as the most comprehensive challenge to the structural crisis of our times, is being countered by capitalist ecomodernism — the outgrowth of an earlier ideology of modernism, which from the first opposed the notion that economic growth faced natural limits. If ecosocialism insists that a revolution to restore a sustainable human relation to the earth requires a frontal assault on the system of capital accumulation—and that this can only be accomplished by more egalitarian social relations and more consciously coevolutionary relations to the earth — ecomodernism promises precisely the opposite. ....

"It is dispiriting but not altogether surprising that some self-styled socialists have jumped on the ecomodernist bandwagon, arguing against most ecologists and ecosocialists that what is required to address climate change and environmental problems as a whole is simply technological change, coupled with progressive redistribution of resources. Here again, the Earth System crisis is said not to demand fundamental changes in social relations and in the human metabolism with nature. Rather it is to be approached in instrumentalist terms as a formidable barrier to be overcome by means of

extreme technology. ...

"If this stance is 'socialist,' it is only in the supposedly progressive, ecomodernist sense of combining state-directed technocratic planning and market regulation with proposals for more equitable income distribution. In this vision, ecological necessities are once again subordinated to notions of economic and technological development that are treated as inexorable. Nature is not a living system to be defended, but a foe to be conquered."

Angus (2017) John Bellamy Foster on Jacobin and Ecomodernism

## 15.2 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 COX and SOX 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 bads” 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)

### 15.3 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)[pdf/cerdeiro\_2021\_technological\_decoupling.pdf)



# 16

## Green Growth

What is responsible for climate change is economic growth, not capitalism as such. (Branko Milanovic)

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 minimise 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.

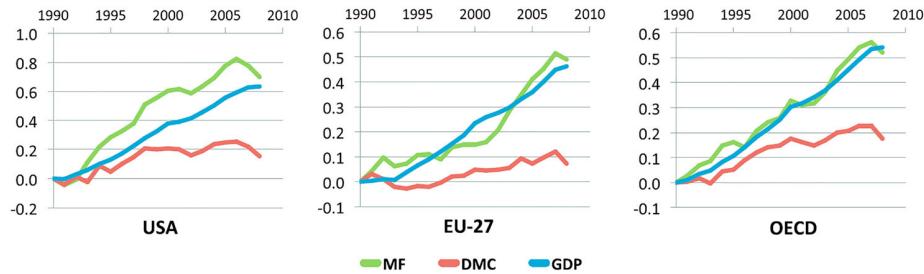
European OECD nations have achieved absolute decoupling, growing GDP while reducing DMC. (Note: the OECD’s version of DMC does not include fossil fuels).

### *DMC Weaknesses*

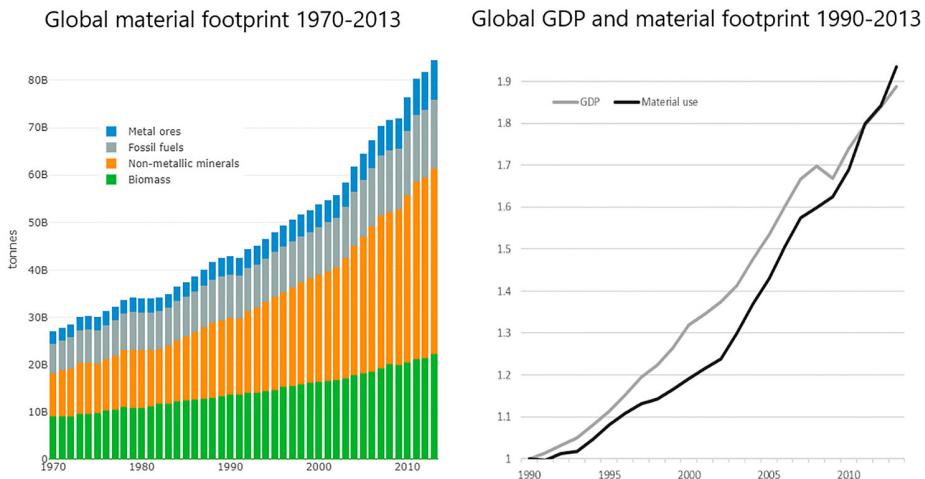
DMC is a problematic indicator, however, as it does not include the material impact involved in the production and transport of imported goods

### **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

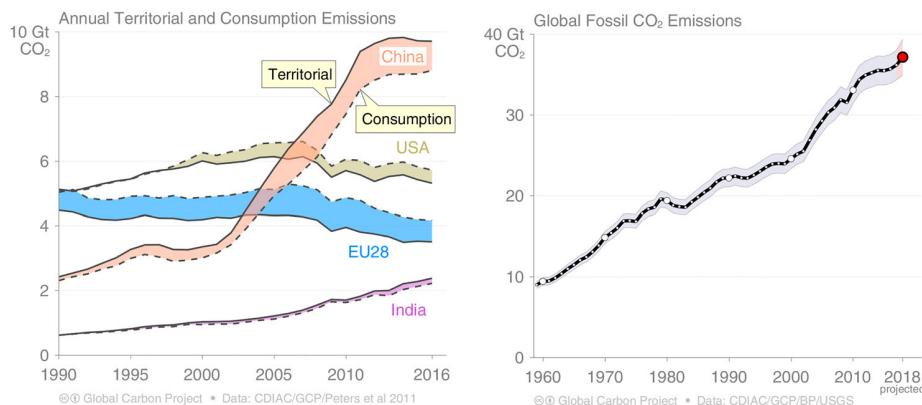
It is reasonable to expect that green growth could be accomplished at very low GDP growth rates, i.e. less than 1 per cent per year – significantly lower than historical trends and projected pathways.

[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.’

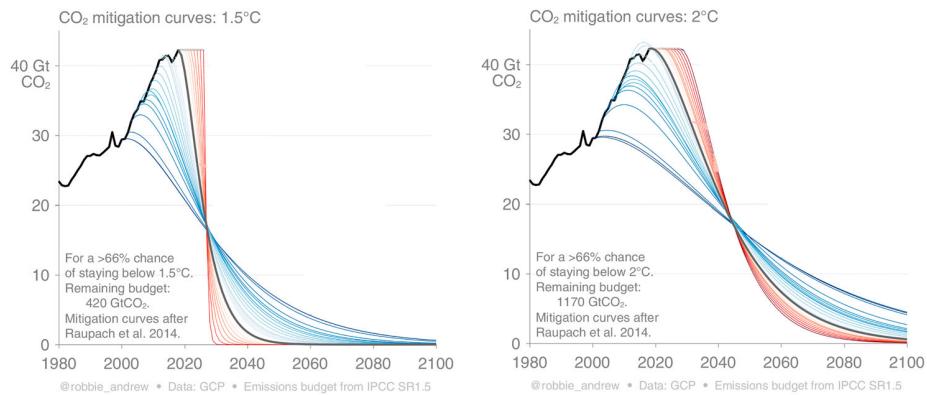
The ‘allure’ of BECCS is due to the fact that it allows politicians to postpone the need for rapid emissions reductions.

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)

### 16.3 Hausfather's Decoupling

#### *Langridge*

New research by Hausfather (2021), published by the Breakthrough Institute last month, now claims to have found evidence of such decoupling, sparking renewed debate among green growth and degrowth advocates. While yet to go through peer review, the research claims that the absolute decoupling of CO<sub>2</sub> emissions from economic growth has occurred in a select number of (largely Global North) countries. Between 2005 and 2019, 32 countries managed to

decouple their CO<sub>2</sub> emissions, both territorial and consumption, from growth in GDP. Several prominent ecomodernists and green growth advocates have declared these findings to be proof that we can grow our way out of the ecological crisis.

But do such claims stand up to scrutiny? There are five reasons to doubt that they do. First, the emissions counted in the research do not provide the complete picture. While they cover both territorial and consumption-based emissions, those from land use changes, international shipping and aviation are not included. These are not trivial figures and, unlike other sectors, they are continuing to increase: international aviation emissions are up 140% since 1990 (Mattioli, 2020). Second, the research only considers emissions from CO<sub>2</sub>; other greenhouse gases – methane, nitrous oxide, and ozone – are not included. Emissions of methane – a greenhouse gas with 80 times the warming power of CO<sub>2</sub> – began rising in 2007 after a seven-year period of stability. Since 2014, the rate of increase has more than doubled, with emissions from livestock production to satisfy the Global North's demand for meat being the primary cause (Fletcher and Schaefer, 2019).

Third, the research also does not include the use of material resources more broadly, which are on the rise and still tightly coupled with GDP. In fact, the global economy has been rematerializing since the turn of the century, meaning an increase in the material intensity of the growth of GDP (Parrique et al., 2019). This is not likely to abate in the future. A World Bank report in 2017 showed that powering the global economy through renewables will require massive increases in material extraction – including a 2,700% increase in lithium. This is before any economic growth is taken into account (Hickel, 2020). Dittrich et al. (2012) estimated that global resource extraction would total 180 billion tons by 2050. The sustainable annual limit is 50 billion tons (Brinzeu, 2015).

Fourth, and relatedly, the research provides no evidence of absolute decoupling – of CO<sub>2</sub> or otherwise – yet occurring at the global level. Given that the ecological crisis is a global problem, and the timescales require a halving of greenhouse gas emissions by 2030, with total net zero to be achieved by 2050, this is a major obstacle. Green growth advocates therefore speak of negative-emissions technologies, such as the Bio-energy with Climate Capture and Storage (BECCS) which is present in the majority of IPCC scenarios. Unfortunately, this technology has never been shown to work at scale, and the land requirements total an area two to three times the size of India, the ecological implications of which would be devastating and fall disproportionately on the Global South (Hickel, 2020).

Fifth, the research has also been subject to several methodological critiques, the main one being the use of regression analysis rather than actual emissions figures, painting an overly optimistic impression. While both methods come with their own issues, this demonstrates the importance of waiting for peer review before making any sweeping assertions.

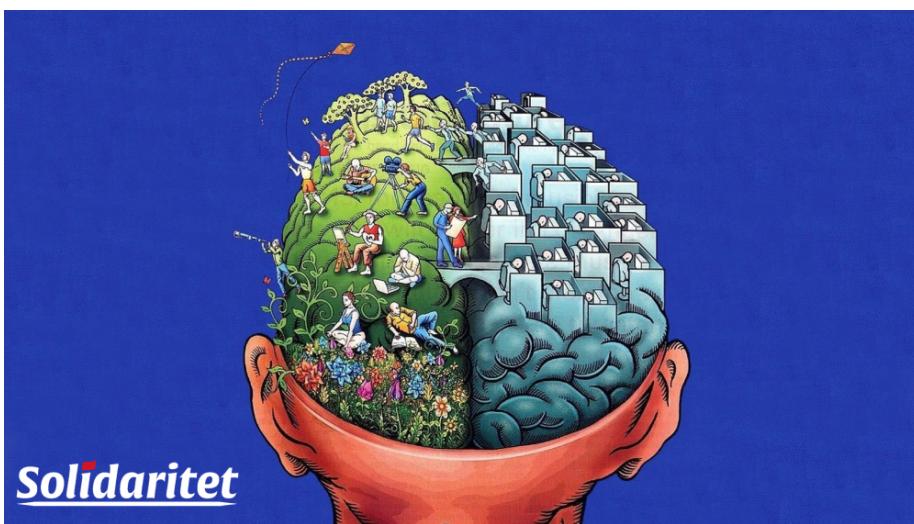
To conclude, any decoupling of emissions from GDP is a welcome and necessary development in the fight against climate breakdown. However, the above arguments strongly suggest that absolute decoupling at the global level, and from environmental pressures more broadly, is not occurring and is unlikely to happen within the timescales available (Parique et al., 2019; Haberl et al., 2020). Continuing to pursue environmental and development strategies based around aggregate economic expansion is therefore extremely risky. It not only makes it harder - if not impossible - to meet out environmental targets but every day of delay condemns the poor to further periods of unnecessary hardship and suffering. Development strategies should instead focus growth where it is needed – in places where it can help people to satisfy their needs – and adopt degrowth strategies in the rich North, where, in any case, further growth contributes little to increases in wellbeing (Kubiszewski et al., 2013; Jackson, 2017)

Langridge (2021) Can we really grow our way out of the ecological crisis?

# 17

## Degrowth

Degrowth is an idea that critiques the global capitalist system which pursues growth at all costs, causing human exploitation and environmental destruction. The degrowth movement of activists and researchers advocates for societies that prioritize social and ecological well-being instead of corporate profits, over-production and excess consumption. This requires radical redistribution, reduction in the material size of the global economy, and a shift in common values towards care, solidarity and autonomy. Degrowth means transforming societies to ensure environmental justice and a good life for all within planetary boundaries. [Degrowth.info](http://Degrowth.info)



En forøgelse i materiel levestandard vil kræve, ja, flere materialer. Uanset om pågældende økonomi er kapitalistisk, socialistisk, anarkistisk eller primitiv.

modvekst (in danish)

...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

**Review of Saito**

## BOOK REVIEW

**Marx in the Anthropocene: Towards the Idea of Degrowth**

**Communism**, by Kohei Saito, Cambridge, UK, Cambridge University Press, 2023, 276 pp., £24.99, ISBN 9781009366182.

In this his latest *tour de force*, Kohei Saito offers a twin invitation: to Marxists to re-think Marx as a “degrowth communist,” and to liberal degrowthers to understand that their antagonist is not growth but capitalism. Much of his case for degrowth is familiar, but Saito’s differs from the usual degrowth accounts in a key respect. For him, the systemic goal of capitalism is not growth but accumulation. The inexorable increase in global energy and resource throughout and environmental despoliation is not the result of states aspiring to higher GDP, but of businesses driven to expand turnover, develop new products, and increase profits. The accounting principles that govern it are not those of states or a “growth culture” but those of the firm; and insofar as rival states competing within a capitalist world economy adopt those same imperatives they too come to function capitalistically. This latter occurred in the Soviet Union under Stalin and his heirs, a set of regimes that Saito conceives of as state capitalist, i.e. they were (and in China’s case still are) just as dedicated to promoting accumulation/growth as capitalist states elsewhere.

In line with the broader degrowth literature, Saito advances a critical case on technology, and on the dynamics of demand and consumption. Technology is not “neutral” but is, alongside the organisation of labour, dictated by the prevailing class relations. Whereas capitalism tends to develop “locking technologies,” to borrow Andre Gorz’s term (2018) for technologies that “enslave the user” and “monopolise the supply of a product or service” (157), their antithesis, “open technologies,” are conducive to a radically democratic i.e. socialist society. At the ideological level, Saito diagnoses left-leaning techno-utopianism as a reflex of “pessimistic ‘capitalist realism’” (160). Where confidence in the course of class struggle declines, technology can appear to “fill the void.” Techno-utopianism also feeds from the mainstream “productivist” interpretation of Marxism, one that “fetishizes the productive forces developed under capitalism, regarding them as if they were neutral forces that can be taken over by the proletariat and utilized for establishing a socialist society” (154).

On questions of demand and consumption, the focus is again on capitalist dynamics: firstly, that market competition produces rebound effects (most famously the Jevons Paradox), and, when coupled with geopolitical competition, generates a steep hierarchy of global wealth, featuring a rich group of countries in a position of dominance whose citizens follow what Saito, leaning on Brand

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This article has been corrected with minor changes. These changes do not impact the academic content of the article.

Capitalism Nature Socialism (2023) Marx in the Anthropocene (paywall)

## 17.1 Metabolic Rift

*Roberts on Saito*

Now there is a debate about whether using the term ‘metabolic rift’ is useful because it suggests, at least to me, that at some time in the past before capitalism there was some metabolic balance or harmony between humans, on the one hand, and ‘nature’, on the other. Any emphasis on rifts or ruptures has the risk of assuming that nature is in harmony or in balance until capitalism disturbs it. But nature is never in balance, even without humans. It is always changing, evolving, with ‘punctuated equilibriums’ to use the term of Marxist paleontologist Stephen Jay Gould – such as the Cambrian explosion, with many species evolving as others go extinct. The rule of the dinosaurs and their eventual extinction had nothing to do with humans.

In Capital, Volume I, Chapter 15 on machinery Marx says: “*Moreover, all progress in capitalist agriculture is a progress in the art, not only of robbing the worker, but of robbing the soil; all progress in increasingly the fertility of the soil for a given time is a progress towards ruining the more long-lasting sources of that fertility. The more a country proceeds from large-scale industry as the background of its development ... the more rapid is this process of destruction. Capitalist production, therefore, only develops the techniques and the degree of combination of the social process of production by simultaneously undermining the original sources of all wealth – the soil and the worker.*“

Saito argues that “*Marx’s critique of political economy, if completed, would have put a much stronger emphasis on the disturbance of the “metabolic interaction” between humanity and nature as the fundamental contradiction of capitalism.*”

Saito is right that ending the dialectical contradiction between humans and nature and bringing about some level of harmony and ecological balance would only be possible with the abolition of the capitalist mode of production. As Engels (1896) said, “*To carry out this control requires something more than mere knowledge.” Science is not enough. “It requires a complete revolution in our hitherto existing mode of production, and with it of our whole contemporary social order*”

Roberts (2022) Saito: the metabolic rift and de-growth communism

## 17.2 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

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

Kallis-Parrique

## 17.4 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*)

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

## 17.5 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

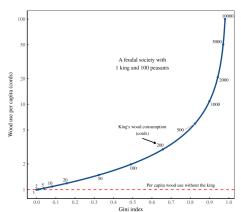
at all. In short, ridding the world of billionaires sounds like a great policy for reducing resource consumption (a.k.a. ‘degrowth’).

## 17.6 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

## 17.7 Assimilating Degrowth

### *Trantzas*

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 environmental 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),<sup>15</sup> 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 degrowththers (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)

## 17.8 Anti-colonial Degrowth

Economic growth in the North relies on patterns of colonization: the appropriation of atmospheric commons, and the appropriation of Southern resources and labour. In terms of both emissions and resource use, the global ecological crisis is playing out along colonial lines. This is often framed as a problem of “ecological debt”, but this language – while useful – hardly captures the violence at stake.

Just as Northern growth is colonial in character, so too “green growth” visions tend to presuppose the perpetuation of colonial arrangements. Transitioning to 100 percent renewable energy should be done as rapidly as possible, but scaling solar panels, wind turbines and batteries requires enormous material extraction,

and this will come overwhelmingly from the global South. Continued growth in the North means rising final energy demand, which will in turn require rising levels of extractivism. Complicating matters further, decarbonization cannot be accomplished fast enough to respect Paris targets as long as energy use in the global North remains so high.

To compensate for this problem, IPCC models rely heavily on bioenergy with carbon capture and storage (BECCS) to get us out of trouble. But deploying BECCS at scale would require land for biofuel plantations up to three times the size of India, which would almost certainly be appropriated from the South. This is not an acceptable future, and is incompatible with socialist values.

Degrowth calls for rich nations to scale down throughput to sustainable levels, reducing aggregate energy use to enable a sufficiently rapid transition to renewables, and reducing aggregate resource use to reverse ecological breakdown. This demand is not just about ecology; rather, it is rooted in anti-colonial principles.

Hickel (pdf)

## 17.9 EU's Beyond Growth

*Constanza*

### To build a better world, stop chasing economic growth

GDP was never designed to measure societal well-being — only market production and consumption. GDP says nothing about the distribution of income, unpaid work or damages to natural or social capital. The misuse of GDP as a policy goal is driving societies towards an unsustainable future that benefits an increasingly small proportion of the population while impoverishing the vast majority.

Researchers must help to provide alternatives

- Design better measures of societal well-being
- Model the complex dynamics of the economic system
- Develop policies to support sustainable well-being

An open letter signed by more than 400 experts in May suggested legislation based on four principles that would overcome the world's addiction to growth in gross domestic product (see also); suggestions have been edited for clarity).

**Biocapacity.** Policies could include phasing out fossil fuels, limits to extraction of raw materials and measures for nature protection and restoration to ensure healthy and resilient soils, forests and marine and other ecosystems. Examples are a fossil-fuel non-proliferation treaty and a resource justice and resilience act, which would involve a binding target to reduce material footprints and real, area-based nature restoration.

**Fairness.** Fiscal instruments could be used to foster a more equal society by eradicating income and wealth extremes, as well as super-profits. These might include a carbon-wealth tax and setting of minimum and maximum incomes.

**Well-being for all.** An improved, ecologically sensitive welfare state would secure people's access to essential infrastructures. This might be achieved through the provision of universal basic services (including the human rights to health, transport, care, housing, education and social protection), job guarantees and price controls for essential goods and services.

**Active democracy.** Citizen assemblies could be set up with mandates to formulate socially acceptable sufficiency strategies and strengthen policies. These would be based on ecological limits, fairness and well-being for all, and include a stronger role for trade unions. Examples include local-needs forums, climate conventions and participatory budgeting.

Constanza (2023) To build a better world, stop chasing economic growth

# 18

## Socialism

?

What is wrong with the theory of state capitalism is that it is based on formal logic not on a dialectical analysis. Formally, there is capitalism and socialism. With formal logic, if the features of socialism in an economy do not exist, i.e. collective production by producers in association for direct consumption without markets or monetary exchange, then an economy must be capitalist. An economy is either black or it is white. But this is not a dialectical analysis. Everything is in motion and in transition from one thing to another; and from one mode of production to another. In a transitional economy, there are elements of old mode of production and there are elements of a potentially new mode of production – side by side. Just as the duck-billed platypus has elements of mammalia (it suckles its young), it also has elements of reptilia (it lays eggs). The transition from capitalism to socialism does not happen overnight; black and white are thus both present. However, a dialectical approach in this context also means recognizing when a qualitative change has taken place, opening up the potential for a new economy. The duck-billed platypus has made a qualitative transition to mammalia (because it suckles its young and is warm-blooded). A transitional economy from capitalism to socialism is defined from its start by the revolutionary overthrow of the capitalist state machine and its replacement by a proletarian state and that state can only survive if the means of production and resources are expropriated from the capitalist class, atomizing that class as a ruling class. With state planning as the next step, the laws of motion of the transitional economy are qualitatively different from a capitalist economy. This is not socialism, but no longer is it capitalism. There is no need to invent another stage in the transition called “state capitalism”.



# 19

## History of Capitalism

### 19.1 Monbiot

Capitalism was arguably born on a remote island. A few decades after the Portuguese colonised Madeira in 1420, they developed a system that differed in some respects from anything that had gone before. By felling the forests after which they named the island (madeira is Portuguese for wood), they created, in this uninhabited sphere, a blank slate – a terra nullius – in which a new economy could be built. Financed by bankers in Genoa and Flanders, they transported enslaved people from Africa to plant and process sugar. They developed an economy in which land, labour and money lost their previous social meaning and became tradable commodities.

As the geographer Jason Moore points out in the journal Review, a small amount of capital could be used, in these circumstances, to grab a vast amount of natural wealth. On Madeira's rich soil, using the abundant wood as fuel, slave labour achieved a previously unimaginable productivity. In the 1470s, this tiny island became the world's biggest producer of sugar.

Madeira's economy also had another characteristic that distinguished it from what had gone before: the astonishing speed at which it worked through the island's natural wealth. Sugar production peaked in 1506. By 1525 it had fallen by almost 80%. The major reason, Moore believes, was the exhaustion of accessible supplies of wood: Madeira ran out of madeira.

It took 60kg of wood to refine 1kg of sugar. As wood had to be cut from ever steeper and more remote parts of the island, more slave labour was needed to produce the same amount of sugar. In other words, the productivity of labour collapsed, falling roughly fourfold in 20 years. At about the same time, the forest clearing drove several endemic species to extinction.

In what was to become the classic boom-bust-quit cycle of capitalism, the Por-

tuguese shifted their capital to new frontiers, establishing sugar plantations first on São Tomé, then in Brazil, then in the Caribbean, in each case depleting resources before moving on. As Moore says, the seizure, exhaustion and partial abandonment of new geographical frontiers is central to the model of accumulation that we call capitalism. Ecological and productivity crises like Madeira's are not perverse outcomes of the system. They are the system.

Madeira soon moved on to other commodities, principally wine. It should come as no surprise that the island is now accused of functioning as a tax haven, and was mentioned in this week's reporting of the Pandora papers. What else is an ecologically exhausted island, whose economy depended on looting, to do?

In *Jane Eyre*, published in 1847, Charlotte Brontë attempts to decontaminate Jane's unexpected fortune. She inherited the money from her uncle, "Mr Eyre of Madeira"; but, St John Rivers informs her, it is now vested in "English funds". This also has the effect of distancing her capital from Edward Rochester's, tainted by its association with another depleted sugar island, Jamaica.

But what were, and are, English funds? England, in 1847, was at the centre of an empire whose capitalist endeavours had long eclipsed those of the Portuguese. For three centuries, it had systematically looted other nations: seizing people from Africa and forcing them to work in the Caribbean and North America, draining astonishing wealth from India, and extracting the materials it needed to power its Industrial Revolution through an indentured labour system often scarcely distinguishable from outright slavery. When *Jane Eyre* was published, Britain had recently concluded its first opium war against China.

Financing this system of world theft required new banking networks. These laid the foundations for the offshore financial system whose gruesome realities were again exposed this week. "English funds" were simply a destination for money made by the world-consuming colonial economy called capitalism.

In the onshoring of Jane's money, we see the gulf between the reality of the system and the way it presents itself. Almost from the beginning of capitalism, attempts were made to sanitise it. Madeira's early colonists created an origin myth, which claimed that the island was consumed by a wild fire, lasting for seven years, that cleared much of the forest. But there was no such natural disaster. The fires were set by people. The fire front we call capitalism burned across Madeira before the sparks jumped and set light to other parts of the world.

Capitalism's fake history was formalised in 1689 by John Locke, in his Second Treatise of Government. "In the beginning all the world was America," he tells us, a blank slate without people whose wealth was just sitting there, ready to be taken. But unlike Madeira, America was inhabited, and the indigenous people had to be killed or enslaved to create his *terra nullius*. The right to the world, he claimed, was established through hard work: when a man has "mixed his labour" with natural wealth, he "thereby makes it his property". But those who laid claim to large amounts of natural wealth did not mix their own labour with

it, but that of their slaves. The justifying fairytale capitalism tells about itself – you become rich through hard work and enterprise, adding value to natural wealth – is the greatest propaganda coup in human history.

As Laleh Khalili explains in the London Review of Books, the extractive colonial economy never ended. It continues through commodity traders working with kleptocrats and oligarchs, grabbing poor nations' resources without payment with the help of clever instruments such as "transfer pricing". It persists through the use of offshore tax havens and secrecy regimes by corrupt elites, who drain their nation's wealth then channel it into "English funds", whose true ownership is hidden by shell companies.

The fire front still rages across the world, burning through people and ecologies. Though the money that ignites it may be hidden, you can see it incinerating every territory that still possesses unexploited natural wealth: the Amazon, west Africa, West Papua. As capital runs out of planet to burn, it turns its attention to the deep ocean floor and starts speculating about shifting into space.

The local ecological disasters that began in Madeira are coalescing into a global one. We are recruited as both consumers and consumed, burning through our life support systems on behalf of oligarchs who keep their money and morality offshore.

When we see the same things happening in places thousands of miles apart, we should stop treating them as isolated phenomena, and recognise the pattern. All the talk of "taming" capitalism and "reforming" capitalism hinges on a mistaken idea of what it is. Capitalism is what we see in the Pandora papers.

Monbiot (2021) Trashing the planet and hiding the money isn't a perversion of capitalism. It is capitalism

## 19.2 Hickel

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

## 19.3 Pre-History

### 19.3.1 Military Capitalism

At the origins of capitalism's ecology is a cycle that goes beyond that of money into commodities and back again. A peculiar and very modern magic lies here. States wanted the loot of war but needed money to pay their soldiers. Without wars they couldn't acquire the riches that they needed in part to pay for the previous war. War, money, war. Bankers needed governments to repay them, and governments needed bankers to fund them. What's new about capitalism isn't the pursuit of profit but rather the relations among the pursuit, its financing, and governments. These relations were to remake the planet, and they are the subject of this chapter.

### 19.3.2 Slavery

*Colgan*

As norms and laws changed in the eighteenth and nineteenth centuries to prohibit the slave trade, and eventually, slavery itself, the value of slaves as an asset declined toward zero. Slave owners benefited materially from slaves' labor, but this practice weighed heavily on the conscience of abolitionists. In Britain, Parliament compensated slave owners when it abolished slavery, while in the United States bargaining failures led to a civil war (although compensation occurred in slave-holding states that remained loyal to the Union).

Colgan (2020) Asset Revaluation and the Existential Politics of Climate Change  
(pdf)

*Francis*

Economists dislike the idea that slavery facilitated growth in the American South because the foundation of their faith is that FREEDOM leads to GROWTH, which is GOOD. Consequently, the idea that SLAVERY led to GROWTH produces a lot of cognitive dissonance.

Francis (twitter thread)

## 19.4 Bourgeois Democracy feeds Fascism

*Milanovic Review of Krishnan Nayar's Liberal Capitalist Democracy*

Bourgeois revolutions frequently failed to lead to democracy, a view strongly embedded in the Anglo-American Whiggish history and in simplified Marxism. Rather they provoked aristocratic reaction and the authoritarian economic developments which in many respects were more successful than those of bourgeois democracy. In other words, *democracy does not come with capitalism and, as we shall see, capitalism often destroys it.* The authoritarian modernizers (Nayar studies four: post-1848 Germany, Louis Napoleon's France, Bismarck's Germany, and Stolypin's Russia) enjoyed wide support among the bourgeoisie who, fearful for its property, preferred to take the side of the reforming aristocracy than to throw in its lot with the proletariat. This indeed was one of the disappointments that surprised Marx and Engels in 1848-51, when they noticed that the propertied classes sided with Louis Bonaparte rather than with the Parisian workers.

Second, Nayar argues that the unbridled Darwinian capitalism always leads to social instability and anomie, and that social instability empowers right-wing parties. He thus argues that Hitler's rise to power was made possible, or was even caused, by the 1928-32 Depression, and not as some historians think by either the fear of communism or bad tactics of the Communist Party which instead of allying itself with Social Democrats fought them.

Third, and for the present time perhaps the most interesting, Nayar argues that the success of Western capitalism in the period 1945-1980 cannot be explained without taking into account the pressure that came on capitalism both from the existence of the Soviet Union as an alternative model of society, and from strong left-wing parties linked with trade unions in major European countries. In that sense the period of *les trente glorieuses* which is now considered as the most successful period of capitalism ever occurred against the normal capitalist tendencies. It was an anomaly. It would not have happened without socialist pressure and fear of riots, nationalizations, and, yes, defenestrations. But with the rise of neoliberal economics after 1980 capitalism gladly went back to its original 19th and early 20th century versions which regularly produce social instability and strife.

The lesson to be taken from Nayar is in some ways simple. Capitalism, if it's not embedded in society and does not accept limits on what can be commodified, has to go through recurrent slumps and prosperities.

Neoliberalism felt emboldened by the internal dynamics that marginalized the working class and then by the precipitous fall of the Soviet Union and communism. Once capitalism was without a rival, it promptly went back to its past policies, manifesting many of its worst features that were forgotten during the trente glorieuses.

Because if capitalism continues along the current trajectory that Nayar believes

almost preordained, it must again produce instability and rejection. And that would—again—play into the hands of right-wing movements. We may replay a century later the same story that we have seen in the 1920's Europe. History seldom repeats itself word-by-word or drum-by-drum: we are not going to see the black shirts or different-color uniformed movements which inundated Europe in the 'twenties but we might see, as we already do, parties with roots in nationalist or quasi fascist movements coming back to power and undoing globalization, fighting immigrants, celebrating nationalism, cutting access to welfare benefits to those who are not "native" enough. Is it fascism? Its light variety? This is the melancholy conclusion that can be made based on this sweeping study of western political and economic developments in the past two centuries.

Milanovic (2023) Capitalism Unchained

## 19.5 Corporations

On September 24, 1599, not far from where Shakespeare was struggling to finish Hamlet, the first corporation with tradable shares was born. Liberalism's fatal hypocrisy was to celebrate the virtuous neighborhood butchers, bakers, and brewers in order to defend all the East India Companies that have since made a mockery of freedom.

Confronting rentier capitalism and fashioning firms for which social responsibility is more than a marketing ploy requires nothing less than re-writing corporate law. To recognize the scale of the undertaking, it helps to return to the moment in history when tradable shares weaponized capitalism, and to ask ourselves: Are we ready to correct that "error"?

The moment occurred on September 24, 1599. In a timbered building off Moorgate Fields, not far from where Shakespeare was struggling to complete Hamlet, a new type of company was founded. Its ownership of the new firm, called the East India Company, was sliced into tiny pieces to be bought and sold freely. Tradable shares allowed private corporations to become larger and more powerful than states. Liberalism's fatal hypocrisy was to celebrate the virtuous neighborhood butchers, bakers, and brewers in order to defend the worst enemies of free markets: the East India Companies that know no community, respect no moral sentiments, fix prices, gobble up competitors, corrupt governments, and make a mockery of freedom. Then, toward the end of the nineteenth century, as the first networked mega-companies – including Edison, General Electric, and Bell – were formed, the genie released by marketable shares went a step further. Because neither banks nor investors had enough money to plough into the networked mega-firms, the mega-bank emerged in the form of a global cartel of banks and shadowy funds, each with its own shareholders. Unprecedented new debt was thus created to transfer value to the present, in the hope of profiting sufficiently to repay the future. Mega-finance, mega-equity, mega-pension funds, and mega-financial crises were the logical outcome.

The crashes of 1929 and 2008, the unstoppable rise of Big Tech, and all the other ingredients of today's discontent with capitalism, became inescapable. In this system, calls for a gentler capitalism are mere fads – especially in the post-2008 reality, which confirmed the total control over society by mega-firms and mega-banks. Unless we are willing to ban tradable shares, first introduced in 1599, we will make no appreciable difference to the distribution of wealth and power today. To imagine what transcending capitalism might mean in practice requires rethinking the ownership of corporations.

Varoufakis (2019) Imagining a World without Capitalism

## 19.6 Compensation to Slave Owners

When the United Kingdom abolished slavery, the government compensated slave owners for the value lost from freeing enslaved people. The Bank of England only recently paid off these debts.

In 1834, the British government outlawed slavery in Britain and its American possessions, though not in its Asian colonies such as British India and what would become Sri Lanka.

The British government also paid 20 million pounds – the equivalent of around 17 billion pounds today – to compensate slave owners for the lost capital associated with freeing slaves. This payout was a massive 40% of the government's budget and required many bonds to slave owners to effectuate the law. These obligations to slave owners and institutions are the debts that were paid off by the UK government only in 2015.

While the British government hasn't disclosed a complete list of the recipient individuals and firms of bonds related to compensation for slaves, researchers at University College London have compiled a list of over 46,000 current individuals and groups who have received government payouts related to the abolition of slavery. Many powerful British families, including current business and political elites in the United Kingdom, are among the recipients uncovered by the UCL team.

Yet not all recipients were already wealthy or became so due to the payouts; UCL records show many middle-class Britons also benefited from the bonds.

Britain stood out among European states in its willingness to appease slave owners, and to burden future generations of its citizens with the responsibility of paying for it. Recently, economists and political scientists have debated whether the payouts were necessary for the successful abolition of slavery, some arguing that political will would have been better used to compensate Black slaves instead.

USA Today

## 19.7 World System Theory

\*\* Arrighi, Braudel, Wallerstein -Brenner \*\*

*Reifer*

Bob Brenner (1977, 1981) is of course one of the leading critics of world-system analysis, which Brenner early on criticized as a form of “neo-Smithian Marxism.” His work on the origins of capitalist development later gave rise to the so-called Brenner debate (Aston & Philpin, 1987). In many ways, in terms of their analysis of the origins of capitalist development, Arrighi and Brenner could not be further apart. The burden of Brenner’s critique of Wallerstein’s world-system perspective was largely to focus on the centrality of class relations and the class struggle in agriculture, to the exclusion of virtually everything else, locating the origins of capitalist development in the English countryside. In contrast, Wallerstein and Arrighi both locate the origins of capitalism in the context of an expanding world-system, tied together by a single division of labor, one which transgresses the territorial boundaries of individual nation-states.

In contrast, Braudel’s version of capitalist history, following Oliver Cox (1959), located capitalism on the top level of world trade and high finance – and only to a lesser extent in industry – and that is the position to which Arrighi largely adhered.

Reifer (2009) Histories of the Present: Giovanni Arrighi, the Longue Duree of Geohistorical Capitalism, and the Current Crisis

## 19.8 Anthropocene - Capitalocene

*Soreno*

Karl Marx was able, scientifically, to demonstrate that the planetary crisis is inevitable under capitalist production by revealing the causal concatenations of the metabolic rift, as a potential planetary crisis, with the particular form of labor exploitation under the capitalist mode in the context of his labor theory of value.

Earth System scientists are generally unaware of the scientific character of Marx’s theory of value. Studying the fundamentals of the capitalist mode in order to investigate whether the planetary crisis is inherent or not to this production mode is certainly outside of the realm of the natural sciences, and often of the expertise of Earth System scientists. In fact, many scientists from the natural and social disciplines believe that social production in general, and capitalist production in particular, do not proceed under deterministic—if nonetheless historical—laws that are analogous to those of nature. Marx’s theory of value demonstrates the opposite. Earth System scientists claim that an “integration of biophysical processes and human dynamics” is needed for a scientific understanding of the Earth System and hence, of the planetary crisis. In prac-

tice, however, they reject incorporating the only truly scientific corpus available regarding the capitalist system, which is Marx's theory of value. By unfolding the essential contradiction of the value system—that is, the contradiction between value and use value, and the concrete mediations intervening in its phenomenological expressions (for example, in the profit rate and in the capitalist population)—Marx is able to show the finite nature of the capitalist mode. He concludes that under this production mode, human social metabolism is not only mediated by the reproduction of capital, but also the reverse: the social metabolism is an alienated mediation insofar as it becomes a mere means for capital's metabolism.

The planetary crisis expresses this fundamental contradiction in the form of a final dilemma—the capitalist system or the human system. However, the finitude of the capitalist mode appears to be somewhat inconceivable for Earth System scientists, and they seem to adhere only to the first part of the famous Fredric Jameson quote, “Someone once said that it is easier to imagine the end of the world than to imagine the end of capitalism. We can now revise that and witness the attempt to imagine capitalism by way of imagining the end of the world.”<sup>17</sup> As a result, the current understanding of the earth’s “functioning” by Earth System science incorporates the earth’s “biophysical processes,” but excludes those views of the “human dynamics” that seriously question the validity of the capitalist mode and its seminal role in the crisis. This is outside Earth System science’s agenda. Claims that “collective human action is required” to stabilize Earth in habitable conditions and that “such action entails stewardship of the entire Earth System—biosphere, climate and societies—and could include decarbonization of the global economy, enhancement of biosphere carbon sinks, behavioral changes and technological innovations, new governance arrangements and transformed social values” is not much more than a collection of vague statements. It is clear from this and other statements—and from the affinity between Earth System scientists and the field of ecological economics, which is strongly influenced by the neoclassical school—that the so-called global economy is nothing more than the capitalist economy, and that any other socioeconomic order than capitalism is automatically discarded.<sup>18</sup> While stewardship of the earth based on science will likely be necessary to mitigate the planetary crisis, it is easy to imagine that a stewardship determined by the reproduction of capital, in which profit is the only goal, could devolve into a kind of green-technological fascism.

Earth System scientists do not have a proper concept of what social production is. However, in defense of Earth System science, it can be said that not all Marxists have a well-developed concept of nature, for nature has been largely considered non-dialectical in most Western Marxism, including the so-called philosophy of praxis.

The problem of Earth System science is that until now, it has failed to achieve integration because it proceeds on a incorrect theoretical basis regarding human dynamics.

The Capitalocene and other “-cenes” propose approaching the Earth System as a totality, without distinguishing between the social and the natural, humans and nature, in order to study the particularities of these realms and their mutual interactions. This is methodologically incorrect and prevents any understanding of the Earth as a dynamic system.

The problem “of the relation of thinking to being, the relation of the spirit to nature—the paramount question of the whole of philosophy” has had different formulations through the history of philosophy, including the classic body-and-soul division by René Descartes, and the relation of the material to the ideal by Ilyenkov.<sup>28</sup> The question of the relationship between thinking and being could not be solved by modern philosophy, until Marx and classical Marxists addressed it from a dialectical and materialist perspective. Neither the theorists of the Anthropocene nor those of the Capitalocene have been able to solve the concrete bonds between human society and nature, which, under the capitalist mode, are expressed as a planetary crisis stemming from the ontological incompatibility of humans and nature. In the case of Anthropocene theorists, this is because they have approached the natural side of the problem with an unconscious dialectic and materialist basis, but their approach to the social side is idealistic and non-dialectical. As a result, they consider capitalism as the only mode of production, and therefore believe there may be some compatibility of humans and nature under capitalism. Capitalocene theorists fail because they are not able to approach either side of the problem on a materialist and dialectical basis.

The Capitalocene narrative cannot provide an understanding of the concrete interrelations of society and nature that have spurred the planetary crisis, either. This is because it rejects the abstraction of nature and society as particular objects for study. But it is not possible to conduct successful research on the modes of social organization in general, and on the capitalist mode in particular, without abstracting society from nature, just as it is not possible to develop a successful understanding of Earth’s dynamics without abstracting nature from society. Only after nature and society have been independently investigated and social production laws and natural laws—that is, the general principles of social reproduction and of capitalist reproduction, and the general principles of nature and its evolution—have been understood is it possible to integrate both realms into a comprehensive understanding of the human impact on Earth and of the planetary crisis.

Marx’s concepts of social metabolism and metabolic rift identified the concrete causes underlying the early manifestations of the crisis, like the rupture of the nutrient cycle and the impoverishment of soil fertility. In doing this, Marx abstracted society from nature and then reassembled the common understanding of natural sciences and natural processes available at the time with his own research on capitalist production. As a result, Marx’s social metabolism and metabolic rift are concepts of his labor theory of value, and are fully integrated with other concepts, such as the proletarian and capitalist classes, the industrial reserve army, profit, the concentration and centralization of capital, and so on.

All of these concepts and many others are articulated within and by the general laws of capitalist production, including the law of capitalist accumulation, the law of capitalist population, and the law of the tendency of the rate of profit to fall, showing their concrete mutual determinations and concrete relation to the incipient phenomena of the planetary crisis, as revealed by the natural sciences of the nineteenth century. In summary, Marx's approach is scientific, dialectical, and materialist, and he deliberately took nature as a given to reveal the laws of capitalist production, and then investigated the particular relations of capitalist production with nature by considering the early manifestations of the planetary crisis in the nineteenth century. From a gnoseological perspective, it is impossible for Marx or anybody else to develop a scientific understanding of Earth, or any other real, material object, without abstractions and without proceeding through formal logic and dialectical logic.

The Capitalocene and other “-cene” discourses reject the operational abstraction of nature and society to understand the Earth System as it plunges into crisis. Regarding the historical evolution of the cognitive processing of reality and the concomitant evolution of logic, all these “-cene” approaches place themselves before Descartes and before modernity. They are closer to medieval scholasticism and various forms of mythological thought that see reality as an ideal totality in which the constitutive parts need not be distinguished through particular and formal analysis in order to carry out research on the concrete interactions among them. Because “-cene” theorists specifically deny abstracting nature and society, they are unable to undertake a critique of political economy, much less a critique based on materialism and dialectics as in the case of Marx. Economy, understood as the material production that all societies must undertake to reproduce themselves, needs to be abstracted from nature for its particular study if the concrete interactions between any socioeconomic organization and nature is to be understood.

By rejecting such abstraction—and despite the references to Marx and other Marxist authors—the Capitalocene proposal lacks a proper understanding of Marx's theory of value. This is a narrative with a profusion of new terms and concepts—apparently radical—that are juxtaposed without concrete determinations of causality and necessity among them. Such radical conceptualization is brought together with Marxian categories usually conceived of in an upside-down manner relative to Marx's own analysis. In this way, the Capitalocene discourse ends up with a simplistic view of the interaction between capitalist humans and nature that, paradoxically, is more reductionist than the supposed reductionism of the Cartesian dualism that this narrative attributes to Earth System science. From an epistemological perspective, the “-cene” approach is today a form of bourgeois idealism regarding the issue of the planetary crisis.

Actually, “-cene” theorists themselves consider the Capitalocene a narrative, a move, a discourse, but it is a discourse filled with plenty of apparently radical neologisms that leaves untouched a fundamental problem: the material reproduction of society (that is, the economy) upon which the planetary crisis is

based. In this way, the “-cene” approach is closer to postmodern idealism and linguistic turns than to any materialist-based understanding. Hence, it is not surprising that some of the proposals to overcome this crisis seem naïve. It is also not surprising that the scientific understanding of nature and its fundamental laws by positive sciences—physics, chemistry, biology, geology, and so on—during modernity is seen by the Capitalocene narrative as a “geopower,” “aimed at ‘discovering’ and appropriating new Cheap Nature” in general, and particularly the “Cheap four” (labor, food, energy, and raw materials). In this view, the sole purpose of a scientific understanding of nature is to serve capitalist appropriation. Nature is abstracted from society and an “abstract social nature” is socially constructed, with the only function being to secure capital’s access to “Cheap Natures.” In other words, “abstract social nature” is an ideal created on the basis of Cartesian dualism and the abstraction of nature and society that is aimed at allowing “geo-managerialism” of nature for profit.

In summary, the Capitalocene narrative conflates appropriation without exchange of equal value (that is, expropriation) and accumulation with exchange of equal value (that is, exploitation) without a proper distinction of the two processes. Therefore, it is not able to understand the causal concatenations throughout the history of capital accumulation, in which the first is a necessity for the second, and the second is the determinant moment over the first.

What is important for developing the right strategies to surmount the planetary crisis is knowing the particular interactions of the mechanisms of capital accumulation that have led us to the ongoing planetary crisis. The present-day systemic crisis of the capitalist mode that we are increasingly facing is anchored in a long-term decreasing rate of profit as the background causative mechanism by which each crisis unfolds with its own particular expression, but all of them showing common regularities and common essentials. The accumulation of capital with these background determinations leads to a systemic crisis of capital valorization. When the analysis of the reproduction of capital in terms of value is considered in terms of the physical and chemical properties of nature, the planetary crisis appears as a necessary manifestation of capital’s valorization and of its systemic crisis. On the contrary, misleading claims about nature depletion or the difficulties of accessing “Cheap Natures” as the pivotal determinations of capital accumulation and of capitalist crisis relies on a misunderstanding of Marx’s theory of value and does not allow undertaking the right strategy to leave the planetary crisis behind.

Soreno (2022) Anthropocene, Capitalocene, and Other “-Cenes”: Why a Correct Understanding of Marx’s Theory of Value Is Necessary to Leave the Planetary Crisis

## 19.9 2020s Poly-Crisis

*Isikara*

An important lesson that tends to be forgotten is that the cuts in social services, decoupling of real wages from productivity, aggressive expansion of commodity frontiers and similar interventions as to extend terrains of accumulation in the last few decades are precisely the collected outcomes of capital's backlash to the profitability crisis in the imperialist center in the 1970s, a crisis which followed from the attempts to tame capital and establish a class compromise within the larger context of growing 'threat' of socialism. It is therefore difficult to understand how critical scholars today can commit to the possibility of another 'Golden Age' capitalism, while the driving force and regulating principles of the capitalist system itself are left unchallenged in any substantial way.

The conceptual frameworks for viewing 'crises' discussed above have the common feature of '*reshaping*' capitalism or '*stabilizing*' the global economy in the face of multiplying crises dynamics. Rather than interrogating the structural forces that shape systemic outcomes, these frameworks suggest that the pressing manifestations of the ecological breakdown, geopolitical tensions and wars, supply bottlenecks, inflation, or other discussed phenomena result from policy mistakes, greedy powerful corporations, bad intentions, or a lack of historical knowledge, and not from the accumulation imperative constitutive of capitalism.

Isikara (2022) Beating around the Bush: Polycrisis, Overlapping Emergencies, and Capitalism

## 19.10 Techno-Feudalism

*Varoufakis*

Capitalism is now dead, in the sense that its dynamics no longer govern our economies. In that role it has been replaced by something fundamentally different, which I call technofeudalism. At the heart of my thesis is an irony that may sound confusing at first but which I hope to show makes perfect sense: the thing that has killed capitalism is ... capital itself. Not capital as we have known it since the dawn of the industrial era, but a new form of capital, a mutation of it that has arisen in the last two decades, so much more powerful than its predecessor that like a stupid, overzealous virus it has killed off its host. What caused this to happen? Two main developments: The privatisation of the internet by America's, but also China's, Big Tech. And the manner in which Western governments and central banks responded to the 2008 great financial crisis.

This book is about what has already been done to capitalism, and therefore to us, by the screen-based, cloud-linked devices we all use, our boring laptop and our smartphone, in conjunction with the way central banks and governments have been acting since 2008.

Capital's mutation into what I call cloud capital has demolished capitalism's two pillars: markets and profits. Of course, markets and profits remain ubiqui-

tous – indeed, markets and profits were ubiquitous under feudalism too – they just aren't running the show any more. What has happened over the last two decades is that profit and markets have been evicted from the epicentre of our economic and social system, pushed out to its margins, and replaced. With what? Markets, the medium of capitalism, have been replaced by digital trading platforms which look like, but are not, markets, and are better understood as fiefdoms. And profit, the engine of capitalism, has been replaced with its feudal predecessor: rent. Specifically, it is a form of rent that must be paid for access to those platforms and to the cloud more broadly. I call it *cloud-rent*.

As a result, real power today resides not with the owners of traditional capital, such as machinery, buildings, railway and phone networks, industrial robots. They continue to extract profits from workers, from waged labour, but they are not in charge as they once were. As we shall see, they have become vassals in relation to a new class of feudal overlord, the owners of cloud capital. As for the rest of us, we have returned to our former status as serfs, contributing to the wealth and power of the new ruling class with our unpaid labour – in addition to the waged labour we perform.

Varoufakis (2023) Techno-feudalism



# 20

## Ideology

*Wright*

A core belief of capitalist ideology is that we humans drive the system, that we are ultimately in control. The marginal turn in economic science, in the 19th Century, solidified around the vision of homo economicus, the rational individual that acts to optimise their self-interest. Neoclassical economics, in the 20th Century, proposed “representative agents”, which are single minds that aggregate the preferences of millions, with the power to steer national economies by maximising utility according to the axioms of rational choice theory. Yes, the state may need to intervene to uphold property rights. It may even need to break up a monopoly here and there. But in general we humans, when we self-organise through money and markets, control our own destiny and achieve optimal outcomes.

Humanity, in the enchanted worlds of classical antiquity and the middle ages, consorted with spiritual beings. Hence the long history of sacrificial exchanges between peoples and their gods. But capitalism has done away with the gods. In our disenchanted world the unmoved mover is our own human desires, not a hidden spirit. Economics envisions capitalism as a great secular exchange between humanity and itself. We face each other in the market, and nothing stands in between. We are sovereign individuals, free of feudal superstition, and free to buy and sell as we wish.

But free within constraints. We are all subject to the fundamental laws of economics that emerge from our collective behaviour. Resource scarcity cannot be abolished. We must therefore accept that almost everything we do is both enabled and constrained by the quantity of money at our disposal. Because the money in our pockets, we are told, is merely a local representation of this global scarcity. If you have very little, and your life is impoverished, that's lamentable but not really preventable.

The secular vision of economics is consistent with many aspects of our everyday experience. But shadows loom on the edge of this vision that hint at other realities. The science of economics neglects that emergent laws must be enforced by emergent powers. Capitalism disenchanted the medieval world only by weaving its own new enchantment. But it is a dark enchantment that hides the existence of a great power of enforcement that lurks in the shadows. When we face each other in the market it stands between us, not as mediator of our desires, but as controller of them.

All modes of production need methods to organise labour and allocate resources. But Marx, in his 1844 comments on James Mill, points out that, in capitalism, this necessity takes an unnecessarily alienated form. And by alienated he means taken out of our hands and given over to something not under our conscious control.

Marx states that, in capitalist society, our economic activities are controlled by an actual entity, a “real God”, with real causal powers. And Marx laments that we have become slaves to this god and its cult has become an end in itself. In other words, the social relations of capitalism summon forth an egregore.

Each private capital manically scrambles for profit by reacting to profit-rate signals from every productive activity that can be owned, dispensing monetary rewards and punishments, injecting funds into profitable activities and withdrawing funds from those that are not. In consequence, the entirety of the world’s material resources, including the working time of billions of people, are repeatedly marshalled and re-marshalled away from low and towards high-profit activities.

Marx’s Real God, which he names “capital”, is an egregore summoned into being by every circuit of capital accumulation. The egregore is a semi-autonomous entity with its own primitive form of cognition: it wants profit, it senses the presence and absence of profit, and then it acts in its world to get more profit.

Our earliest theories of how the world works were animistic. The God of the Old Testament became angry and punished Israel with pestilence. Modern science rejects this anthropomorphism and instead explains empirical regularities, whether natural or social, in terms of laws. But laws, properly understood, are descriptions of the causal powers of things. The important truth of archaic animism is that our world is indeed populated with things with their own powers that exist independently of us.

Marx’s Real God is just such an entity. It is a real presence amongst us. Its imperatives possess our minds and dictate our actions. It is not made of flesh and bones. It has a purely social reality. Nonetheless, this bloodless animism has bloody consequences.

Capitalism neither celebrates or personifies its Real God. In fact, its egregore is so thoroughly occulted it still lacks a complete theoretical expression and therefore a proper name.

The Real God is hidden for two main reasons. First, what exists is not immediately disclosed by direct experience. We must perform scientific work to uncover the hidden social mechanisms that govern our lives. Capitalism's egregore is a consequence of our social relations and therefore is objectively hidden. Its singular and enduring existence must be inferred from the plurality of its empirical effects. And it wasn't until the Marxist heresy of the 19th Century that this inference first reached maturity.

The second reason is more magical, and therefore more a matter of imagination. The etymological root of the word religion is to bind, to create an obligation between humans and a god. All religions bind their communities. So we should expect structural similarities between religious and economic practices because they both organise and integrate communities.

Bourgeois economics suppresses the Marxist heresy. But widespread failures to deliver the goods still need to be accounted for. Economic science has developed an elaborate theodicy, with a range of theoretical options to suit different levels of tolerance for the incredible, which redirects the blame for social ills onto anything but the existence of the rule of capital. Austrians blame the fall from grace on the lack of hard money. The evil state corrupts by issuing currency by fiat. Neoclassicals trumpet welfare theorems that prove that capitalist competition is a perfect mechanism that delivers optimum outcomes, if only capital was given full reign to commodify everything under the sun. Keynesians, more credibly, admit that unfettered capitalism has problems of coordination and distribution, but less credibly propose that bourgeois politicians, possessed representatives of the Real God, will fix them.

Economists are unconscious magicians, for they authentically believe what they preach, and their words of power continually re-weave the dark enchantment by maintaining incredible beliefs in the intrinsic goodness of the rule of capital.

Capitalism does not transcend religion. It is merely its inverted opposite.

Capitalism is an occult mode of production with a hidden god and a Dark Eucharist. For any sufficiently advanced religion is indistinguishable from economics.

Perhaps the greatest bourgeois myth, the height of its hubris and the essence of its magical power, is the belief that capitalism is a secular and rational mode of production.

Capitalism is an occult mode of production controlled by a hidden God that manipulates its subjects to engage in great orgies of unnecessary sacrifice and ecstasies of blind accumulation. We may live in an Age of Reason but the Reasons are not our own.

Wright (2021) Dark Eucharist of the Real God



## 21

# Legal Foundations of Capitalism

*Mitchell on Commons: ‘Legal Foundations of Capitalism’*

The “substance of Capitalism,” as distinguished from Feudalism, is “production for the use of others and acquisition for the use of self.” Production for others and acquisition for self involve the denizens of a capitalistic state in a never-ending round of transactions with each other. The unit of behavior under these conditions is not an individual pondering his problems alone. Nor is it merely two individuals dealing with each other. It is rather two individuals dealing with each other, each conscious of alternative deals which he may make with some other person, and conscious also that at need he can invoke a court to see that the deals are made and carried out according to the current rules of law. Hence Professor Commons’ dictum quoted above: The ultimate unit of economics, ethics and law is a transaction involving a minimum of five persons. On this fundamental point economic theory made a wrong start. The physiocrats, Adam Smith and Ricardo, took a commodity as their ultimate scientific unit. Then the hedonists shifted to a feeling of pleasure or pain. Neither line of analysis has value except as it contributes toward the understanding of a transaction. In this respect the judges have given the right lead. While the economists start with a commodity or an individual’s feelings towards it, the court starts with a transaction. Its ultimate unit of investigation is not an individual but two or more individuals—plaintiff and defendant—at two ends of one or more transactions. Commodities and feelings are, indeed, implied in all transactions, yet they are but the preliminaries, the accompaniments, or the effects of transactions. The transaction is two or more wills giving, taking, persuading, coercing, defrauding, commanding, obeying, competing, governing, in a world of scarcity, mechanism and rules of conduct

Mitchell (1924) Commons on the Legal Foundations of Capitalism (pdf)

*Deakin Abstract*

Social scientists have paid insufficient attention to the role of law in constituting the economic institutions of capitalism. Part of this neglect emanates from inadequate conceptions of the nature of law itself. Spontaneous conceptions of law and property rights that downplay the role of the state are criticized here, because they typically assume relatively small numbers of agents and underplay the complexity and uncertainty in developed capitalist systems. In developed capitalist economies, law is sustained through interaction between private agents, courts and the legislative apparatus. Law is also a key institution for overcoming contracting uncertainties. It is furthermore a part of the power structure of society, and a major means by which power is exercised. This argument is illustrated by considering institutions such as property and the firm. Complex systems of law have played a crucial role in capitalist development and are also vital for developing economies.

Deakin (2017) Legal Institutionalism: Capitalism and the constitutive role of law (pdf)

## 22

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

### 22.1 Self-destructive Finance Capitalism

*Hudson*

Finance capitalism is the economic doctrine of deindustrialization

finance capitalism is the tactic of economic warfare by the United States against Europe and the global south to sort of draw all of the economic surplus of these countries in the form of debt service and the debt service is supplied by basically economic rent seeking from land rent, natural resource rent, and just plain interest charges on economy.

Finance capitalism is not based on surplus value like industrial capitalism was. In fact, it destroys industry and in this cannibalizing of industrial capital, it basically dries out the economy and makes it unable to break even or even to function and in the United States today, for instance, if you look at the balance sheets of corporate revenue much of it is spent on stock buybacks. You buy back your own stock or dividend payouts. Only eight percent of corporate earnings are spent on new capital investment research and development: factories, machinery, and means of production to employ labor.

How did General Electric (GE) go broke? Basically, Jack Welch said let's use our income not to continue to invest in making more electronic goods and services and appliances, let's use it to buy our own stock that'll push up our stock and essentially, we'll just sell off our divisions and we'll use the money of selling off our washing machine companies and stoves and sell it off and we'll just pay it to the stockholders. That'll push it up and by the way his salary was based on how much he could push up the stock of GE and he was paid in the form of stock options. Well, all of this is now the normal corporate behavior in the United States and corporations are no longer led by industrial engineers as they were a few centuries ago in the nineteenth and twentieth century.

They're led by financial engineers of the chief financial officer and the ideal of these corporations is to make money financially not by industrial investment..... so on the narrow microeconomic level finance capitalism is a way of basically selling out a company and giving the proceeds to the stockholders and the bondholders but as a political system, because it is so destructive of the economy as you've seen in the United States and you've seen in Britain through de-industrializing it, it becomes belligerent in an attempt to make other countries just as equally paralyzed by making these countries pay tribute to the U.S. and England and the financialized economies by means of financial engineering, by means of debt service, by means of selling their mineral resources, their public utilities, their land, their roads all to foreign investors—basically to who borrows the money that's just simply created in the U.S. and to save all of their money in their central bank reserves in the forms of loans to the U.S. treasury holding treasury bonds which is how the international monetary system worked until just a few months ago when everything changed.

Finance capitalism is a predatory international economic policy aimed at draining the rest of the world all to pay the leading one percent of wealth holders in the U.S. and their satellite oligarchy in England and a few European countries.

The way to make money in finance capitalism is to buy up the monopolies.

Hudson (2022) Self\_Destructive Capitalism (Interview)

## 22.2 US - China Competition

On March 25 at his first press conference President Biden declared: “China has an overall goal ... to become the leading country in the world, the wealthiest country in the world, and the most powerful country in the world,” he told reporters at the White House. “That’s not going to happen on my watch because the United States is going to continue to grow.”

On 2021 Jan 26, CEO James D. Taiclet, CEO of Lockheed Martin #1 defense contractor remarked on an earnings call: “...we’re back into a world of great power competition, it’s important to look I think beyond our own defense industrial base structure but outward to those of the competitors, which are China, Russia, Iran, and North Korea for example and compare our capabilities in the defense.” Lockheed was hoping that, in future, its acquisition of smaller rivals would be looked upon favorably in light of the Chinese competition, “vertical integration concerns from a classic antitrust perspective are dwarfed by the lack of velocity and inability to integrate and added cost frankly that comes from the existing defense industrial base structure that is stratified with a supply chain that’s quite fragmented ...we cannot predict the decisions of individual regulators and those coming into office, but I do think that it’s critical that those decisions look through the lens of great power competition and how we compare to the defense industrial base certainly of China. ...the Biden administration is reinforced and elevated the criticality of alliances to actually meet this kind of situation. And that again is a positive for international defense cooperation. The third item that I note is that there’s a very experienced and capable foreign policy national security cadre ... And then fourth, there’s going to be some process alignment between the White House, the Department of the State Department of Defense and Congress on how to actually conduct all of this. ... that would benefit Lockheed Martin I expect.”

On June 8 the first fruit of the bipartisan consensus on confronting China emerged from the Senate in the form of the US Innovation and Competition Act of 2021 approved by a vote of 68 to 32. The bill headlined spending of US\$250 billion into American semiconductor manufacturing, boosting the National Science Foundation, creating regional technology hubs, and spurring 5G innovation. In the month since its introduction, lawmakers have debated a slew of amendments, as many sought to attach their own China-focused measures. The U.S. Innovation and Competition Act, or USICA, combines “as many of the “stop the China rise” and “lift the U.S. game” ideas that had been floated in the Senate in recent memory. As sharp-eyed critics at the Niskanen Center pointed out, it was in fact far from an adequate or coherent technology policy. America was getting the worst of both worlds. A confrontation geopolitics combined with an inadequate industrial policy.

Tooze



## 23

# Governing (under) capitalism

### 23.1 Seven Rules for Running a Real Left-wing Government

*Welsh*

I have been asked how to stop right-wing reversals.

First, it's worth noting that these three cases are somewhat different. Brazil is a coup in all but name. Venezuela saw massive, deliberate economic sabotage by internal right-wing forces. The situation in Argentina was the closest to fair; a reversal of electoral fortunes.

Still, there are lessons to be learned from their experiences:

It's Not You, It's China (or, the World System)

All three left-wing movements in Brazil, Venezuela, and Argentina were associated with rising commodity prices. When those commodity prices collapsed, it was only natural for their fortunes to reverse. They are in power when the economy goes bad, now people want them out. The populace is willing to be complicit in actions that get them out, which are dubious.

#### 23.1.1 Don't Run Your Economy on Resources

Yes, okay, this is easier said than done. It is hard to bootstrap into something else if you're a non-core economy. Heck, even many core economies are losing their manufacturing bases and while finance can "work," it's a shit way to run your economy. So are "services." We'll discuss this in more depth below. But the bottom line is this: You have to develop (or have plans to develop) your

economy into a mixed economy, so that it can survive during the inevitable downturns, and, thus, so that your movement can survive them.

People expect you to be able to maintain prosperity. Given the world order as it stands, that may be like asking you to swim with a hundred pound weight strapped to your back, but you still have to do it.

### 23.1.2 Your First Act Must Be a Media Law

Break them up. Take them over. Whichever. Ignore the screams about media freedom from the usual suspects in the West, this is a case of “freedom of the press belongs to those who own one.” In all three countries, the media conglomerates remained in the control of oligarchs (update: to be clear, Venezuela did eventually expropriate them, but only after many years), and in all three cases, the majority of the media remained relentlessly hostile to the left.

This is just as true in countries like Britain, Canada, or the US as it is in Argentina, Venezuela, or Brazil, by the way. There is a reason why the post-war liberal regimes put strict media controls in place—including size limits—and there is a reason why those limits were removed by the neoliberal regimes that replaced them.

You can win “against the media” for a time, but if you leave it in the hands of your enemies, they will eventually use it to bury you.

### 23.1.3 Take Control of the Banking Sector

The banking sector creates money. Money determines what people can and cannot do. This is the control mechanism for the economy in any state which runs on markets. You must control it. If you control it, you can use it to strangle your domestic enemies. If you do not, your enemies will use it to strangle you.

This is a great problem. The world economy has been designed so that countries need to trade, and they need foreign money. So, you can take control of your banking sector, but you can’t control England’s, or America’s, or the payment system (this is what killed Argentina), and thus you cannot tell creditors to go fuck themselves. You need foreign money for necessities.

It is also problematic because the people who know how to run the market economy are not your people. You have get rid of the people who ran it before, so who is going to run it now?

### 23.1.4 Who Is Your Administrative Class?

You must have a class of people available to run the state and those chunks of the economy over which you are taking control (whether formally or informally). You must know who those people are. FDR reached into academia for many of his people; he also pulled from the social gospel folks (who were used to

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administering large organizations), and he found a lot of fellow class traitors (for example, JFK's father, whom he used to run the SEC—Kennedy knew all the tricks and was able to tamp down Wall Street's BS).

Post-FDR, one of the reasons why factory line supervisors were made ineligible for union membership was so that union members couldn't be used as easily to take over organizations—even the lowest level supervisors were no longer union members.

There are always people who know the business and believe the way it is being run is bullshit. But you have to know who they are, both as a class and individually. There are certainly people who can run TV stations and newspapers who are left-wing, but you've got to know who they are. There are heterodox economists and people who have worked in the finance industry who are class traitors and just itching for a chance to put the boots to the assholes they worked for. Again, you must know who they are.

#### **23.1.5 Take Control of Distribution and Utilities**

Yeah, sorry, but no one said this would be easy. In Venezuela, you had the economic elite deliberately exacerbating shortages. Huge stocks of consumer goods buried and hidden.

These people have power. They are your enemies. They will use their power against you. They will not “play fair.”

In Egypt, under the Brotherhood, the deep state did things like cause electricity outages and blame it on the Brotherhood. Of course, the same bureaucrats as always were running the electrical system.

Again, this comes back to control: You have to take control and you have to have competent people you can trust who can help you. Do you know who they are?

#### **23.1.6 Reduce Your Vulnerability to the World Trade System**

The world system as it stands now is designed so that no nation can stand alone: No one can make and grow everything they need. This was not always the case. In the past, many nations went out of their way to be self-sufficient. It was Keynes' position, by the way, that nations should produce all their day-to-day necessities themselves, wherever possible, and import only what they could not produce and luxuries—but to strive not to need anything they couldn't make.

This has been economic and political orthodoxy at various points.

But it isn't now. You're in hock to various foreigners for a lot of money, denominated in their currency. You probably can't feed your own nation. You can't make what you need (toilet paper, famously, in Venezuela's case) and you

can't buy it without foreign currency. But the foreign financial system is not friendly to you if you're genuinely left-wing, and the world trade system is set up to make it illegal to do what is required to produce goods domestically.

You'll need subsidies or tariffs to make new domestic industries viable, and that's illegal thanks to a web of trade deals meant to make you unable to control your own economy.

Venezuela tried to increase farming, but failed, precisely because the price of oil went through the roof, and foreign food was cheaper than domestic. The classic response would be tariffs, but the kinds of tariffs sufficient to work would not be tolerated by the world trade system.

It's hard to overstate how huge a problem this is. It goes back to the commodity issue. Maybe you have enough foreign cash for now, but you won't always, and you must have it. This vulnerability must be reduced, generally.

No one has managed this in the neoliberal era, not completely, and huge amounts of geopolitics are run based on this. Russia has its oil prices drop, so it moves to selling military goods to make up the difference, for example, and its Syrian intervention is, in large part, a venue to show off how well its weapons work.

Workarounds have been tried: Cooperation with other left-wing nations is the standard one. Venezuela with Cuba, and so on. But this is the "south" trading with the "south." The stuff they really need, generally, none of them actually produce. If they do, they either don't produce enough, or they don't really, i.e. it's produced by some multinational with no loyalty.

So then you try to appropriate the multinational, but that runs you into all sorts of problems from getting replacement parts for the machines, to the experts to run what you've expropriated, to effective embargoes (even if not declared as such).

Nonetheless, this is a problem which must be solved. A full description of how to bootstrap an economy is beyond the scope of this article, and I'm not sure I have a full kit, but I will say this: There are a huge number of highly-skilled first world workers, from the Ph.D.-level down to machinists who are unemployed or underemployed. They want to work. They hate their own system. You can bring these people in, give them new lives, and at least have the necessary expertise.

I know many extremely qualified pharma professionals who would love a chance to set generic factories and create new drugs without the pressure for palliatives they receive from their drug company employers (or ex-employers), as just one example.

This bootstrapping is a challenge which appeals to a lot of the very best and brightest.

### 23.1.7 Be Satisfied with What You Can Grow and Make

If your elites or population insist on fresh summer vegetables in winter, you're done. What you can produce, you must have a taste for. This is especially true for elites. If they must have the latest Mercedes, a vacation in Paris, and a home in London, you're screwed because to have those things, they must have foreign currency.

When Korea was industrializing they had huge campaigns to not smoke foreign cigarettes: It was considered unpatriotic.

You need what foreign currency you have to stay earmarked for capital goods, and you need your elites to be local elites, not global elites. If your elites consider themselves global, you will never be able to create the necessary self-sufficiency to buck the world system.

### 23.1.8 Obey the Laws of Purges

Let's not dance around. Your first step will be to break the power of the current economic and political elites who are not willing to convincingly join you—or, at least, let you rule without trying to sabotage you.

You must do this all at once. When it happens, it has to happen to everyone to whom it is going to happen. This is Machiavelli's dictum, and he was right. After it has happened, those who weren't broken know they're safe as long as they don't get in your way.

If the breaking keeps going on and on, everyone who still has something to lose (and still, thus, has power) lives in fear. They must destroy you before you destroy them.

Let's give a concrete example. Assume Obama was really a left-winger. He gets into power in 2009, and he really wants to change things. He needs to take out the financial elite: Wall Street and the big banks.

They've handed him the opportunity. Here's part of how he does it: He declares all the banks involved in the sub-prime fraud racket (all of the big ones and most of the small ones) conspiracies under RICO.

He then says that all the individual executives' money are proceeds derived from crime and confiscates it. (This is 100 percent legal under laws as they exist). He charges them, and they are forced to use public defenders.

They are now powerless. This is the second law of purges: Anyone you damage, you must destroy utterly. If you take away half their power, and leave them half, they will hate you forever and use their remaining power to destroy you.

Leave them whole, or destroy them. The financial executives would have been destroyed, and win or lose in the courts, the next five to ten years of their lives would be consumed by personal legal nightmares.

Again, this is a Machiavellian dictum.

All of this will make many readers uneasy. It seems “mean.”

Get out of the game. You aren’t fit for it. This is all mean. Millions of people die every year and millions more are ruined by the current system. If you’re in this game to win it, rather than feel good about yourself, you will have to play real power politics by the actual rules of the game.

Too many left-wingers try to play by what they think the rules are. “We have a fair election every X years and the losers accept the result and don’t sabotage the winner (or start a coup).”

Those aren’t the real rules. If the right is really losing, they will cheat and cheat massively. They will think nothing of running death squads, making a deal with the US to support guerrillas, and so on.

You directly threaten their wealth and power, if you are a real left-winger. Even if all you want is a 50s style social democracy with racial and gender equality, that would destroy almost all of what they have. They remember what FDR did to them, even if you don’t. They remember all the lost power and fortunes.

It is not possible to have a fair, egalitarian, prosperous society, and have very rich and powerful elites. It cannot be done. Brandeis was exactly right when he said you can have democracy or great wealth in the hands of a few, but you can’t have both.

Either you’re willing to do what it takes, including the ugly bits, or you aren’t. There are sometimes local exceptions, places where a lot of the ugly isn’t needed, but there aren’t a lot of those places left in the world. This isn’t the post-war era and even then, in the South (as opposed to Scandinavia), actual egalitarian, developed economies mostly weren’t allowed. You can ask Central and South America about that.

Most left-wing movements get into power without having properly thought out what they’ll do once in power and without a realistic understanding of how deeply their right-wing opponents lack any belief in democratic norms.

Break your enemy’s power. If you’re any sort of left-winger worth your salt, you ethically do not believe in huge concentrations of power and money in the hands of a few people anyway. Act on your beliefs.

And if they’ve committed a pile of crimes (and they almost always have), use those crimes against them.

Then remember the world system is set up expressly to stop what you are doing.

You’re trying to tackle the dragon, and most people who do that get eaten. We tell the stories of the dragonslayers because they are so few.

So, know the odds are against you and be willing to do what is required to improve them. If you aren’t, stay home.

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Welsh (2020) Seven Rules for Running a Real Left-wing Government



## 24

# Post-Capitalism

### 24.1 Ban tradable shares

Unless we are willing to ban tradable shares, first introduced in 1599, we will make no appreciable difference to the distribution of wealth and power today. To imagine what transcending capitalism might mean in practice requires re-thinking the ownership of corporations. Imagine that shares resemble electoral votes, which can be neither bought nor sold. Like students who receive a library card upon registration, new staff receive a single share granting a single vote to be cast in all-shareholder ballots deciding every matter of the corporation – from management and planning issues to the distribution of net revenues and bonuses. Suddenly, the profit-wage distinction makes no sense and corporations are cut down to size, boosting market competition. When a baby is born, the central bank automatically grants her or him a trust fund (or personal capital account) that is periodically topped up with a universal basic dividend. When the child becomes a teenager, the central bank throws in a free checking account. Workers move freely from company to company, carrying with them their trust-fund capital, which they may lend to the company they work in or to others. Because there are no equities to turbocharge with massive fictitious capital, finance becomes delightfully boring – and stable. States drop all personal and sales taxes, instead taxing only corporate revenues, land, and activities detrimental to the commons. But enough reverie for now. The point is to suggest, just before the New Year, the wondrous possibilities of a truly liberal, post-capitalist, technologically advanced society. Those who refuse to imagine it are bound to fall prey to the absurdity pointed out by my friend Slavoj Žižek: a greater readiness to fathom the end of the world than to imagine life after capitalism.

Varoufakis (2019) Imagining a World without Capitalism

## 24.2 Growing Socialism

We are having trouble defining what our system is. We are trying out a number of experiments, and those that work we will call socialism. Those that don't, we will call capitalism.

(Local official in Yunnan, China, in response to an American diplomat, 1980)

## 24.3 3 ways of transcending Capitalism

*Milanovic*

### 1 Roemer

In a new paper "What is socialism today: Conceptions of a cooperative economy", John Roemer starts with three essential pillars of all economic systems: an ethos of economic behavior, an ethic of distributive justice, and a set of property relations. In capitalism the three pillars are (1) individualistic ethos, (2) laissez-faire (no redistribution), and (3) privately owned means of production with profit accruing to capitalists. Until now, Roemer argues, all attempts to transcend capitalism focused on element No. 3, replacing privately owned capital with state or socially (collectively) owned capital. They have all failed.

Instead, our emphasis should be, according to Roemer, on developing solidaristic ethos. Using the terminology from the game theory, Roemer contrasts Nashian ethos where each individual behaves as to maximize his or her gain (and which in some cases, like the prisoner dilemma, may lead to perverse outcomes) and the Kantian ethos where we behave in the way in which we wish that everybody else would behave. This is a form of a golden rule (behave towards the others the way you wish that they behaved toward you), or, in more narrowly economic language, we try to internalize (account for) the behavior of everybody else.

In a presentation given recently at the Graduate Center CUNY in New York, Roemer gave the example of the "tragedy of the commons" where Nashian (narrowly profit-motivated individuals) maximize own fishing with the result that eventually no fish remain vs. a Kantian type of solidaristic behavior where one needs to think that if he increases his fishing everybody else would do the same. The person would thus "internalize" the behavior of others and presumably avoid the tragedy of the commons.

Roemer argues that, as societies get richer and as a conscious effort is made, the percentage of "Kantians" would increase compared to the "Nashians" and we would gradually move toward more solidaristic and cooperative societies. A nice example that Roemer used to buttress his case is the increasing attention given to environment where many people make an extra effort to adjust own consumption or sort different types of trash even if neither is monitorable and defections are costless. Still many do it the way they wished everybody else did it too.

## 2 Piketty

A different way of “transcending capitalism” was recently proposed in Piketty’s new book “Capital and Ideology”. In the last part of the book, Piketty, after reviewing on some 800 pages, the ways in which various hierarchical and property relations that seem abhorrent to us today (slavery, patriarchy, racism, serfdom etc.) have been ideologically justified, argues for ending the ideology of private property fetishism. In terms of Roemer’s taxonomy, Piketty is clearly back to the pillar No. 3 but unlike Marxists and the Soviets Piketty does not require a dogmatic thorough-going elimination of all private property but looks at the ways in which the economic power held by property holders could be limited. To that objective, he deploys a radical yet realistic proposal whereby all enterprises after a certain size would have obligatory workers’ shareholding with workers holding 50% of the shares, and no single capitalist (regardless of the amount of capital he has invested in the company) could hold more than one-tenth of the capitalist half of shares. (Thus even the largest owner would be limited to 5% of total voting power). Piketty would allow small enterprises to be managed as they are now with capitalists holding the full power and workers being a hired labor, but as soon as such enterprises would go over the threshold, obligatory workers’ shareholding would kick in.

This two-tier system at the production level would be combined with the system of the so-called “temporary ownership” consisting of severe annual taxation of private wealth and progressive taxation of inheritance.

The aim of the two systems (at the production stage and fiscal) is to fundamentally alter the relations of production in favor of labor and to limit the accumulation of private wealth. The latter will not only change levels of inequality that currently exist but would structurally constrain the ability of the rich to control the political process and to transmit their wealth across generations. It would thus significantly change inter-generational mobility. But even more importantly, perhaps, it would change the intra-enterprise hierarchical relations between owners and workers.

## 3 Milanovic

A third way to envisage the change in the modern capitalism is somewhat different and I briefly mention it at the end of “Capitalism, Alone”. It is materialistic and grounded in the “objective” relationship between the two factors of production (labor and capital), or more exactly in their relative scarcities. It is based on a standard Marx-Weber tripartite definition of capitalism (used in the book): (a) production is carried using privately-owned means of production, (b) labor is legally free but hired (that is, the entrepreneurial function is exercised by owners), and (c) coordination of economic decision-making is decentralized. Now, as I argue in “Capitalism, Alone”, the current apotheosis of capitalism is largely due to the weakening power of labor, brought about by the doubling of the global labor force that works under capitalist conditions following the transition to capitalism of the Soviet-bloc countries, China, Vietnam and In-

dia. Furthermore, the digital capitalism of today has enabled commercialization (“commodification”) of many activities that have never been commercialized before and has thus made further inroads into our private life. The dominion of capitalism has become extended both geographically (to encompass the entire globe) and “internally” to move to our individual private sphere.

But if the underlying relations of relative scarcities between labor and capital change in this century or the next, if the world population reaches its peak and remains there (as all projections indicate) and if the capital stock keeps on increasing, we might face an entirely different situation between capital and labor—very much the reverse of the one the world is facing since 1990. The relative abundance of capital may allow individuals to become entrepreneurs by simply borrowing capital and not letting the suppliers of funds have a decisive role in management. This is what we currently observe in the start-up world. It might seem not important, but it is: the agency which is now almost exclusively vested in capitalists would be transferred to “workers”. The component (b) of the standard Marx-Weber definition of capitalism—the existence of wage labor—would disappear. The system would still maintain the private ownership of the means of production and decentralized coordination: it would be a market economy, but it would not be a capitalist market economy.

This “transcending” would be different from the other two. Unlike Roemer, it would not rely on the change in our ethos, and unlike Piketty, it would not depend on constructivist change in the rules but would arise “organically” from the changed relationship between the two factors of production. Being “organic” would make it stronger and more durable.

Milanovic (2020) Transcending capitalism: three different ways?

## 24.4 Global Governance

### *Bak-Coleman Abstract*

Collective behavior provides a framework for understanding how the actions and properties of groups emerge from the way individuals generate and share information. In humans, information flows were initially shaped by natural selection yet are increasingly structured by emerging communication technologies. Our larger, more complex social networks now transfer high-fidelity information over vast distances at low cost. The digital age and the rise of social media have accelerated changes to our social systems, with poorly understood functional consequences. This gap in our knowledge represents a principal challenge to scientific progress, democracy, and actions to address global crises. We argue that the study of collective behavior must rise to a “crisis discipline” just as medicine, conservation, and climate science have, with a focus on providing actionable insight to policymakers and regulators for the stewardship of social systems.

*Bak\_Coleman Memo*

Collective behavior historically referred to instances in which groups of humans or animals exhibited coordinated action in the absence of an obvious leader.

Over the past few decades “collective behavior” has matured from a description of phenomena to a framework for understanding the mechanisms by which collective action emerges - how large-scale “higher-order” properties of the collectives feed back to influence individual behavior, which in turn can influence the behavior of the collective.

Collective behavior therefore focuses on the study of individuals in the context of how they influence and are influenced by others, taking into account the causes and consequences of interindividual differences.

The multiscale interactions and feedback that underlie collective behavior are hallmarks of “complex systems”—which include our brains, power grids, financial markets, and the natural world.

When perturbed, complex systems tend to exhibit finite resilience followed by catastrophic, sudden, and often irreversible changes in functionality.

Anthropogenic disturbance—technology, resource extraction, and population growth—is an increasing, if not dominant, source of systemic risk

Research on how complex systems are impacted by human technology and population growth has largely focused on the threats that these pose to the natural world (11–13). We have a far poorer understanding of the functional consequences of recent large-scale changes to human collective behavior and decision making.

With increasingly strong links between ecological and socio- logical processes, averting catastrophe in the medium term (e.g., coronavirus) and the long term (e.g., climate change, food security) will require rapid and effective collective behavioral responses—yet it remains unknown whether human social dynamics will yield such responses.

Neither the evolutionary nor the technological changes to our social systems have come about with the express purpose of promoting global sustainability or quality of life. Recent and emerging technologies such as online social media are no exception—both the structure of our social networks and the patterns of information flow through them are directed by engineering decisions made to maximize profitability. These changes are drastic, opaque, effectively unregulated, and massive in scale.

The basic debate is an ancient one: Are large-scale behavioral processes self-sustaining and self- correcting, or do they require active management and guidance to promote sustainable and equitable wellbeing? Historically, these questions have been addressed in philosophical or normative terms. Here, we build on our understanding of disturbed complex systems to argue that human social

dynamics cannot be expected to yield solutions to global issues or to promote human wellbeing without evidence-based policy and ethical stewardship.

The situation parallels challenges faced in conservation biology and climate science, where insufficiently regulated industries optimize profits while undermining the stability of ecological and earth systems.

Crisis disciplines are distinct from other areas of urgent, evidenced-based research in their need to consider the degradation of an entire complex system—without a complete description of the system's dynamics.

We begin by framing human collective behavior as a complex adaptive system shaped by evolution, a system that much like our natural world has entered a heavily altered and likely unsustainable state. We highlight how communication technology has restructured human social networks, expanding, reorganizing, and coupling them to technological systems. Drawing on insight from complexity science and related fields, we discuss observed and potential consequences. Next, we describe how a transdisciplinary approach is required for actionable insight into the stewardship of social systems. Finally, we discuss some of the key ethical, scientific, and political challenges.

On an evolutionarily minuscule timescale, cultural and technological processes transformed our species' ecology (36). These changes that have transpired over this period have come about largely to solve issues at the scale of families, cities, and nations; only recently have cultural products begun to focus on solutions to worldwide problems and wellbeing. Our ability to detect and measure global challenges has coincided with an acceleration in the rate at which we are able to develop and adopt cheaply scalable communication technology.

Yet we lack the ability to predict how the technologies we adopt today will impact global patterns of beliefs and behavior tomorrow. Reliable prediction of social systems is among the more elusive challenges in science. The key hurdle to predicting and managing emergent behavior is that social interactions and external feedback make it difficult, if not impossible, to reason about cross-scale dynamics through argument alone (i.e., these are complex adaptive systems).

The remarkable capabilities of animal groups are not granted by supernatural forces but rather arise through the adaptation of collective behavior to ecological context.

Across the natural sciences, understanding and responding to the impact of human activity on complex systems are at the forefront of scientific inquiry.

We argue that the changing functional properties of our global social network are unlikely to foster human wellbeing or ecological function and stability in the absence of evidence-based intervention.

The speed of recent changes to our society has largely precluded evolution by natural selection from altering our innate behavior and physiology in response.

Hard-wired aspects of our individual and collective behavior are largely relics of earlier ecological and sociological contexts.

Strong dependence on network structure: In many formulations, changes in network density, clustering, or the presence of influential individuals determine transmission dynamics.

Research in statistical physics and opinion dynamics demonstrates that group size can impact the tendency of collectives to settle on decisions. Work from the collective intelligence literature suggests intermediate optimal group sizes in complex environments and highlights the difficulty of wise decision making in large groups. Evolutionary mechanisms that encourage cooperation or coordination may be scale dependent, requiring institutions such as religion and governance to maintain these properties as group size increases. Heterogeneous adoption of these institutions may further create conflict and erode cooperation. In short, changes in scale alone have the potential to alter a group's ability to make accurate decisions, reach a clear majority, and cooperate.

We are offloading our evolved information-foraging processes onto algorithms. But these algorithms are typically designed to maximize profitability, with often insufficient incentive to promote an informed, just, healthy, and sustainable society

We have little insight into how the millions of seemingly minor algorithmic decisions that shape information flows every second might be altering our collective behavior.

Offline changes to how we share information may require years to percolate through the community, whereas changes in the digital world can be implemented and imposed in a matter of seconds. In this sense, online communication technology increases the urgency of stewardship while providing opportunities to enact evidence-based policies at scale. For these reasons, we expect that stewardship of social systems will require increased focus on digital technologies.

A consolidated transdisciplinary approach to understanding and managing human collective behavior will be a monumental challenge, yet it is a necessary one. Given that algorithms and companies are already altering our global patterns of behavior for financial reasons, there is no safe hands-off approach.

Bak-Coleman (2021) Stewardship of global collective behavior (pdf)

## 24.5 Expropriation of the Expropriators

*Blumenfeld Abstract*

The 'expropriation of the expropriators' is a delicious turn of phrase, one that Marx even compares to Hegel's infamous 'negation of the negation'. But what does it mean, and is it still relevant today? Before I analyse the content of

Marx's expression, I briefly consider contemporary legal understandings of expropriation, as well as some examples of it. In the remainder of the essay, I spell out different kinds of expropriation in Marx and focus on an ambiguity at the core of the notion of 'expropriating the expropriators', namely, whether it describes an immanent and objective tendency within the development of the capitalist mode of production or else actively prescribes a form of revolutionary political praxis for the working class. My answer is that it does both, though not without tension. Finally, I develop some implications of these reflections by showing how the concept of expropriation can be put to use today, in struggles around housing, climate and work.

*Blumenfeld Memo*

Marx characterizes expropriations as forms of unequal appropriation, which, under capitalist legal relations, are carried out under the guise of equal exchange. The idea that only the state has the authority to rightfully dispossess owners of their title ignores how private actors and collective agents have coerced the state to recognize their takings as retroactively valid. Expropriation for Marx is indifferent to the law, can be accomplished without compensation, and describes a social process occurring over time by classes rather than discrete acts by states or individuals.

At least three distinct forms of expropriation exist in Marx:

1. Expropriation of surplus labour through direct (extra-economic) coercion, which characterizes the appropriation of the surplus product in pre-capitalist economic formations, such as slavery or feudalism; 15
2. The expropriation of land from direct producers, which marks the phase of so-called 'primitive accumulation', and forms the key precondition of capitalist private property, that is, the separation of the producer from their means of production; and
3. The expropriation of unpaid labour from legally free workers through the 'mute compulsion of economic relations', 16 which characterizes the appropriation of surplus value in capitalist societies.

It is the latter two which are key for Marx: expropriation as dispossession of the direct producer from the land and expropriation as the theft of alien labour time. All three are expropriations in the sense of 'appropriation without equivalent', but only the last has the guise of equal exchange.

The second form – expropriation as dispossession – establishes the fundamental condition for capital accumulation, what Marx calls 'capitalist private property'. This fundamental condition is the separation of labour from property – both in the sense of the separation of the direct producers from their conditions of production and in the sense of the separation of the producer from the product of labour.

Strikingly, Marx describes all these processes of expropriation in highly nor-

mative terms, such as ‘robbery, plunder, theft, looting, usurpation, parasitism, spoliation, dissolution, confiscation, enslavement, colonialism, patriarchal domination, squandering, and blood-letting’. Expropriation is both robbery (of land, title and product) and separation (of producer from their conditions of production). But if expropriation is so negative, and so fundamental to capitalist social relations, then how can it also be the path towards overcoming capitalism and creating a society of free human beings producing in common? This is the puzzle that needs to be resolved.

Is it possible, in a sense, to counter-expropriate or to re-appropriate one’s own conditions of existence? The expropriation of the expropriators would negate capitalist private property and realize individual, true property for all – not by returning to some pre-capitalist condition but by collectively reappropriating and transforming the already socialized form of production underlying capitalist property relations today.

There must be a fourth kind of expropriation in Marx, distinct from the previous forms:

4. The expropriation of capitalist private property as the process by which the producing class takes ‘possession in common of the land and means of production produced by labour itself’, transforming them from means of exploitation and enslavement into ‘instruments of free and associated labour’.

This process of expropriation is made possible by the ‘immanent laws of capitalist production’ itself, which centralizes capital and socializes labour, thus making capitalist private property a fetter on the production and distribution of social wealth. That is to say, the ‘expropriation of the expropriators’ is already happening within the present as a tendency of the laws of capital, but not yet actualized, not yet carried through to the end by the proletariat.

The task, paradoxically, is not to abolish private property but to ‘make individual private property a truth’ – to negate the ‘class property’ based on the expropriation of alien labour time and transform it into individual property based on the socially recognized labour of all.

Marx specifies two transitional forms of producing and appropriating social wealth, both intrinsic to capitalist production, which nevertheless represent elements of a new “associated” mode of production: capitalist stock companies, which ‘negatively’ resolve the antagonism between capital and labour by socializing private enterprises through stocks and credit, and cooperative factories, which ‘positively’ resolve the antagonism by turning associated workers into their own capitalists. These ‘transitional forms’ have not carried us beyond our current mode of production.

Marx both enthusiastically calls for expropriating the expropriators and, at the same time, soberly declares that the expropriators are, in fact, being expropriated.

The ‘expropriation of the expropriators’ describes an unconscious economic tendency and even ‘aim’ of the capitalist mode of production itself: the consolidation of total social wealth by fewer and fewer individuals, and ultimately, by no one at all.

The idea is that capitalism increasingly socializes labour and ownership through various transitional forms (co-ops, joint-stock companies, credit system, etc.), so that the inherent tendency moves towards eliminating individual ownership of means of production altogether, which would ultimately be more efficient, dynamic and rational. This is expropriation as the gradual socialisation of the means of production

It seems like the time has passed in which one can reasonably believe that capitalist monopolies will expropriate themselves into common property in order to become more efficient and rational forces of production. Waiting around for the expropriators to expropriate themselves seems just as likely as waiting around for the planet to cool itself.

The expropriators themselves must be undergoing their own self-expropriation

What needs to change is not only the form of ownership – from private to public or common – but the content of ownership itself. What would it mean to shift the function of property from separation to solidarity, from profit to need, from exchange to use, from extraction to renewal, from exploitation to care? Answers to those questions are not to be found in Marx or the law, but rather in the content of the social struggles that are taking place all over the world today – for better, or for worse.

[Blumenfeld \(2022\) Expropriation of the expropriators \(pdf\)](#)

## 24.6 New structural change

*Roberts on Robinson*

So gaping is the chasm between fictitious capital and the real economy that financial valorization appears as independent of real valorization. This independence, of course, is an illusion. The entire financial edifice rests on the exploitation of labor in the “real” economy. If the system came crashing down, the crisis would dwarf all earlier ones, with the lives of billions of people hanging in the balance. The unprecedented injection of fiat money into the financial system may result in a new kind of stagflation, in which runaway inflation is induced by such astronomical levels of liquidity even as acute inequality and low rates of profit prolong stagnation.

Capitalism can only endure if it can find some new structural change. This Robinson sees coming possibly from “digital restructuring and through reforms that some among the global elite are advocating in the face of mass pressures from below”. That could unleash a new round of productive expansion

that attenuates the crisis for a while. So capitalism could manage to “catch its breath again” through digitally-driven productive expansion that becomes strong enough to restore sustained economic growth and launch a new long boom.

However, Robinson counters, that any such expansion will run up against the problems that an increase in the organic composition of capital presents for the system, namely the tendency for the rate of profit to fall, a contraction of aggregate demand, and the amassing of profits that cannot be profitably reinvested. “But before such a time that a crisis of value would bring the system down, it is certainly possible that restructuring will unleash a new wave of expansion.” Robinson makes the pertinent point that “the breakdown of the political organization of world capitalism is not the cause but the consequence of contradictions internal to a globally integrated system of capital accumulation.”

But a new boom to happen, the state would have to intervene to build new “political structures to resolve the crisis, stabilize a new global power bloc, and reconstruct capitalist hegemony, given the disjuncture between a globalizing economy and a nation-state-based system of political authority.” And that seems unlikely, given the break-up of the US hegemony and the rise of a multi-polar world.

Robinson’s pessimism about the ability of capitalism to find a way out is compounded by the ecological crisis, which “makes it very questionable that capitalism can continue to reproduce itself as a global system.” Never before have crisis and collapse involved such matters as human-induced climate emergencies and mass extinction.

As Robinson sums it up: “the literary critic and philosopher, Frederic Jameson, once observed that: “it is easier to imagine the end of the world than it is to imagine the end of capitalism.” But if we do not imagine the end of capitalism—and act on that imagination—we may well be facing the end of the world. Our survival requires that we wage a battle for political power; to wrest power from the multi-nationals and their political, bureaucratic and military agents before it is too late.”

Roberts (2022) Can Global Capitalism Endure?



## 25

# How to unmount Capitalism?

Proper analysis of the Climate Crises (and other crises too!) drills down to identify the Capitalistic System as such as the main culprit.

This leads to slogans like ‘Kill Capitalism to save the World!’

Correct - but not very helpfull for the practical task at hand.

Anti-capitalists of various shades applies a bit more specific labels, such as f.ex. ‘Degrowth’. Not very specific either - although the ‘drive for perpetual growth’ is a major capitalistic feature.

To be operational we should rather look into the forces, rules and regulations that supports this ‘drive’ - and attack those.

Remember that Capitalism is a human construct - *rules* for how the economy should operate made by *rulers* - today mostly capitalists themselves.

My list of capitalist *rules* to be unmouted goes as follows:

End Limited liability  
End Fractional Banking  
End Wage Labour  
End Advertising

More on these below:

### 25.1 Limited liability

The right to not be fully responsible for one’s actions should be ended.

A joint-stock company is a business entity in which shares of the company's stock can be bought and sold by shareholders. Each shareholder owns company stock in proportion, evidenced by their shares (certificates of ownership).[1] Shareholders are able to transfer their shares to others without any effects to the continued existence of the company.[2]

In modern-day corporate law, the existence of a joint-stock company is often synonymous with incorporation (possession of legal personality separate from shareholders) and limited liability (shareholders are liable for the company's debts only to the value of the money they have invested in the company). Therefore, joint-stock companies are commonly known as corporations or limited companies.

Some jurisdictions still provide the possibility of registering joint-stock companies without limited liability. In the United Kingdom and in other countries that have adopted its model of company law, they are known as unlimited companies. In the United States, they are known simply as joint-stock companies.

#### [Wikipedia: Joint Stock Company](#)

Marx and Engels believe that capitalism is pregnant with a post-capitalist, or socialist, system of production in which profit income, that is income received in virtue of the ownership of the firm, rather than in virtue of labour supplied, has been abolished. For example, Marx points to joint-stock companies, which indicate how ownership can be socialised, and worker co-operatives, which indicate how a firm can be owned by its working members, and points out these are transitional institutions that prefigure fully social and democratic forms of property.

#### [Ian Wright](#)

An unlimited company or private unlimited company is a hybrid company (corporation) incorporated with or without a share capital (and similar to its limited company counterpart) but where the legal liability of the members or shareholders is not limited: that is, its members or shareholders have a joint and several non-limited obligation to meet any insufficiency in the assets of the company to enable settlement of any outstanding financial liability in the event of the company's formal liquidation.

#### [Wikipedia: Unlimited Company](#)

## 25.2 Fractional Banking

The right to lend money you do not possess should be ended.

One hundred percent reserves would put our money supply back under the control of the government rather than the private banking sector. Money would be a true public utility, rather than the by-product of commercial lending and borrowing in pursuit of growth. Under the existing fractional reserve system the money supply expands during a boom, and contracts during a slump, reinforcing

the cyclical tendency of the economy. The profit (seigniorage) from creating (at negligible cost) and being the first to spend new money and receive its full exchange value, would accrue to the public rather than the private sector. The reserve requirement, something the Central Bank manipulates anyway, could be raised from current very low levels gradually to 100%.

100% reserves would both stabilize the economy and slow down the Ponzi-like credit leveraging.

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

### 25.3 Wage Labour

The right to own another human - even if only parttime (during working hours) should be ended.

Slavery was ended by decree in during the 1800s. Time ripe for ending the modern form of *Wage-Slavery*.

In almost every country the rights and obligations of the worker and the capitalist employer are mediated through a *contract of employment* between the two. Many contract terms and conditions are covered by legislation or common law.

### 25.4 Advertising

The right to manipulate consumers should be ended.

The right to objective product information should be granted.

### 25.5 Daly's Steady-State Economy (SSE)

See recs- SSE

### 25.6 CasP Unmounting

*Casp? How can Capitalism be overthrown?*

I love #CasP as a framework for understanding capitalism. But I'm left wondering. How then does one reduce, and eventually get rid of the power of Dominant Capital?

- It can't be done through the state because the state of capital is part of the problem.

- It can't be done through syndicalism, because production isn't power... And union busting and stagnant wages and rising inflation and reluctance to strike, are a thing.
- It can't be done through collective action by consumers, because false dichotomy divisions fostered by dominant capital render unity impossible, and diversity of tactics essentially powerless.
- It can't be done by violent means, because Dominant Capital uses the state to violently enforce compliance, with no hesitation to incarcerate or kill non-compliance.
- It can't be done by propaganda, because the voice of the anti-establishment propaganda mill is drowned out by the propaganda mill of Dominant Capital
- It can't be done through clandestine subversion, because the surveillance mechanisms know our every move.
- It cannot be done through attrition, because Dominant Capital controls more surplus resources than the rest of the world combined.
- As far as I can tell, the only possible end to the dominance, is cataclysm. And Dominant Capital is more likely to survive that than we are.
- There might be one other option. But it is far-fetched, and virtually impossible to pull off. Playing them against each other. They already do it to each other to gain more power. But it is conceivable that they might be duped into fighting each other for non-existent power.

Reply: Municipalism. Gradually sucking the state of capital dry (politically and economically) by devolving its functions to localities.

- I'm a huge fan of Bookchin. But there are serious obstacles to the implementation of municipalism in the current context. Most areas actually don't have cohesive municipalities that have the community working where they live.

Twitter Thread

## 25.7 DeCapitalize Our Mindset

*Remblance*

Our minds have been shaped by capitalism and it is stopping us from seeing both the role capitalism plays in the cause of climate change and the full scope of solutions available to address the crisis.

Unconscious of how our minds are shaped by capitalism, we: - champion solutions that are well-intentioned but inadequate because they assume mythical 'green-growth'; - implement targets that aren't supported by policies to achieve

them, instead relying on technology that doesn't currently exist to cover the gap.

Unsurprisingly, the mindset we need to address the climate crisis is the exact opposite of the mindset described above.

Remblance (2022) Decapitalising our minds



# **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)
- rfin - On Finance (loc)
- rngy - On Energy (loc)
- renv - On Environment (loc)
- rsts - On Statistics (loc)
- rtch - On Technology (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)

## Appendix D

### Sitelog

#### Latest Additions

December 25, 2023 degrowth\ on eu's beyond growth rhetorics  
July 24, 2024 x\ added braun on private equity to index



# Bibliography