

Economic Growth and the Future of Capitalism

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New Scientist magazine recently took a small but progressive step for humankind by publishing a special issue titled "The Folly of Growth: How to stop the economy killing the planet."¹ In the editors' words, the issue featured, "... key thinkers in the fields of politics, economics and philosophy who profoundly disagree with the growth dogma but agree with the scientists monitoring our fragile biosphere".

For those familiar with the environmental literature, most of the articles offered only stock observations. Ecological economist Herman Daly discussed uneconomic growth, the absurdity of the GDP measure, and the benefits of a steady-state economy. Canadian environmentalist David Suzuki pointed to the lunacy of mining asteroids and offered his support for environmental taxes. Andrew Simms, the policy director of London's New Economics Foundation, showed that economic growth is highly unlikely to solve world poverty. Philosopher Kate Soper wrapped things up by suggesting that we work less and enjoy family life more. She also urged politicians to get on board with a sustainable society.

It was a pleasant surprise, however, to find that several articles went further by discussing how growth might impact capitalism's future. Yale professor Gus Speth called capitalism "an inherently rapacious and ruthless system," and then said, "I'm not advocating socialism, but I am advocating a non-socialist alternative to today's capitalism."² Anti-poverty writer Susan George suggested that, "... we need a third way between red-in-tooth-and-claw capitalism and a worldwide uprising" Tim Jackson, a professor of sustainable development, argued that the system's growth compulsion will force us to find an alternative to the "doomed model" of "free-market capitalism".

These references to an economic system beyond capitalism constitute a major advance for environmentalism. They indicate that some key figures now understand that the system is deeply complicit in the destruction of ecosystems, and that drastic action is now mandatory. What is equally important is that these references appeared in a respected scientific magazine, indicating that political space has at last opened up to permit public discussion about alternatives to capitalism. Speth, George, and Jackson should be commended for taking advantage of this opening, and they should be encouraged to continue speaking and writing on this crucial topic.

That said, there is a heck of a long way to go. The three contributors barely scratched the surface of the present economic order and offered only vague guidelines for moving forward. It is therefore appropriate to identify the shortcomings of their views and to explore what it really means to seek a sustainable economy beyond capitalism.

In its simplest form, the argument presented in these views is the following:

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1. Capitalism must grow.
2. Growth destroys the environment.
3. Capitalism must go.

The first two statements are premises - propositions assumed to be true. The third statement is the conclusion on which we should act. The second premise relating to the environmental destructiveness of growth is broadly accepted and will therefore be ignored in what follows. I would like to concentrate on the first premise and the conclusion. Although capitalism's growth compulsion is also widely accepted, it is not well understood, thus generating considerable confusion about the system's future. Let me begin with the conclusion and then move on to growth.

As you may have guessed, none of the three contributors actually said that "capitalism must go" - this is shorthand for their more nuanced views (and it rhymes). A reasonable summary of what they did say is that we must move away from today's capitalism in order to overcome the ecological damage associated with economic growth. In other words, the contributors indicated that the elements in the system that are responsible for growth must be quickly abandoned, while the non-growth elements can be retained. Unfortunately, none of them sorted out which elements are which, or asked what the consequences of abandoning the growth-oriented ones might be.

In order to pursue this, it is necessary to separate capitalism into its two major economic components: its logic and its institutions. Capitalism's logic refers to consumer wants and corporate profits - the set of incentives that drive the system's activities. To a large degree, this logic determines what the system produces, its output quantities, its population level, and the costs incurred by people and planet while the capitalist motor hums. Capitalism's institutions, which include markets, laws, private property, and firms, implement this logic by performing the various economic tasks.

The critical insight into capitalism's operations is that economic growth arises from its logic, and not from its institutions or from other factors. This assertion is impossible to prove using standard economics, which ignores the system's systemic nature, but Karl Marx provided a plausible explanation in the third volume of *Capital*.³ In brief: The system depends on profits, which are derived from labor. Competition spurs technological advances, causing labor productivity to rise. Higher labor productivity means less labor, hence lower profits. Capitalism's tendency is thus to depress profits, thereby undermining the system's foundations. Economic growth is what compensates for this tendency. An expanding economy maintains the absolute requirement for labor even as the relative requirement shrinks, thus preventing profit erosion.

If Marx's explanation is sound, which I believe it is, then what must be abandoned as we move to an alternative system is the capitalist logic of wants and profits. What can be retained are the system's institutions. This, however, is not the complete story. Capitalism's logic imperils humankind only insofar as it directs the system's activities and generates growth. It causes no problems when it is used to achieve restricted economic objectives, and there is no harm in retaining it for such purposes. That is, although we cannot allow capitalist logic to set an economy's objectives, we *can* allow it to help us achieve objectives we have independently set.

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Relinquishing the logic entirely would in fact be foolhardy because much of it is rooted in the intractable realities of human nature. Although many environmentalists will be reluctant to concede the point, wants and profits represent not just destructive excesses, but also the legitimate claims of self-interest. Standard economics is correct when it insists that human beings have innate propensities, and that a functional economy must intelligently exploit these. Ignoring this factor, as 20th-century history has convincingly demonstrated, is a recipe for economic and social disaster.

The picture that emerges from the above is that the economy's broad objectives must be established on the basis of a new, non-capitalist logic. Existing institutions, still driven by wants and profits, must then evolve so that these objectives can be attained. Some institutions will be unable to adjust sufficiently and will have to be discarded, while new ones will be created to meet novel requirements. Although the process is necessarily murky, we can begin to discern how a "third way" might organically displace today's growth-driven capitalism.

The indispensable component of this process is the new guiding logic, which has not yet been fully developed.⁴ What I am referring to here is a conceptual framework that redefines value and cost in line with objective human needs while strictly limiting the exploitation of nature. Its concepts and analytical tools would allow society to determine the economy's broad aims and to shape its historical trajectory. Unlike capitalism's logic, which is the product of social evolution and political struggle, the new logic must be explicitly formulated through intellectual effort. Unfortunately, none of the three New Scientist contributors has recognized the requirement for such a framework, much less embarked on its development or encouraged others to do so. This is the main shortcoming of their views, and it places a critically important task on the agenda of environmental thinkers.

Thus far I have addressed the elements of capitalism that can and cannot be retained as we move into a post-growth future. It is now time to consider the possible consequences of abandoning growth. This is an extremely important topic because the economic and ecological revolutions being contemplated constitute a tectonic shift in our civilization. Any change of this magnitude will have profound repercussions, which must be anticipated as fully as possible.

Capitalism's logic is the consequence of two powerful factors in social life: human nature and dominant class relations. Human nature is involved in several ways, but primarily through self-interest and the related tendency towards expanding our ecological niche. Class relations come into play because the system is founded on the separation of society into two main classes: the owners of productive assets and those who lack such assets and must therefore sell their labor power to these owners.

It is a troubling but unavoidable fact that economic contraction runs against the grain of human nature. Our inherent tendencies, like those of all other species, are to increase our consumption and proliferate our populations. Overcoming these tendencies will call for much greater discipline than we exercise today, at both the individual and social levels. This consequence of the ecological crisis has been perceptively explored by an under-appreciated thinker, William Ophuls. In *Ecology and the Politics of Scarcity*,⁵ Ophuls emphasized that the Enlightenment principles of individual liberty and laissez-faire were made possible by abnormal abundance - the period of ecological plenitude that has now ended. We should be keenly aware that these principles,

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which mesh so well with our appetites, will to have to be modified and possibly even discarded once growth is repudiated.

Probably the most explosive result of economic contraction is the decrease in overall consumption. In a growth economy, most people consume more as time goes on, which means that politics is largely concerned with the relatively simple problem of how to distribute the incremental outputs. In a contractionary economy, most people will consume less. As Ophuls repeatedly warned, we have neither the political institutions nor the moral precepts to deal with this far more difficult challenge. If violence is to be minimized in a post-growth world we will have to revive age-old values relating to communal well-being, sharing, and sacrifice.

The second major consequence of abandoning growth is the disruption of the dominant class relations at capitalism's core. This subject is difficult for most people to consider because it deals with well-hidden realities that can be psychologically destabilizing when exposed. But just as contraction will rip the shroud off social inequality, it will reveal the ideology and power that underpin current class relations. On these issues, political analyst Peter Dale Scott is an invaluable resource. Scott has formulated a political framework that can help us understand the deep structure of capitalist societies. In his recent book, *The Road to 9/11*, he describes "... an 'overworld' - that realm of wealthy or privileged society that, although not formally authorized or institutionalized, is the scene of successful influence of government by private power." ⁶ Such a cabal, as Scott frequently calls it, was largely responsible for the neoconservative counterrevolution a few decades ago, and it has repeatedly steered US foreign policy in directions that suit its interests. Although this type of analysis is typically dismissed with the "conspiracy" slur, it should be taken very seriously, especially as elites are forced to retrench and political tensions escalate.

The above discussion about capitalism's future was triggered by the views of three relatively advanced environmental thinkers. I would also like to consider the perspective of Herman Daly, who is firmly in the mainstream of environmentalism. Daly is probably the world's most influential ecological economist, and for most people his ideas represent the "state of the art" in ecological thought. The breadth of his influence was implicitly acknowledged by the *New Scientist* editors, who both printed an article he wrote and presented his "vision" of a sustainable society. Because Daly's ideas are well known and were touched on earlier, I will confine myself here to his speculations about the future.

In Daly's vision he looks back at the ten years between 2010 and 2020 when the US kicked its growth addiction and moved towards a steady-state economy. During this period the rules for pollution were scientifically established, taxes were used to shift economic activities from the harmful to the beneficial, goods became more durable and more repairable, trade was restructured, and population was humanely controlled. As a result the basic needs of all are now satisfied, people have more free time and are happier, and the future's claim to the earth's bounty is preserved.

This vision is highly encouraging and undoubtedly has its place in the environmental imagination. However, something much like it was presented to the world long ago by Ernest Callenbach. In his wonderful 1975 novel, *Ecotopia*, a new country is created through the secession of Washington State, Oregon, and Northern California from the rest of the US. Its citizens are

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united in their economic and environmental beliefs and create a system that is similar to the one described by Daly.

My reservations about Daly's vision is not that it recapitulates Callenbach, but that, 33 years later, Daly is unable to provide us with more economic and political substance. In his description there is no movement *beyond* capitalism, only a reformation *of* capitalism. The steady state is achieved without acknowledging that the absence of growth is incompatible with capitalist logic. As in *Ecotopia*, people are magically unanimous about their aims and values, which means that class divisions, ideology, and power are all swept under the rug. There comes a point in history when a healthy vision becomes a dangerous fantasy. Now that ecological collapse appears to be imminent, that point has emphatically been reached.

What does this mean? Mainstream environmentalism should strive to catch up with its more advanced adherents, who now recognize that there is something in capitalism that humankind must quickly transcend. These thinkers, in turn, should probe the system more deeply and find the courage to act on their conclusions. Above all, environmental thinkers as a whole must develop the new, non-capitalist logic that our endangered species so desperately needs.

For more on these ideas, see the author's website: needsandlimits.org. Feel free to contact him at frank_rotering@yahoo.com.

Notes

¹ *New Scientist*, October 18, 2008.

² Speth explores this further in his book, *The Bridge at the Edge of the World: Capitalism, the Environment, and Crossing from Crisis to Sustainability* (New Haven: The University Press, 2008).

³ Karl Marx, *Capital - Volume 3* (London: Penguin Books, 1981), 329.

⁴ I have produced a preliminary framework, called the Economics of Needs and Limits (ENL), for this purpose. See my website for details.

⁵ William Ophuls, *Ecology and the Politics of Scarcity: Prologue to a Political Theory of the Steady State* (San Francisco: W.H. Freeman, 1977).

⁶ Peter Dale Scott, *The Road to 9/11: Wealth, Empire, and the Future of America* (Berkeley: University of California Press, 2007), 2.