



CAPITALISM AND
DEMOCRACY IN THE
TWENTY-FIRST CENTURY
A GLOBAL FUTURE BEYOND NATIONALISM

Gavin Kitching

ROUTLEDGE


‘Gavin Kitching has written a readable and accessible introduction to questions concerning economic inequality, globalisation, and the contemporary problems of capitalism and democracy. Kitching goes beyond an exploration of these issues to develop proposals for regulating global capitalism. This book should be essential reading for anyone interested in understanding the impact of transnational capitalism on inequality and democracy’.

— *Marc Williams, University of New South Wales, Sydney*

‘Gavin Kitching is a clear and courageous thinker, who brings philosophy, ethics, history and economics together in an analysis of the future of democracy that gives us lucid reasons for hope’.

— *Michael Ignatieff, President, Central European University*

‘*Capitalism and Democracy in the Twenty-First Century: A Global Future Beyond Nationalism* is a most timely, important and original book. The author is much influenced by late Wittgenstein and inspired by Eric Hobsbawm. He has a philosopher’s take on the major events and issues that confront the modern world — the rise of giant multinational oligopolies, the impact of globalisation, deregulation of capital markets, decline in trust of politicians and democratic institutions, and climate change. Using empirical findings on all these happenings, he conjectures about what may happen, and about what needs to (and can) be done about them. He draws on his critical understanding of modern economics and philosophical ideas. Altogether, this is a must-read for serious professionals and citizens deeply concerned about what is happening around them’.

— *Goeffrey C. Harcourt, University of New South Wales, Sydney*



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CAPITALISM AND DEMOCRACY IN THE TWENTY-FIRST CENTURY

This short book makes a connection between recent 'tectonic shifts' in the world economy and the political problems currently confronted by western democracies.

The shift of manufacturing away from the West, allied to the pressure to keep costs down in an increasingly competitive global economy, has led to economic inequality, reliance on service industry employment and public sector austerity. All this has in turn produced large numbers of desperate citizens attracted to a populist economic nationalism accompanied by xenophobia. However, the originality of this text lies not in the above argument, but in the philosophical reflections which drive and derive from it. These include reflections on history as a supposed causal process; on the need to make ethical judgements of economic activities and the difficulties of doing so; and on the problems confronting modern citizens in understanding complex economic processes and their political implications.

Capitalism and Democracy in the Twenty-First Century endorses Wittgenstein's 'praxis' approach to human social life and its study. Accordingly, it not only analyses economic and political problems but suggests ways of solving or mitigating them. In doing so it relies on Marx's conviction that our capacity to see certain phenomena as problems is at least *a priori* evidence that they can be solved. This book will appeal to undergraduate and postgraduate students of politics, comparative politics, political economy and international relations.

Gavin Kitching is an Emeritus Professor of Politics in the School of Social Sciences, University of New South Wales, and a Fellow of the Australian Academy of Social Sciences. In a career spanning nearly 50 years he has made award-winning contributions to the fields of African studies, development studies, the politics and economics of globalisation, and the philosophy of social science.



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CAPITALISM AND DEMOCRACY IN THE TWENTY-FIRST CENTURY

A Global Future Beyond Nationalism

Gavin Kitching

First published 2020
by Routledge
52 Vanderbilt Avenue, New York, NY 10017

and by Routledge
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

Routledge is an imprint of the Taylor & Francis Group, an informa business

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Library of Congress Cataloging-in-Publication Data
A catalog record for this title has been requested

ISBN: 978-0-367-35493-0 (hbk)
ISBN: 978-0-367-35491-6 (pbk)
ISBN: 978-0-429-33176-3 (ebk)

Typeset in Bembo
by Taylor & Francis Books

For E.J. Hobsbawm (1917–2012), one of the great historians of all time.



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PREFACE

Many other people have written about the central themes of this book. Economic inequality, globalisation, the contemporary problems of capitalism and democracy, are topics with which a mass of intellectuals, academic and government think tanks and other observers are already deeply concerned. Moreover, all the data and statistics used in the following chapters are extremely familiar and derived from a range of readily available primary and secondary sources.

Nonetheless this book is original, not in the material it uses but in how it uses it. For it surveys broadly familiar facts and data in order to reflect philosophically on them. It asks what these phenomena mean, how we should understand them, but also how and why their meaning is hard to determine and their understanding deeply disputed. It also suggests how we should understand them and the actions we should take on the basis of those understandings.

Considering what phenomena like inequality or globalisation mean requires me to reflect on the concepts that people – both ‘experts’ and ‘ordinary’ people – use to understand them, to give them meaning, and on how those concepts are formed. It requires me to analyse philosophically the economic, sociological and political categories with which people understand the world and the capacity of those categories to adequately describe or explain when that world is changing rapidly.

The people whose understandings I shall be examining (including the social scientists whose data and ideas I use) are not simple observers of an empirical realm they are passively ‘picturing’ or ‘grasping’. Rather they are actors in and on the world, so that how they understand it both reflects how they experience it and shapes what they do in and to it. In fact, how people *en masse* understand the world determines the world they will create through their actions and interactions. Indeed, a central argument of this book is that human beings have – through those interactions and largely unintentionally –

created a globalised economy of historically unprecedented complexity which is genuinely hard to understand and becoming ever more so. As a result, they are acting in and on it on the basis of defective understandings. If this continues they will, also unintentionally, create a world that will be very damaging both to them and their descendants.

So this is a work of philosophy, not of economics or politics, despite the fact that its empirical focus is almost entirely politico-economic. Its central objective is twofold – to comment philosophically on economic and political matters and to use economics and politics to reflect on philosophical ideas. In that dual focus lies its originality.

I should add that all the philosophical reflections in this book are fed through the prism of two autobiographical facts. First, I was born and brought up in the northeast of England, a once heavy-industrial region that has been significantly damaged economically by some of the trends this book describes. It has become one of Europe's and North America's 'rust belts' in fact. Second, my early academic career was devoted to development economics, and involved significant fieldwork in East Africa and research visits to a number of other regions of what was then called the 'Third World'. In short, my life has made it impossible for me to make any simple evaluation of the 'tectonic shift' currently going on in the world economy and its social and political consequences. For some people I care about have been damaged by these trends, and others have been advantaged by them.

As well as introducing the main themes of a book, prefaces are normally used to acknowledge the intellectual debts of an author, and my debts are certainly many, as this book's bibliography shows. But I wish to make mention of two in particular here.

First, the later philosophy of Ludwig Wittgenstein has profoundly influenced my thinking for almost 40 years and marks this book deeply. In particular it aims to vindicate a rather testy, provocative and entirely unvindicated remark in Wittgenstein's *Culture and Value*:

There is nothing more stupid than the chatter about cause and effect in history books; nothing is more wrong-headed, more half-baked. – But what hope can anyone have of putting a stop to it just by saying it?

Second, this book owes an especial debt to both its author's sons, Ewan and Sam. It was Ewan who, in commenting on an earlier draft of the book, first drew my attention to the work of Walter Lippmann. In doing so, and despite the fact that he himself is no Lippmann admirer, he did me an enormous favour. Because, in Lippmann's near-century-old book, *Public Opinion*, I found astonishing presentiments of my own ideas and arguments, but expressed with an eloquence and a psychological and philosophical insight well exceeding my own. In implicit acknowledgement of that, this text and its notes are regularly punctuated and illumined by quotations from Lippmann's superb prose.

It was in conversation with my younger son Sam, a decade or more ago, that some deeply uncomfortable questions about democracy first formed in my mind.

In reflecting on his provocative contributions to that conversation, I was stimulated to think more critically about the relationship between capitalism, democracy and nationalism. I began to see how delicate and problematic that three-sided relationship is, and so began the train of thought and reading that led ultimately to this book.

Finally, if the later years of my intellectual life have been profoundly shaped by the later philosophy of Ludwig Wittgenstein, its entirety has been influenced by the ideas of Karl Marx and Friedrich Hegel, ideas which I first encountered over half a century ago as a postgraduate student. In returning to those early influences in this book, but refracting them through a Wittgensteinian lens, I have been helped to see what is familiar in new ways. Or rather, I have been helped to see ‘that which is always before one’s eyes’, the hardest of all things to see according to Wittgenstein. I hope this book will play the same revelatory role for its readers.

GNK,
Sydney,
May 2019



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PART I

Philosophy



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1

THE PRESENT AND THE FUTURE

Introduction

The central thesis of this book is that we are living through a ‘world historical’ period in human history, to use a phrase of the German philosopher Friedrich Hegel.¹ That is, the structural shifts in the world economy which began some 30–40 years ago, are having momentous consequences for human material welfare, for politics in the western and non-western world, and for our planet’s environment. I concentrate on the effects that these ‘tectonic shifts’ in the world economy are having on western societies in general, and on democracy in particular. I argue that the shift of economic power away from the West is exposing a crucial weakness in the way modern or mass democracies operate, but that weakness is just a part of a much broader problem – the increasing disjunction between a globalised economics and a still overwhelmingly ‘national’ or ‘nation-state’ focused politics.

This argument is quite familiar and not, I think, particularly controversial. However, I go beyond these familiar assertions about what *is* happening in our world to some prescriptions about what *should* happen, both now and in the future. In particular, at the end of the book I put forward some proposals for the political regulation of a globalised capitalism. These proposals reflect my passionate conviction that the problems posed by that capitalism cannot be dealt with nationalistically, and that any attempt to do so is bound to fail *and* to be deeply humanly destructive while failing.

The above then is the general argument of this book. Analytically that argument falls in two distinct parts: a set of descriptive generalisations about what is happening in the world economy and to the politics of western societies now (Part II, Chapters 3–8) and a set of prescriptions about what

should happen if human beings are to respond to these changes and challenges positively (Part III, Chapters 9–11).

So this is a book about what is happening and what I think should happen. It is not however a book about what *will* happen. It does not, that is to say, move from describing what is happening to predicting what will happen. Because, in contrast to many social scientists, I do not believe that one can do this. In fact I believe that all social scientific attempts at prediction are philosophically flawed – based on a deep philosophical confusion about how human social life (and thus human history) works. One aim of these first two chapters is to say why I believe that.

However, some people believe that not merely is the attempt to predict the human future philosophically flawed, so is any attempt to identify ‘world historical’ moments or periods in human history *while they are happening*. In particular historians have often argued that any attempt to assess the ‘world historical’ significance of what is happening ‘now’, is bound to fail. Such assessments can be made, if made at all, only with long-period hindsight (which is how indeed Hegel made them in his *Philosophy of Right*²). In short, one can perhaps, long after the fact, make assertions about which events *were* world-historically significant, but one can never make assertions about which events *are* so significant. And if that is true then the central argument of this book is itself a philosophical non-starter.

In the rest of this chapter and in the next one, I attempt to meet this objection. I suggest that it is unanswerable if understood as an objection to predicting the future by projecting from a supposed ‘world historical’ present. But it can be overcome if assertions about the long term or world historical significance of present events are used, not to *predict* the future ‘*scientifically*’, but to *prescribe* a future *ethically*. And that is precisely how I do use them in this book.

The Present as History

Toward the end of his life Eric Hobsbawm wrote a series of brilliant essays trying to situate our present world historically – to describe and explain how important features of that world had been historically created.³ But he never, at least in his published work, tried to envision the future, or speculated about which of the historical trends he identified might continue into the future. As he knew only too well, the hardest thing for any contemporary observer is to distinguish phenomena that will prove of lasting significance from those which, however passingly important, will, in retrospect, be judged of little consequence.

Many English monarchists who witnessed the execution of Charles I and the rise of Oliver Cromwell’s Commonwealth may have thought that the English monarchy had perished forever, but they would have been wrong. French monarchists who drew the same conclusion after the revolution of 1789 would have been ‘wrong’ in 1815 (when the Bourbons were restored), but ‘right’ from 1848 onwards. Many people dismissed Robert Stephenson’s steam locomotive as a useless, and probably dangerous, piece of tomfoolery, and have been the subject

of Edward Thompson's 'enormous condescension of posterity'⁴ ever since. But were those who thought the same thing about Charles Babbage's 'analytical engine' equally wrong? Arguably they were 'right' for more than a century. But with the development of the modern computer (and the rediscovery of Babbage's engine as its forerunner) we would presumably consider them wrong now.

So it is not only difficult to know which contemporary phenomena and trends will prove of lasting significance, but future developments may themselves change judgements of what *is* lasting and significant. After all, although the steam engine generally and the steam locomotive particularly, changed the world (so proving wrong those who dismissed them), they are now defunct forms of technology – their period of 'lasting significance' is over. And conversely, Babbage's engine, rightly dismissed as 'of no practical significance' in its own day and for a long period afterwards, suddenly became significant when developments in electronics allowed its calculating functions to be carried out at speeds which had been impossible mechanically.

For all these reasons it is the conventional wisdom of historians that judgements about the 'long-term significance' of anything can only be retrospective and may even then be unstable depending on when the historian is writing, and thus on the 'present' that informs that writing. A historian of Britain writing in the mid-nineteenth century and one writing now would agree that the institution of monarchy has proved far more lasting than Charles Stuart and his supporters might have imagined as they fled to France in 1651, but they may still be divided on what it is that has 'lasted'. For the British constitutional monarchy of the twenty-first century is not only completely different from the 'absolute monarchy' for which the Stuarts stood, it is rather different from the constitutional monarchy of the nineteenth or early twentieth centuries.

As a result, I would regard Eric Hobsbawm's and most other historians' 'self-denying ordinance' about predicting the future as wise were it not for one complication: that judgements about which contemporary events and trends are of lasting significance are, by definition, judgements of *contemporaries* not of historians. They are the judgements of participants not of observers. Philosophically-speaking this makes a world of difference.

Contemporaries versus Historians

It means, for example, that the eighth paragraph of this chapter contains a crucial misstatement. For those seventeenth-century English monarchists faced with defeat by Cromwell and Parliament would not merely have 'thought that the English monarchy had perished forever', they would have *feared* that it had, and, fearing that it had, been determined to do everything they could to see that fear was not realised, that the monarchy was restored as soon as possible. The same would have been true of the supporters of the Bourbon monarchy overthrown in France in 1789. Similarly, those people who dismissed the steam locomotive as a folly did not simply 'dismiss' it. They too probably feared it, felt that it presaged changes whose nature and significance were difficult or impossible to know and therefore frightening. Better therefore that they not

be embarked upon.⁵ Conversely, Robert Stephenson, and those of his Victorian contemporaries who were ‘right’ about the steam locomotive, were supporters of it, makers of and investors in it, not simply observers of it. For them, saying that the steam locomotive was the transport of the future was part of *making* it the transport of the future. It was part of the making of history not the mere recording of it.

What is true of contemporaries in the past is true of me now. In attempting in this book to identify which trends and events in the present will be of lasting significance, I will, of necessity, be expressing my hopes and fears and not simply estimating probabilities. For even if I wanted to, I could not treat all the future possibilities I identify with equal indifference (in a way that the historian can treat past trends and events). I cannot do that just because there is a logical possibility, at least, of my *influencing* present events and future trends, a possibility that does not exist for the historian. In other words, both my hopes and fears may be *realised*, and that being the case I must do my best to see that my hopes are and that my fears are not.

Yet: all over the world there are people who professionally pursue a subject called social science, one of whose founding protocols is that contemporary social changes and trends can be simply ‘observed’, ‘measured’ (where appropriate) and their future implications ‘projected’ in exactly the same way that events and trends in the physical universe are observed, measured and projected. Built into this founding protocol (although not typically stated) is the belief that, in practice, the capacity of any individual social scientist to influence the phenomena s/he is observing is so minimal as to be discountable. Therefore, it makes just as much methodological sense for social scientists to be simple observers of social phenomena as for natural scientists to be simple observers of natural phenomena. And note, all that is required to accept this professional protocol is the belief that *they* – the social scientists – cannot significantly influence the phenomena they are observing, not that nobody can. One can, with perfect consistency, admit that all social events are the product of human action, and that all social trends are just ways of describing the ‘*en masse*’ results of such action, but think that, precisely because these are mass phenomena, ‘my’ influence on them as an individual social scientist, and even ‘our’ influence as a group of such scientists, is effectively nil.

That view might seem particularly apposite for this book. Because it is concerned with contemporary events and trends in the entire world, in the entire inhabited portion of planet earth. It is concerned with mass events and trends in the largest possible sense of ‘mass’ – those produced by the actions and interactions of hundreds of millions or even billions of people. In short, given the global and long-term foci of this book, it would seem especially plausible that I could write it simply as an observer, chronicling and analysing phenomena that are as much beyond my control or influence as the physio-chemical events of a far distant planet, star or galaxy are beyond the control or influence of the astronomer or astro-physicist.

Yet I cannot, because there is still a difference. While the phenomena with which I am concerned in this book are certainly beyond my capacity to significantly influence they are not ‘beyond’ my hopes and fears. As will be seen as the argument of

this book unfolds, there are things I want to happen and things I desperately want not to. More than that, as the book's references show, many of the things I want to happen, others also support, and many of the things I want not to happen others also oppose. However, those same references also show wide disagreement. For some of the things I support are opposed by some of my contemporaries, and some of the things I want to see avoided, others support and are even trying actively to bring about. In other words, what should happen in the future is the subject of *political argument and disputation* now (as it 'always' is) and this book is a contribution to that argument and takes sides in those disputes.

But astro-physicists do not dispute what 'should' happen in the future of a far-off galaxy as a result of what they observe to be happening there 'now' (not least because that 'future' has already happened!) although they may certainly fear that something will later be observed to have happened as a result of presently-observed events and trends. Similarly, no chemist can meaningfully 'support' or 'oppose' the outcome of a chemical reaction she is inducing (although she can predict what that outcome will be, and support or oppose some *uses* of the chemical compound the reaction produces.)

In short, although certain social events and trends may be as much beyond individual influence or control as any physical phenomena, they are not, by definition, beyond the control of masses of people. That is precisely why they are the subject of hopes and fears and the subject of political disputation in a way that physical phenomena are not. 'I' cannot bring about a social phenomenon of which I approve just by approving it or prevent a social phenomenon I disapprove just by disapproving it. *But 'we' can*, if that 'we' is on the scale and in the location or locations of the phenomenon itself. And one important role of politics is the creation of a 'we'. Politics is about creating the masses of people who will make the economic, social and cultural future 'we' want to see. But there is no 'we' of atoms or molecules or light rays that can 'make' the physical future they 'want to see'.⁶

This book then is my small contribution to the attempt to make a 'we', an 'us' – who, if we are enough and act wisely and appropriately, can make a future that we desire for ourselves and our descendants. As such it is my contribution to a present-day political debate and aims not simply to tell the truth but to persuade. Of course, my argument will (probably) only persuade if it tells the truth, which means, if its observations of current events and trends are empirically accurate. But at times I will go beyond present events and trends to consider the 'likelihood' or 'the probability' of their continuing in the future, and when I do that I will always be expressing my values as much as assessing objective probabilities. By this I mean that when I assess a trend I disapprove of as likely to continue this will be part of my attempt to persuade my readers that it should not. It will be a *warning* in effect. Conversely, when I assess a trend I approve of as likely to continue that will be part of my attempt to persuade my readers that it should. It will be an *encouragement* in effect.

Conclusion: Prescribing not Predicting

For good philosophical reasons, no contemporary can see the ‘world historical’ significance of the present through which she or he is living, in the sense of being able to predict what future that present portends. But though one cannot write even *ersatz* history of the present, one can try to *make* the future through persuasion about the present, which is what I do in this book. And that explains some anomalies in it. For while Part 2 of the book supposedly deals with ‘the present’ and Part 3 with ‘the future’, there are some speculations about the future in Part 2 and some observations about the present in Part 3. These anomalies all arise from my arguing for a future *in* the present.

One final point. The terms ‘present’ and ‘future’ are not exact. They are concepts with ‘blurred edges’ (as Wittgenstein says of the word ‘game’ at the beginning of his *Investigations*.⁷) In fact, angling about where ‘the present’ ends and ‘the future’ begins is the kind of thing that philosophers do, to everybody else’s irritation.

The philosophical problem arises from the fact that ‘present’ and ‘future’ look like chronological terms but are not. I do not mean by ‘the present’ the year 2019 or even the period (say) 2012 to 2019. Nor by ‘the future’ do I mean the year 2119 or the period (say) 2129 to 2147. Rather both ‘present’ and ‘future’ are ego-centred *experiential* terms.⁸ For as long as I am alive I carry ‘the present’ with me. I am the measure of the present, and when I finish it finishes. And whilst I may speculate about ‘my future’ as part of my life, when I speculate about ‘the future’ I am often (at least these days) thinking about what happens after I die.

But I have no exact idea when I will die, so I have no exact idea when the present will end and the future begin. But for the purposes of this book I can say that I am now 72 years old, so my present will not last too much longer, and the future with which I am concerned covers at least the century 2019 to 2119. So I will certainly not see most of it but would still like to influence it if I can.

Notes

- 1 I have borrowed this striking phrase from Hegel because it is striking, not because I endorse his teleological use of it. For both the phrase and its teleological use, see Hegel’s *Philosophy of Right*, tr. by T.M. Knox, Oxford: Clarendon Press, 1952, pp. 216–23.
- 2 Ibid. See also Hegel’s *The Philosophy of History*, New York: Dover, 1956, for a far more detailed application of the teleology.
- 3 Most notably in his *On History*, London: Abacus 1998; *The New Century*, London: Abacus 1999; and *Globalisation, Terrorism and Democracy*, London: Little, Brown, 2007.
- 4 E.P.Thompson, *The Making of the English Working Class*, Harmondsworth: Penguin, 1970, p. 13
- 5 ‘In the hundred in which Middlemarch belonged railways were as exciting a topic as the Reform Bill or the imminent horrors of cholera, and those who held the most decided views on the subject were women and landholders. Women both old and young regarded travelling by steam as presumptuous and dangerous, and argued against it by saying that nothing should induce them to get into a railway carriage; while proprietors ... were ... unanimous that in selling land, whether to the enemy of mankind

or to a company obliged to purchase, these pernicious agencies must be made to pay a very high price to landowners for permission to injure mankind ... In the absence of any precise idea as to what railways were, public opinion in Frick was against them, for the human mind in that grassy corner had not the proverbial tendency to admire the unknown, holding rather that it was likely to be against the poor man, and that suspicion was the only wise attitude with regard to it.' George Eliot, *Middlemarch* [1871–2], London: Penguin, 1994, chapter 56, pp. 553–4.

- 6 Although there are people who can *manipulate* physical phenomena to make physical futures. The philosophical differences between natural and social science – the differences which make the latter no ‘science’ at all – are subtle but profound.
- 7 Ludwig Wittgenstein, *Philosophical Investigations*, Oxford: Basil Blackwell, 1972, remark 71.
- 8 And so, oddly enough, is the other member of this trio – ‘the past’. I have a personal past – ‘my past’ – as does everyone else, but I cannot experience ‘*the* past’ as I can the present, nor have hopes or fears for it, as I can for the future. But my understanding of the past is necessarily affected by my present experience. In fact everyone sees history through the prism of their life experiences. History is about what people thought, felt and did in the past, so as our self-understanding and our understandings of present people change, our understandings of past people change too.

So, ‘past’, ‘present’ and ‘future’ are three vague but very useful concepts. And that was one of Wittgenstein’s most important philosophical insights – that vagueness is not always a shortcoming of concepts. On the contrary, it is their vagueness that allows us to use them in a variety of ways, each of which, *in context*, will be precise enough. Perhaps that seems obvious once it is pointed out, but it was not obvious to Wittgenstein as long as he was in the grip of a scientific understanding of the world and philosophy. And it wasn’t obvious to me for a long time either. For, like the young Wittgenstein, I had been trained to believe that the study of human social life could be ‘scientific’.

2

THE LASTING SIGNIFICANCE OF OUR PRESENT

If one is trying to nominate social phenomena of the early twenty-first century which historians of the future will see as of lasting significance one is probably unwise to choose most political events or changes, no matter how much contemporary attention they command. By this I mean that electoral victories and defeats, changes of presidents or prime ministers, cabinet reshuffles, even apparently radical shifts of public policy, are unlikely to find a major place in the history books of the future. This is mainly because, unless they lead to lasting institutional changes or to long term alterations of the built environment or physical landscape, they will leave behind only rapidly-antiquated official documents and piles of mass media footage and reportage, both of which historians will probably find quaint or amusing rather than important. For much the same reason it is unlikely that most of the artistic, literary or entertainment sensations of the present will invoke much beyond the amused curiosity of our descendants and chroniclers, as indeed most (not all) such phenomena of the past invoke ours.

By definition in fact, historians of the future are likely to use as their criterion of 'lasting significance' those twenty-first-century phenomena that have continued to matter in the world *they* inhabit. In part at least, they will be writing our history to trace the antecedents or beginnings of forces that have continued to shape or form *their* world – that have given them and their contemporaries achievements to celebrate or problems to solve.

If this is true it does not take much acuity to think that two contemporary phenomena in particular fulfil this criterion. They are:

1. Changes in the earth's climate and eco-system produced by twentieth- and twenty-first-century human activity, and
2. Structural changes occurring in the late twentieth and early twenty-first-century world economy.

It is hardly necessary to make an argument for number one. As we all know, in the worst-case scenario humanly-induced global warming and climate change could actually make our planet uninhabitable for *homo sapiens* (hence no historians in the future!) But even in a range of least-worst scenarios it is already certain that future generations will confront a significant rise in the global ambient temperature and a number of its physical effects – rises in sea levels, shifts in the volume, intensity and distribution of rainfall; sharp changes in the growing conditions of a large variety of food and other crops; increasing water shortages in several parts of the world; and (in all probability) the rendering of certain areas of the earth's landmass uninhabitable, either by seawater inundation or through excessive heat. Many climate change projections also foresee one or more of these developments leading to increased conflicts among states and/or other groups of human beings (over water for example, or cultivable land) and to continually rising numbers of climate refugees.

Perhaps surprisingly, having mentioned this first candidate for a lasting legacy of our present to the future, it will find a very limited place in this book. I will be concerned with it only in so far as economics has played, or is playing, a part in its creation. This is partly because, not being a climate scientist, I have nothing to say about these things beyond what any informed layperson knows. But it is also because, dealing as they do with a physical phenomenon (global warming) and its effects, the future projections of climate scientists are not of the same logical kind as projections of the economic future.

I do not mean by this that environmentalism is politically uncontroversial or immune to intellectual doubt. I mean, rather, that with the exception of a relatively few climate change deniers, current debate about climate projections concerns either the degree of causal uncertainty to which they are subject or the extent to which human mitigation of global warming will affect those causes. In other words, there is almost unanimous agreement that part of what is projected must happen (indeed some of it already is) and that our descendants will have to deal with it. The uncertainties are to do with the physical causality itself (*how much* sea level rise will there be for each degree increase of ambient temperature, *how much* change in rainfall patterns and precisely where, etc.) and with the effectiveness of current mitigation efforts. (*How much* can we mitigate things now, and *how much* effect will different mitigation measures have?)

By contrast the second phenomenon above – the long-term implications of current structural changes in the world economy – is not a causal phenomenon at all. By this I mean that it is simply not logically possible to say that x or y will or must happen to the global economy over the next (say) hundred years if certain causes continue to operate. Because there are no causes operating in this realm. It is human action, and only human action, that will decide what will happen to the global economy in the next hundred years. So, while in the climate case we are dealing with the long-term effects of physical causes (although causes which human action has instigated and which further human action may still affect), in the economic case we are dealing not with effects but with *outcomes*. Human

actions and decisions have outcomes or consequences, but not causally-produced effects. By this I mean it makes sense to say ‘whenever ocean temperatures at the poles rise above zero degrees Celsius sea ice will melt’, but it makes no sense to say ‘whenever investment in Canadian car plants rises above \$100 million car output will increase’. The latter makes no sense because this year’s \$100 million investment might involve some very unwise choices of technology, or coincide with an unforeseen downturn in car sales (and a consequent cut back in production), or be undermined by a strike, etc.

In short what the global economy will be like in a hundred years will be entirely determined by what people do, and while people act for reasons and their actions have consequences, (including for other people) their actions are not caused by anything nor do they cause anything.¹ This in turn means that what the world economy will be like in a hundred years’ time will be determined by millions of decisions taken by millions of people between now and then, including decisions that we would call ‘political’ as well as those more narrowly economic. In fact, in the broadest sense of the term, the economic future of the world will be primarily determined politically, by decisions made by governments or groups of governments, and by businesses, consumers and workers in response to those governmental decisions. So, the economic future is entirely in human hands, and in that respect it is very different from the climatic future. For the latter is partly in human hands and partly being produced by causal laws of terrestrial chemistry and physics, laws which are already having predicted effects. The only question – and a crucial one – is what the balance of these two parts will be, i.e. how far human action will mitigate or intensify the effects of those laws.

This logical difference does not mean, though, that people can simply do anything they like to make the economic future. Indeed, one of the most pronounced characteristics of modern economic activity is that most of it requires not merely mass human action but mass human *interaction*. In other words, people in one part of an economy cannot act unless people in another part do. Cars can be assembled by some people in one place, only if the components from which they are assembled have been produced by other people somewhere else and transported to the assembly plant. And those components in turn cannot be produced unless the raw materials of which they have been made have been manufactured, or mined, or grown, by yet other people in other places. Thus, any breakdown in these ‘supply chains’ – in these patterns of interdependent activity – will prevent people from economically acting just as effectively as any physical impediment. Car assembly workers cannot do anything economic without components, car seat manufacturers cannot do anything economic without metal and fabric, estate agents cannot do anything economic when nobody wants to buy houses.

Moreover, just because economic activity is a species of mass interdependent activity any attempt to change those interdependencies always has economic costs. Wheat can be grown in many places on this planet and thus manufacturers of bread or pasta do not have to obtain it from any particular wheat farm or group of farms. But if the wheat flour they are presently buying is the best quality

available to them at the lowest possible price, any enforced change of supplier will increase their costs.

Most importantly of all, if, over a period of time, the patterns of interdependency between any set of producers or between producers and consumers change significantly, it can be effectively impossible to go back to the earlier patterns even if some people, or a lot of people, want to. This impossibility can be of two forms. It may be physical (mines have been exhausted, inefficient or uncompetitive plants or factories have closed) or economic (production costs would double if old suppliers were used, and this would make the businesses being supplied immediately uncompetitive or loss-making).

Thus, while changing patterns of economic interdependency do not make any economic *future* inevitable, they can prevent return to various economic *pasts*. To use the familiar spatial analogy, any present pattern of economic interdependency does not causally determine either how an economy will ‘go forward’ to a new pattern or patterns or what those patterns will be, but it can make ‘going back’ to an earlier pattern or patterns impossible. To take an obvious but humanly crucial example, with a planetary population of nearly 8 billion people human beings cannot now revert *en masse* to a world of peasant villages and small-scale artisan production. There is not enough cultivable land on the planet to make the former possible and there are too many planetary consumers for even their basic material needs to be supplied by the latter (at least at its historical levels of productivity.)

The most important implication of these observations is political. Because when patterns of economic interdependence change people who have been hurt or damaged by that change – who have lost jobs or income – may want to ‘go back’ to the old pattern. And such ‘going back’ may be seen, not in purely economic terms, but as a return to a wholly better world of lost community relations, cultural pursuits and values, and psychological as well as economic security. If such people are citizens of a democracy, politicians might be tempted to win their votes by promising, or at least implying, that such a return is possible. Historians of the first socialist movements in Britain and western Europe have seen their ‘utopian’ schemes and aspirations as embodying a thinly disguised hankering to recreate a pre-industrial world of village communities, full of cooperating small farmers, artisans and small-scale manufacturers.²

Such a view may be somewhat unfair, because an early socialist like Robert Owen was as much concerned to reform the new world of factory production as to recreate an idealised past. But the more general point is that if people think that a technologically or economically surpassed set of economic interdependencies had humanly desirable features, they should try, not to recreate them, but to reform the new set to incorporate those features.

It is this conception of the economic process – in which human action and interaction continually creates new actualities and possibilities and forecloses old ones – which guides the whole of the analysis and prescription in this book. My aim is to describe what I take to be the main economic features of our early

twenty-first-century world. I will then suggest what pasts those features now foreclose and what future or futures they make it possible for us to create. For the decisions we make now – whatever they are – will create future economic states of affairs with which our descendants will have to live and the origins of which will certainly interest future historians. So it is vital what those decisions are, and in this book I argue for some decisions against others – which means for decisions (and actions based on them) that give us a better chance to create a future of which I approve, that I would wish to live in if I were alive. Indeed precisely because it is human action, and only human action, which will determine our economic and political future it is both ethically essential to *prescribe* what that future *should* be and epistemologically essential not to *predict* what it *will* be.

Notes

- 1 In saying this I am endorsing the view, articulated by Peter Winch among others, that *reasons aren't causes* and neither are actions. People act for reasons, but there is room for 'play' or 'variation' between their reasons and their actions. This play or variation is not found between causes and effects. Moreover, except in a narrow range of physical cases, the actions of others do not cause me to do anything. Rather I *respond* to others' actions (and they respond to mine) but to respond is not to be *caused* to do anything. Moreover, I may have a reason to act but not actually act and my actions may have consequences other than I intend. But a cause can't 'decide' not to operate or not to have an effect. Nor can a cause have effects other than those it 'intends' (although it may have effects other than those predicted.) See Peter Winch, *The Idea of a Social Science and Its Relation to Philosophy* (2nd edition), London: Routledge, 1990, ch. 3, 'The Social Studies as Science'.
- 2 For this kind of view see Noel Thompson, *The People's Science: The Popular Political Economy of Exploitation and Crisis 1816–34*, Cambridge: Cambridge University Press, 1984; and *The Market and Its Critics: Socialist Political Economy in Nineteenth Century Britain*, London: Routledge, 1988.

PART II

The Present, Economic and Political



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CONTEMPORARY CAPITALISM AND POSSIBLE FUTURES

I want to argue that changes currently occurring in the world are making it possible for human beings to create a future which could be universally and positively 'human', but which may (if they do not act appropriately now) be destructively sectionalist and highly inhuman. The economic dimension of these 'world historical' changes is the focus of the next three chapters. I begin, in this chapter, by outlining the structure and organisation of contemporary capitalism. In the following chapter I describe the recent transformation of a predominantly western capitalism into a genuinely globalised form of economy. Finally, in Chapter 5, I consider the major structural shift – from manufacturing to services – which has occurred in all western economies as a concomitant of globalisation, and some of its domestic social and political consequences.

Capitalism

As an economic system capitalism is not defined by the production of goods and services for market or monetary demand (although it embodies this), nor is it defined by production for monetary profit (although it embodies this), nor by international trade (ditto). Rather it is a system in which competing enterprises seek ever more efficient forms of production and distribution in order to *maximise* profit. Like anything new, it had to begin somewhere, and capitalism began in certain areas of England, Scotland and Wales between, roughly, 1780 and 1840 – the period conventionally referred to as 'the industrial revolution'. This means that it began in part of what is now referred to as 'the West' of the world, and for the first 200 or so years of its existence spread almost entirely in and to other areas of the West (North America and Western Europe).

'Capitalism' is a term generally used by Marxists (although, interestingly, it does not appear in Marx's own published work). What does appear there however and has influenced not only generations of Marxists but many other people, is the idea that once it has come into existence, capitalism tends to destroy and displace all other 'modes of production', all other systems for producing goods and services. Marx himself was perhaps more clear that this was so than why. As a result there has been endless debate, both among Marxists and between Marxists and others, about whether this 'displacement' occurs for narrowly economic reasons (capitalist production, being the most efficient form of production, produces cheaper goods than any other economic system and thus 'out-competes' it/them) or whether it also required the use of political and military force.

In a sentence from the *Communist Manifesto* which reads eerily today, Marx and Engels said: 'The cheap prices of commodities are the heavy artillery with which it [the bourgeoisie] batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate.'¹ But in fact, before they could be battered down by 'cheap commodities' (most notably opium from India), 'Chinese walls', or at any rate Chinese coastal fortifications, had first to be battered down by Royal Navy shells, followed up by *de facto* military occupation.

But if this is true, it is also true that in the twenty-first century it is the cheap prices of *Chinese-produced* commodities which are 'battering down' or have already 'battered down' a number of western industries. In neither case however does this 'battering down' seem to have caused anybody's 'intensely obstinate hatred of foreigners to capitulate'. What it did do – not only in China, but in Japan, Korea and (now) in many other places in South and Southeast Asia – was to convince people that if they were not to be endlessly subordinated to western capitalism they had to adopt its production and distribution techniques and turn them against it – to economically out-compete the West. But this is simply emulation as the sincerest form of flattery; it need not be accompanied by broader political or cultural emulation, let alone admiration.

These mentions of China, Korea and Japan remind us of something else about the global 'spread' or 'expansion' of capitalism. It not only required the use of political and military power by the western states spreading or expanding it, it also (somewhat later) required the use of political power by non-western states to further deepen and spread the capitalist mode of production within their borders. In neither case, therefore, are we dealing a simple market process, a process driven simply by competitive efficiencies, reduced costs of production, more economically efficient forms of communication and distribution. We are dealing with a process which is as much political and military as economic and has been from the start (i.e. even in the West).

Because the global expansion of capitalism has been a hybrid economico-politico-military process, it is also misunderstood if conceived in simple analogy to any sort of physical 'spread' or 'expansion' in the natural world. Water can spread across a field or a plain if released from a river or a reservoir, gas can expand to fill a vacuum if pumped into that vacuum. An incoming tide (another oft-used

analogy) deluges a shoreline or beach and covers it in sea water. But capitalist expansion is not like any of that. It is more like a tide that, when it rushes in, does indeed ‘lift all boats’ ahead of it but which (unlike any actual tide) also leaves significant areas of the seabed behind it uncovered – entirely denuded of water – so that fish and other sea life there perish, and boats unlucky enough to be there founder on the seabed.

In other words, and to leave all these metaphors behind, capitalist expansion is a deeply contradictory process of what the Austrian economist Joseph Schumpeter termed ‘creative destruction’.² New enterprises are formed, new production and other techniques are discovered, new commodities are produced and distributed. But at the same time, and as part of the same process, old enterprises are destroyed, old techniques are rendered redundant (and their users unemployed), and older commodities, or even older forms of commodities, lose their markets. (And communities that were founded to produce them, and prospered by producing them, become impoverished.)

Many conventional economists, while admitting that capitalist expansion is destructive in these ways, see that destruction as a merely temporary or short-term phenomenon which, ‘in the longer run’ will be more than compensated for by its broader, positive effects. Yes, the rise of new, more efficient, iron and steel, or other heavy industries in China, India or Indonesia may result in the closure of older versions of such industries in the US, UK or Europe. But workers in the ‘rust belts’ so produced will eventually find that demand for new goods and services coming from newly prosperous industries and people of China, India or Indonesia will provide them with other job opportunities, or such opportunities will come, directly or indirectly, from investments made by Chinese, Indian or Indonesian businesses in the US, UK or Europe.

Of course, how reassuring that is depends on how ‘eventual’ the ‘eventually’ turns out to be. (It is of little comfort to an unemployed worker in 2019 to be told that her grandchildren will be okay, even if she were predisposed to believe it.) Even more crucially, it depends upon whether the jobs which will replace those lost will be of a kind which the currently displaced are qualified to do, and what the quality of those jobs will be – their security, levels of remuneration, etc.

These considerations suggest just how complex it is to make moral judgements of capitalism as an economic system, and it is to this issue that I now turn.

Evaluating Capitalism Philosophically

Capitalism’s advocates say that competitive market economies based on private property have raised human standards of living more successfully than any other form of economy or society, including all the forms that preceded it, and far more successfully than state ‘socialism’ or ‘communism’ – the other ‘modern’ form of economy and society that once claimed to be its alternative. Those who

are more sceptical point to capitalism's record of more or less regular 'market failure', including periodic recessions and depressions and their grievous human consequences, as well as the damaging impact of capitalistically-driven economic growth on the world's natural environment.

I agree with both sides. I agree that capitalism is, by many criteria, the most successful form of economy ever devised by human beings, but I also think that it has an endemic and in-built tendency toward periodic market failure and that it has been severely environmentally damaging, at least as it has operated to date.

I do not think I am atypical in holding both views. Indeed, I expect that, if a poll were taken, most economists would be shown to hold both. In fact, and contrary to what one might think when debates about capitalism become overheated, there is actually nothing contradictory about holding both. As we shall see, capitalism has been so successful because of its unique economic dynamism, but that dynamism occurs through processes that are almost bound to lead to periodic crises, as well as to environmental damage.

People who live in a capitalist world (and leaving aside for a moment those who work in the public sector) are either engaged in running capitalist enterprises or in working for them. In both cases their real income and standard of living is determined by how successfully 'their' enterprise competes. Owners and managers of enterprises (large and small) benefit directly from competitive success by getting a share of the profits, as well as wage or salary increases. 'Ordinary' employees benefit from wage increases alone. If a capitalist enterprise is a small, privately-owned business, profits accrue directly to owners (who may also be its managers). If the enterprise is a public company, a share in profits accrues to shareholders as well, and in many modern corporations senior managers are remunerated as shareholders of the company as well as being very well paid employees.

What all this means, fairly obviously, is that, in a capitalist economy the prime motivation of all enterprise owners and managers is competitive success. 'Staying ahead' in the competitive race, or improving one's position in it, 'getting an edge' over the competition – these things have to be the predominant concern of anyone who runs any capitalist business anywhere in the world – man or woman, old or young, single-person owner of a market fruit and veg stall, or CEO of a global finance company. Even if, as an employee of a company, one is not directly motivated by such concerns, one will still be aware that one's job, and therefore one's income and material well-being, depend on the company being a success, or at least on its not being a failure. There is no one in the world now who does not know that successful enterprises hire people, raise wages and provide secure employment, while unsuccessful ones make people redundant, lower wages, and provide poorly paid or insecure employment.³

All this, surely, is obvious. But it has a less obvious implication, which is that, in a capitalist economy, *everything else that occurs is a side effect of the pursuit of competitive success*. A new, and much more effective prophylactic drug for the treatment of malaria is discovered and the lives of millions of people around the world are saved. This is a side

effect of the pursuit of competitive success by a pharmaceutical company.⁴ A river is filled with toxic tailings from a copper mine, all the fish die, hundreds of villagers living along its banks are left without means of livelihood and many people starve. This is a side effect of the pursuit of competitive success by a mining company.⁵ There is a major technological breakthrough in developing a cheap carbon sequestration system for coal-fired power stations and as a result CO₂ emissions across a swathe of countries fall sharply with positive effects for the environment. This is a side effect of the pursuit of competitive success by an energy technology company. Breast implants in nearly a million women are found, after prolonged use, to have serious carcinogenic effects. Hundreds of thousands of women become ill and thousands die. This is a side effect of the pursuit of competitive success by a medical technology company.

Putting this philosophically, in a capitalist economy neither good nor evil are ever pursued as goals, although both good and evil are *done*. Evil is done, in that no one would have died from carcinogenic breast implants if no one had made them and inserted them (and making and surgically inserting things are acts). Good is done, in that no one would have been saved from malaria if the drug had not been invented and disseminated (and inventing and disseminating drugs are acts). But in the former case the primary aim in making the breast implants was not to make women sick, but to make a medical technology company more successful. In the latter case, the primary aim was not to save lives threatened by malaria, but to make a pharmaceutical company more successful.⁶

In one sense the above is all too well known. Did not old Adam Smith say, in an endlessly quoted passage of *The Wealth of Nations*, that we look to the butcher for our dinner not out of his regard for our welfare but out of his regard for his own interest? Indeed he did.⁷ This passage is usually quoted to make the claim that capitalism has done more for human welfare by harnessing self-interest than has ever been done through altruism. That is true. But it is also true that a great deal of harm has been done to human beings (and also to other animals and the inanimate world) by harnessing self-interest.

The important point however is that, since the primary aim of all innovation in a capitalist economy is competitive success, there is no way of knowing, ahead of time, whether an innovation will do good, harm, or be welfare neutral. All that one can say is that an innovation will be maintained if it is commercially successful and not if it is not. Logically, evil-doing innovations can pass or fail this test, good-doing innovations can pass or fail this test, and welfare neutral innovations can pass or fail this test.

From a capitalist point of view what matters is that the innovation passes the commercial success test, not whether its consequences are good, evil, or neutral.

This being the case, innovations under capitalism could only be expected to do more good than harm if there is some reason to believe that good-doing or welfare-neutral innovations are more likely to be commercially successful than evil-doing innovations. There is one good reason to believe this – that the production of goods and services can only be commercially successful if people buy

them and people are unlikely to buy what does them harm. This is probably why most capitalist innovations are either welfare neutral or positive. However, people can nonetheless buy goods and services that do them harm if they are not ‘perfectly’ informed about the products in question – which means informed not only about their immediate and direct, but also their longer term and indirect, effects on their welfare. Real, fallible human beings are not possessed of such ‘perfect information’. Moreover, human beings are not only consumers of the products of capitalism they are also producers of them, and it is not a primary objective of capitalist enterprises to care for the welfare of their workers either. They will do so only to the degree compatible with competitive success.

So while the normal functioning of capitalism probably ensures that it will do more good than evil, it does not ensure that it will never do evil. Because doing good, or even not doing evil, is not a primary objective of any capitalist enterprise. Hence if it is desired to eliminate evil-doing from capitalism, and certainly if it is desired to do good in the world as a primary objective, this can only happen through interventions coming from outside the capitalist economy narrowly considered. Such activities include: government regulation, either of capitalist competition generally or of particular enterprises (this usually occurs in the aftermath of discovered evils of various kinds); successful litigation by product or service users/consumers (usually in the same circumstances); consumer boycotts of firms that have transgressed some moral imperative or other; and – in the case of enterprise abuse of workers – trade union movements demanding improvements in pay, working conditions, etc.

Note however the equal and opposite point; if the primary pursuit of good can only be introduced ‘exogenously’ into capitalism, so too can the primary pursuit of evil. Within a capitalist economy narrowly considered, human and other lives are not saved (or improved) as a primary objective of firm functioning. But equally capitalist firms do not pursue genocide or ethnic cleansing, or the invention and deployment of weapons of mass destruction, or the systematic pillaging of the environment, as a primary objective either. Only states, and those who control them, do this. Capitalist enterprises may assist in doing evil if they are coerced into it, or it is made economically worth their while to do so, but they will never themselves initiate it as a primary goal.

I am not claiming that owners or managers of capitalist enterprises are uniquely amoral individuals, indifferent to good or evil, wholly engrossed in the single-minded pursuit of commercial success. Clearly some successful capitalists are not merely amoral, they are immoral individuals who are willing to cheat or defraud others and commit acts both illegal and immoral if it will make them rich and their companies successful (and many of those people are actually criminals, discovered or undiscovered).⁸ But most capitalists are not like this.

The point is however that, irrespective of their personal morality, owners and managers of capitalist enterprises are, in their economic roles, constrained by competitive pressures. They are driven as much by what their competitors do as

by their own preferences or values. The CEO of an enterprise may feel, strongly, that sub-contracting the phone communications of her company to an overseas call centre will be to the detriment of its customers, and, in the longer run, to the company. She may even be right, 'in the longer run'. But if all her major competitors are reducing costs and increasing profits by such sub-contracting, the reluctant CEO will face intense short-term pressure to follow suit. For the cost of not doing so will be slower profit growth and slower growth in share values *vis-à-vis* her competitor companies. This in turn increases the possibility of a hostile takeover of her firm. In these circumstances the CEO's judgement about the longer run will be forced to give way to short term exigencies.

That individual capitalist enterprises are constrained in their decision-making by competitive pressures – by the doings of other enterprises – is, in my view, the prime philosophical justification for talking about capitalism, of capitalism *as* a system. Competitive pressures drive capitalism, they are what make it a system.

In a more famous section of the *Communist Manifesto*, Marx and Engels said:

The bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society. Conservation of the old modes of production in unaltered form, was, on the contrary, the first condition of existence for all earlier industrial classes. Constant revolutionising of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses his real conditions of life, and his relations with his kind.⁹

This extraordinary passage perfectly captures the morally-contradictory nature of capitalism and how it derives from the system's creatively destructive development dynamic. That dynamic entails that everyone must live with insecurity, because no one (no group of workers, no enterprise or set of enterprises) is immune from competitive pressures.¹⁰ Nor is there a way of knowing whether, or when, those pressures will impact anyone's life positively or negatively.¹¹ Marx and Engels were profoundly ambiguous about this. Marx in particular loved capitalism's dynamism, but felt profoundly ambiguous about it, because he knew, not only that it very frequently took creatively destructive forms, but that it was often the most vulnerable people who bore the brunt of the destruction.

I can only say that I feel a similar ambiguity. For precisely the same competitive pressures that force individual enterprises to sub-contract activities to cheap labour locations, or to close down antiquated plants or factories (and thus destroy communities) also work in opposite ways.

The CEO of an electricity generating company is violently anti-environmentalist. He thinks environmental science is ideological bunkum, and that carbon sequestration technology or renewable forms of electricity generation are a complete waste of time and money. Nonetheless, if (a) inexpensive carbon sequestration technology becomes available, (b) his competitors start deploying it and advertising the fact that they are, and (c) large number of his domestic and commercial consumers start deserting his company for these competitors, then (d) he will be forced to deploy such technology in his enterprise on pain of commercial extinction. The same can be said of the adoption of renewable energy technologies. And if his adopting such technologies generates employment and income opportunities for many people then, despite his ideological predilections, his company's 'market-forced' activities may do human or social good as well as being environmentally beneficial.

Knowledge in the Capitalist System

Owners and managers of capitalist enterprises are primarily motivated by competitive success. This means, as we have seen, that, in a crunch, responding in an 'enterprise-maintaining' way to what their competitors are doing will always take precedence over their personal preferences, whether economic or moral. This absolutely universal (gender indifferent, culture indifferent) competitive behaviour makes capitalism a system, it is what allows us to talk about capitalism *tout court*, and not just about individual capitalist firms, or economic sectors, or even particular national capitalisms.

This same behaviour also makes capitalism a system of a very particular sort. While enterprise owners and managers must know what their competitors are doing (wherever they may be in the world) and must act competitively in response to that knowledge, *they do not have to know anything else*. In particular they are not required to know the 'total' macro-economic consequences of all capitalist enterprises acting competitively.

The management of a car manufacturing multinational company must know that its competitors are now making much more fuel-efficient vehicles. Thus, if the company wishes to survive and prosper it too will need to produce more fuel-efficient vehicles. But neither it, nor any of its competitors, are required to know what will be the total macro-economic or macro-energetic effect of all car companies in the world producing more fuel-efficient vehicles.

The management of a major international bank must know that its competitors are offering mortgages at very low 'headline' rates of interest to house buyers and doing so without the kind of stringent credit checks that once obtained. Knowing that, it too may start offering such mortgages, and on even more 'free and easy' terms. But neither it, nor its competitors (other banks, other building societies) are required to know the total macro-economic consequences of all lenders offering such mortgages.

One may multiply such examples a hundred or a thousand times to cover every product and service offered in a capitalist world – from the types of hair dye or nail lacquer on offer in beauty salons, to the packing materials used for food and other products, to the supposedly sophisticated financial ‘products’ offered by banks, insurance companies and other financial institutions. What motivates the production and distribution of all of these things is commercial success (and the competitive emulation it brings in its train). But the overall ‘macro-economic’, ‘macro-social’ or ‘macro-environmental’ states of affairs produced as a side effect of this competitive emulation is not a professional concern of any of the individual enterprise managers or owners whose ‘mass’ or ‘aggregate’ activities produce them.

This may not matter for many purposes. The competitive activities of horticultural companies have undoubtedly had massive effects on the total and types of flowers available in the world today. But does anybody think this is a problem?¹² The competitive activities of thread-producing companies have undoubtedly had massive effects on the total and types of thread existing in the world today and their characteristics – strength, durability etc. But does anybody think this a problem?

However, this indifference of capitalist enterprises to the total effects of their competitive behaviour can be a massive problem in circumstances in which the ‘total’ or ‘macro’ state of affairs ‘reacts back’ negatively on all the enterprises that produced it (and on their workers and/or consumers as well) because it has economic, social, or environmental characteristics that nobody anticipated. Notoriously, this is exactly what happened to banks and other big lenders in the sub-prime mortgage crisis and subsequent ‘credit-crunch’ of 2008–9. But we can also take the less obvious case of more fuel-efficient cars. The macro or aggregate effect of this on CO₂ omissions may be perverse if the production of cheaper, more fuel-efficient cars leads to more people driving cars and driving longer distances. In that case, a technical innovation that may have been thought environmentally positive may end up being very environmentally negative.

I therefore draw exactly the same conclusion in this case as I did above in considering the morality (or otherwise) of individual capitalist enterprises. Just as pursuing good or evil as primary objectives must always be introduced to capitalism exogenously, so care for, or concern about, the aggregate or macro effects of enterprise behaviour must also be introduced to capitalism exogenously. In fact, it is not just that capitalism will not have such concerns if they are not introduced exogenously, it actually *cannot* have such concerns unless they are introduced exogenously. It is not capitalism’s fault that it cannot generate an explicit moral or systemic consciousness endogenously. If it could it would not be capitalism and would not have its many vices and virtues.

Owners and managers of capitalist enterprises are not the only ones who take no cognisance of the aggregate effects of their activities. Ordinary citizens do not do so either, whether acting as consumers, borrowers, savers, investors, or drivers

of vehicles. But the point is that capitalist competition is as much a creator of popular consumption patterns as it is a response to them. Thus, many decisions of ordinary citizens that have perverse aggregate consequences – how much to spend and on what, how much money to save or borrow, what vehicles to drive – are all influenced by that competition, mainly through advertising.

It is also competition among capitalist firms that ultimately determines what natural resources are consumed, and how, and what forms of pollution enter the global atmosphere and ecosystem. It is competition among capitalist firms that determines what goods and services are offered to consumers and how they are paid for. It is also competition among capitalist enterprises that drives the politically hallowed ‘rate of economic growth’, discussed in a later chapter. And now that competition drives the rate of growth of the entire world economy, not just the economy of one nation or region.

That being so, if human beings wish to have a habitable planet on which they and their descendants can live well, if they wish to have stable and sustainable forms of economic growth, if they wish to use the wealth that capitalism generates for any purpose that is not itself commercially profitable, they have to find ways of making capitalist competition subordinate to those wishes. That can be done – by changing the economic parameters within which competition occurs – and that is what is meant by the ‘regulation’ of capitalism for any exogenous purpose. But such regulation must be done in a way that respects an essential prerequisite of effective capitalist functioning. That prerequisite, and the massive problem with which humanity is confronted in endeavouring to respect it now, is the concern of the following section.

Global Capitalism and Regulatory Universality

The predominant focus of capitalism’s decision makers on competitive success, combined with their professional indifference to the aggregate effects of competition, has one important political concomitant. It means that, if there are exogenous policy interventions to regulate or prevent undesirable aggregate effects, capitalist enterprises will want those interventions to be universal and uniform across the market in which they are operating.

For example, the planet’s environmental situation might get so bad that several governments across the world decide to impose maximum usage limits on all new vehicles. In such a desperate situation, vehicle companies might feel constrained to accept such limits, but they would demand assurances that the ‘limit-enforcing’ technology be installed in *all* new vehicles, in *all* markets into which their vehicles were sold. For if they were not, if some markets continued to allow new vehicles to be produced without such controls, manufacturers who installed them would be at an automatic competitive disadvantage in those markets.¹³

Or, in order to prevent a repeat of the 2008–9 Global Financial Crisis, banks might be faced with demands that they separate their retail and investment

functions, so that deposits coming from retail customers (both individuals and businesses) are not used in risky or speculative investment activities. Individual executives of such banks might or might not support such a regulation. But their absolutely minimum, 'non-negotiable' requirement would be that it be imposed on all banks everywhere, because if it is not, in a global market for financial services, those banks on which it is imposed will be at a competitive disadvantage.

This demand – for universality and uniformity of regulation – has dominated the responses of capitalist enterprises to regulatory interventions ever since there have been capitalist enterprises. Marx noted that it dominated the responses of the owners of nineteenth-century factories to attempts to regulate child labour and hours of work in their enterprises. The majority of factory owners opposed such regulations root and branch, but a minority were willing to accept them and a few were even keen supporters. But the minority in favour demanded that regulations be imposed on all factories and policed by a government created and funded inspectorate equipped with powers to fine owners and even (*in extremis*) to close non-complying factories. In a competitive situation, factory owners did not trust their competitors to abide voluntarily by labour regulations. In modern parlance they did not trust their competitors (perhaps they did not trust themselves!) to self-regulate. They all knew that the commercial rewards for flouting the regulations (or for apparently abiding by but clandestinely flouting them) were too tempting for voluntary regulation to be effective.¹⁴

In that period (1830s to 1850s) when British governments were considering and enacting the first Factory Acts, first in textile factories and then in coal mines, something like 80 per cent of the world's output of textiles and more than 70 per cent of its coal output came from Britain.¹⁵ Thus one national government – of the UK – was more or less able to guarantee that its legislation would leave competitive conditions unchanged.

But now, in a world of globalised capitalism, no single national government, no matter how large or powerful, is able to offer such a near-universal guarantee. Now attempts to politically regulate any undesirable aggregate effects of capitalist competition must be trans-national. They must involve the combined actions of many governments, and they must be implemented in ways that are trans-nationally equal and effective.

That is to put things in the most positive way. A more negative, and (unfortunately) more accurate way of putting it is to say that, now, capitalists opposed to regulation can use the fact that any effective regulation must be trans-national to prevent such regulations being enacted altogether or evade those that are. A notorious case in point is the tax on financial transactions¹⁶ supported by many economists as a way of reducing the volume of purely speculative financial activity. Currently a majority of countries in the EU support such a tax, but up to now UK governments have taken the position that they will support it if, and only if, the US government also supports it. They have taken this position knowing full well that neither the current US government, nor any currently foreseeable US administration, will support it, because the US government – like the UK government – has capitulated to a finance industry lobby which sees such

a tax as competitively damaging if not universally applied. The result of this is that, in a classical case of the self-fulfilling prophecy, there is no hope of such a universal or near-universal tax being imposed, because a minimum condition of that is support from the UK, the USA and the EU!¹⁷

What is true of financial transactions is now true 'across the board' of economic regulation. To be effective now, regulations on working hours and conditions in enterprises, on minimum rates of pay, on minimum rates of taxation on income and profits, on vehicle emissions standards, on environmentally sustainable and humanly healthy farming or mining practices, must be policed trans-nationally if their 'global' effects are not to be partial or perverse.

It is important to understand what 'partiality' or 'perversity' means here. A state, or group of states, that believes another state is cheating on regulations, can of course enact legal measures to try to counteract the cheating. They can use import rules to prevent commodities produced by illegally cheap labour, or vehicles produced with illegal emissions standards (for example), from entering their markets. But they cannot prevent these commodities entering other markets, or prevent firms from falsely reporting their 'overseas' wage rates or from fiddling vehicle emissions tests to gain market access, etc. Even more importantly, if the 'regulation-avoiding' imports are inputs to subsequent exports (if they are raw materials for manufactures wholly or partly exported, or components of goods which, once assembled, are wholly or partly exported) then one perverse effect of well-intentioned domestic market protections may be *to make re-exports uncompetitive*. And if the jobs of some British, or French, or American or Chinese workers depend on those re-exports, then measures taken to protect employment in one sector or sectors from 'unfair' foreign competition can unintentionally damage employment in another sector or sectors.

These complications all arise, in one way or another, from the fact that in a global capitalist economy, all national governments are in precisely the same position as those Victorian factory owners faced with the Factory Acts. For they too cannot trust each other not to take advantage of the competitive opportunities that arise from not enacting such regulations, or not implementing them when enacted. But unlike those Victorian capitalists, national governments now cannot escape from the trap of their mutual distrust by demanding 'universal' legislation policed by a powerful and independent inspectorate (of factories, banks, mines or farms), because there is no political entity that can enact such legislation or back it with a trans-national inspectorate. And to operate effectively now, such an inspectorate would have to be independent, not merely of all capitalist enterprises across the world, but of every national government.

Conclusions: 'caveat emptor'

There is one extraordinary aspect of all capitalist societies, implicit in what is said above, that strikes me forcibly all the time, but it is very little commented upon.

I mean the deep division between the principles on which they run their economies and the principles which they espouse for the organisation of social life.¹⁸

Since the 1980s there has been a positive cult of *caveat emptor* – ‘buyer beware’ – especially in the major ‘Anglo-Saxon’ capitalist economies. In those economies not only must buyers beware of the motives and actions of sellers, enterprise owners or managers must beware of the intentions and actions of competitors. Even workers must beware, not only of the activities of competing enterprises, but of each other, of the actions and ambitions of their colleagues or co-workers. And the more intense capitalist competition becomes the more deeply and broadly such imperatives spread. Indeed, their doing so is part of what one means by the phrase ‘capitalist competition becoming more intense’. In other words, in the economic realm it is considered both normal and, at least broadly, desirable that self-interest, egotistical calculation and the treating of others simply as means to monetary ends, should be the norm. In fact, that is what I meant above all by describing capitalist economics as ‘amoral’. And yet nobody – not even the most determinedly neo-liberal economist or political scientist, or the most ruthless corporate boss or manager – thinks that such principles should govern relations with her or his family or friends. In those personal relations, ‘social’ principles of generosity, empathy and indeed altruism are supposed to rule.

But this ideological fission in turn makes the political realm in capitalist societies a deeply contested one. It is a realm continually, almost schizophrenically, oscillating between the morality of economics and the morality of the interpersonal.¹⁹

Politics, like economics, deals with the relations between masses of people, and therefore by definition it deals, overwhelmingly, with relations among strangers.²⁰ Therefore, should it too be governed by egotistical calculation and individual or sectional self-interest? Or should it be the realm in which the ‘hardnesses’ of market economics are softened by social principles of generosity, empathy with those less fortunate and, above all, the provision of certain material needs on a basis other than ability to pay?

It is a commonplace that these are the issues which have marked political debate and conflict in capitalist societies ever since there have been capitalist societies. What is less remarked is that, as capitalist competition becomes more intense, and especially in societies which are doing less well in that competition, there is an increased danger of the political realm being entirely consumed by the economic. By this I mean, it will ever more insistently be claimed that the social ‘softening’ of capitalist relations ‘just cannot be afforded anymore’, that unfortunately but ‘realistically’, such policies need to be abandoned or very severely curtailed.

And if this becomes the norm within capitalist societies, it is already the norm for political and economic relations among them. Because here one is dealing not with relations among citizens, among ‘us’. Here ‘we’ are concerned with an

entirely unknown ‘them’, with people who have no social claims upon ‘us’ and can thus be dealt with as economic and political self-interest dictates.

All these issues – increased national and global capitalist competition, globalisation of economic relations and their political concomitants – will be dealt with in detail in the next five chapters. Throughout I will be emphasising one paradox: that there is now little chance of capitalist societies being able to maintain social principles in the national political realm unless they introduce them, in at least a limited way, to the global realm.

Notes

- 1 ‘Manifesto of the Communist Party’ in Karl Marx and Friedrich Engels, *Selected Works in One Volume*, London: Lawrence and Wishart, 1970, p. 39.
- 2 Joseph Schumpeter, *Capitalism, Socialism and Democracy*, New York: Harper and Row, 1942, chapter VII.
- 3 Although it is also true, unfortunately, that very successful and profitable companies can be lousy employers, paying low wages and offering insecure employment and poor working conditions. Walmart and Amazon are just two of many examples. However, I don’t think these exceptions to the generalisation are sufficient to invalidate it.
- 4 Like all the others, this example was originally written in a generalised illustrative mode. However, in July 2015 the British pharmaceutical multinational, Glaxo Smith Klein, announced that it had developed the first effective vaccine for malaria.
- 5 Ditto re. events in Brazil in 2015 and 2019.
- 6 It will be noted though that, when the pursuit of competitive success produces evil, this is usually unintentional. A product or service has some evil side effect as a result either of ignorance (an inadequately tested drug or surgical appliance) or negligence (a poorly-constructed or maintained tailings dam). As against this, ‘good-doing’ products or services are usually intended to do good by their producers. However, this difference, though important, does not alter the fact that good-doing is not the *primary* objective of producing and marketing goods and services in a capitalist economy, and neither is evil-avoidance.
- 7 Adam Smith, *The Wealth of Nations* [1774], Harmondsworth: Penguin, 1982, Book One, chapter 1, p. 119.
- 8 The manipulation of the LIBOR interest rate by British-based banks comes to mind immediately!
- 9 ‘Manifesto of the Communist Party’ in *Marx-Engels Selected Works*, op. cit., p. 38.
- 10 For one of the most brilliant books ever written about capitalism’s creative-destruction (and its cultural and psychological concomitants) see Marshall Berman, *All That Is Solid Melts into Air: The Experience of Modernity*, London: Verso, 1983. For an excellent general history of capitalism centralising this theme, Joyce Appleby, *The Relentless Revolution: A History of Capitalism*, New York: Norton, 2010.
- 11 For a fine analysis of the complex, contradictory and difficult-to-predict impact on different groups of western workers of the current ‘off-shoring’ of activities by western firms, see Richard Baldwin, *The Great Convergence: Information Technology and the New Globalization*, Cambridge, Mass.: Harvard University Press, 2016, pp. 160–64. For more detail on this see Chapter 4 below.
- 12 My partner, who is a gardener, answered ‘Yes’ to this rhetorical question, instancing, as one such problem, the difficulty now of acquiring scented varieties of roses.
- 13 One of the reasons transnational companies open up branch plants or offices within different states or regional ‘bloc’ markets (one of the reasons they *become* transnational)

- is to avoid being disadvantaged if regulations in those markets change. Being legally a 'local' company, they are not exporting to it or them from outside. Hence, they can avoid being put at a competitive disadvantage by incompatible regulations in different markets.
- 14 See Marx's *Capital*, Vol. 1, chapter XV ('Machinery and Modern Industry'), section 9, p. 493, in Karl Marx and Friedrich Engels, *Collected Works*, London: Lawrence and Wishart, 1996, Vol. 35. There are also lengthy discussions of the Factory Acts in chapter X ('The Working Day'), sections 6 and 7. For an excellent non-Marxist discussion of the origins and effects of the Factory Acts, Simon Heffer, *High Minds: The Victorians and the Birth of Modern Britain*, London: Windmill Books, 2013, pp. 60–73 and pp. 777–82.
 - 15 See E.J. Hobsbawm, *Industry and Empire: An Economic History of Britain since 1750*, London: Weidenfeld and Nicolson, 1968, pp. 88–9, 94–6 and 99–102. In fact, between 1850 and 1876 Britain's share of world manufactured exports never fell below 42 per cent and its share of world trade was never less than a quarter. For details, see Brian R. Mitchell, *British Historical Statistics*, New York: Cambridge University Press, 1988, p. 524; and Albert H. Imlah, *Economic Elements in the Pax Britannica*, Cambridge, Mass.: Harvard University Press, 1958, p. 190.
 - 16 The so-called Tobin tax, named after the American economist James Tobin who first suggested it.
 - 17 Since 2016 the EU Commission has been advocating a modified version of the tax, but as of 2019 it was still unable to gain the necessary unanimous support from member states for its introduction.
 - 18 It used to be a concern of the Frankfurt School thinkers – especially Adorno and Marcuse – and continues to be a focus of some of Habermas's writing, but otherwise it has largely disappeared from view.
 - 19 I also think that the term 'politically schizophrenic' may be applicable not just metaphorically to the political realm but somewhat more literally to the individuals who make up that realm. By this I mean that not only does the political realm oscillate between egotism and sociability, so do the political thoughts and feelings of each of us. Sometimes and about some policy issues I deplore egotistical calculation, at other times and about other issues, I approve it and even manifest it! Deserving and undeserving poor; deserving and undeserving migrants; criminals who clearly 'need help' and those for whom there is 'no excuse' and should be locked up forever, etc.
 - 20 For a treatment of politics in which this idea is central, Michael Ignatieff, *The Needs of Strangers*, London: The Hogarth Press, 1990.

4

GLOBALISATION

Although all the forms of economic globalisation are capitalist forms (that is, they involve the activities of mainly privately-owned economic enterprises competing in a global market place) not all forms of globalisation are economic, and the world is still far from constituting a single capitalist economy.

In fact the phrase 'global market place' above means *a set of national and regional market places that together cover the globe*. So when one says that capitalist competition has become 'globalised' and more intense as a result, one means that the number of enterprises competing in every one of these national and regional markets has increased markedly over the last 40 or so years, with some of those enterprises originating from within a space and others entering from outside. And what distinguishes so-called 'multinational' or 'transnational' capitalist firms is that they operate in a whole number of those spaces. Indeed, the formal definition of a trans-national enterprise in OECD and WTO terminology is an enterprise operating in at least one market other than its market of origin.

The creation of a single capitalist economy would require this situation to end and the entire inhabited globe to operate as one market with a single set of commercial and labour laws, a single set of enterprise regulations and, one supposes, a single currency for transactions. And we are still a world away from that. Indeed, that very description implies that a genuinely single global capitalist economy would require, as a prerequisite, a world government. It cannot occur as a result of economic processes alone. Because, in a world composed of a large number of protected national or regional-bloc markets, neither the principle of absolute nor comparative advantage can operate unhindered. As a result there are certainly more economic enterprises (many more) in the world now than there would be in a single world economy and they are found in many more places that they would be in such an economy. In a world as unequal as ours, it is

certainly a good thing for all human beings that the principles of absolute advantage and comparative advantage cannot operate unhindered and that all international trade *is* politically negotiated trade. But all I wish to emphasise here is that, so long as this is so, we do not live in a single global economy.

Nonetheless, a radical reduction in the levels of inequality in the world, and in particular between ‘western’ or ‘northern’ economies and the rest of the world, is a prerequisite – a material precondition – of absolute and comparative advantage operating globally sometime in the future without too much human cost. It may therefore be long-term significant that there has been a sustained reduction in that inequality over the last half century or so.

When, in the early 1970s, I began work as a graduate student in development economics, the world was rather simply bifurcated between what a recent popular economic history calls *The West and the Rest*.¹ Effectively all the world’s manufactured exports were produced in the West and most multinational companies were western companies – i.e. companies headquartered in North America or Western Europe.² More importantly, nearly all capital investment made across the world was made by western companies and banks, and the profits made from that investment nearly all accrued to firm owners and shareholders living in western countries. In other words, capitalism at that time was truly western capitalism; the West accumulated and invested the world’s stock of capital. The non-western ‘Rest’ of the world was relegated to producing raw materials (including minerals) for western manufacture and processing, and a part (in the early 1970s still a relatively small part) of the oil and gas required to drive those processes. Since at that time the terms of trade between manufactured goods and ‘primary products’ were consistently in favour of the former, western countries consistently benefitted more than the rest of the world from international trade. Indeed, most non-western countries ran balance of trade and balance of payments deficits, which severely hampered their own capital investment and accumulation.

But half a century later all this has changed dramatically. Data presented by Richard Baldwin shows that as late as 1990, the G7 group of countries (USA, Germany, Japan, France, Britain, Canada and Italy) accounted for well over 60 per cent of global GDP. But over the next 25 years their share dropped dramatically, to just over 40 per cent in 2015, to where it was at the beginning of the nineteenth century before the Industrial Revolution really took hold. Over the same period those same countries’ share of world manufacturing output also dropped, from over 60 per cent (70 per cent+ in 1970) to around 50 per cent.³

These changes in production were also reflected in changes in world trade patterns. In 1970, and indeed as late as 1990, the vast majority of world trade in goods and services occurred between the so-called ‘northern’ countries and regions of the world – i.e. Australia, New Zealand, Canada, Japan, the USA and Western Europe. By 2017, however, China had become the world’s largest exporter of manufactured goods (17 per cent of the total) well surpassing the US (12 per cent) and the EU (15.6 per cent). Moreover, merchandise trade between

so-called 'southern' economies and countries is now more or less equal to that between the 'northern' bloc (each accounting for about 30 per cent of the global total), and when trade between the 'South' and the 'North' is added, trade involving countries and regions of the South now exceeds total 'intra-northern' (or 'intra-western') trade.⁴

Although nearly all of the change in the global structure of manufacturing was due to the 'rise' of just six countries (China, Korea, India, Poland, Indonesia and Thailand) the fact that two of them (China and India) contain nearly a third of all human beings meant that their economic rise markedly reduced world poverty. In addition, a number of other non-western economies (notably Turkey, Mexico and Brazil) also experienced significant growth in their shares of world trade after 1990, through primary product exports (minerals or agricultural products) as well as manufactures, and in those countries too there has been a significant fall in mass poverty. So, while only a small group of non-western countries have been directly involved in the shift of manufacturing power in the world, many more have benefitted indirectly through the boom in primary product prices that the shift has produced. This 'primary product boom' has taken two main forms: *a rise in food prices* from enhanced demand in China, India, Indonesia and elsewhere as standards of living rise, and *a rise in energy and mineral prices* deriving from the spread of industrialisation itself.⁵

Overall, according to the World Bank's *World Development Report* for 2017, 'nearly 1.1 billion people have moved out of extreme poverty since 1990. In 2013, 767 million people lived on less than \$1.90 a day, down from 1.85 billion in 1990.' These are truly astonishing figures, especially considering that over these 23 years the world's population continued to grow (albeit at a slowing rate) adding over a billion people. Yet despite this the absolute number of the world's poorest people more than halved and, even more astonishingly, the proportion of the world's people in that category fell sharply. Absolutely poor people made up over a third of the world's population in 1990 (and over 60 per cent when my research career began in the early 1970s). Now they make up just 11 per cent. In other words, despite the human population of this planet having more than doubled (from just over 3 billion to over 7 billion) between 1970 and the present, the proportion of that vastly increased number of people who are living in absolute poverty is just a sixth of what it was half a century ago.⁶

In short, over the span of my academic career the population of the previously impoverished 'South' (or 'the Rest' of the world, once entirely in the shadow of the prosperous 'West') has come to produce and consume far more of all the world's marketed goods and services than it did at its beginning. And though this change has not ended poverty in the South, it has considerably attenuated it. Not only that, it has also led to the rapid growth in some non-western countries of a relatively prosperous 'middle class', enjoying standards of living comparable to those of middle-income westerners. Estimates of the size of this non-western middle class vary widely, but the most commonly touted figure is about 3 billion

people, or about 40 per cent of the world's population.⁷ When the western middle class is added to that, more than half the people in the world now enjoy historically unprecedented standards of living. Again, this is astonishing, given that world population more than doubled over those same 50 years. In short, over the last half century, the *western* capitalist economy became the *globalised* (not 'global') capitalist economy, and in so doing managed not only to feed and clothe an extra 4 billion people but to significantly raise the standards of living of half of a massively increased human population.⁸

It must be emphasised again that all this is not a result of pure market forces. Rather, an ever-widening group of non-western countries, taking their lead from Japan, have politically negotiated a route into the global economy on terms that have benefitted significant numbers of their citizens. But it is nevertheless true that every country and state that has managed that negotiation well has fared better, either than states that have negotiated it poorly, or than the (now tiny) few who have tried to keep their distance from the world economy. To politically negotiate one's way into the world economy, means to assess what products your country has some absolute advantage in producing (this usually means labour-intensive products in which the poverty of your population can be an asset). Having entered on that basis, the next step is to further improve the education level and technical training of your population, and to invest in the production of more sophisticated goods and services both for the domestic market and for export. And it is ever more countries following this sequence that has created a much more competitive global economy. For trans-national firms having their origins in Japan, South Korea, China, Taiwan, and India now provide fierce competition to western trans-national corporations (TNCs) in a number of sectors.

But in addition to the rise in the global market place of non-western firms, a great deal of manufacturing within China, India, Indonesia, Mexico, etc., occurs in so-called 'branch plants' of Japanese or western TNCs. These TNCs coordinate production among their plants, link them through so-called 'intra-firm trade' and distribute their final products worldwide, through the use of IT and global electronic communications. The use of these technologies has also facilitated a broader process known as 'off-shoring'. Here western and Japanese TNCs subcontract labour-intensive parts of a production process, not to their own branch plants, but to locally-owned companies in cheap labour locations while keeping design of the final products and their global marketing in their own hands.⁹

But whether through local manufacturing 'start-ups' and their global expansion, or through hosting 'off-shoring' by western and Japanese TNCs, just a few countries have been successful in significantly penetrating the world economy. Most non-western countries have remained marginalised agricultural or raw material producers.¹⁰ And although some obtained increased benefits from that role in the post-1990 'primary products boom', they have not managed a transition to more sophisticated forms of production, and/or they have distributed the

benefits of trade so unequally as to leave the bulk of their populations in poverty. In conjunction with another, non-economic aspect of globalisation, this failure has had dramatic effects. I refer to the globalisation of aspiration and its consequences for mass human migration.

Migration and the Globalisation of Aspiration

It is a long time now since William Runciman pointed out a deep irony about inequalities among human beings – that those that have the most significant social and political effects, are not, generally, the extreme ones on which many sociologists and economists focus. For while the ever-growing income and wealth gap between ‘the 1 per cent’ or ‘the 0.1 per cent’ of the population and the 99 per cent or 99.9 per cent of their fellow citizens may exercise such ‘expert’ observers, it is what Runciman called ‘relative deprivation’ that generates both resentment and aspiration amongst the 99 per cent.¹¹ It is the relatively small nuances of income and status that distinguish a middle-level from a junior corporate executive, or the life of a head teacher in a high school from a junior colleague, or a middle-level retail manager from a sales assistant, or a hospital consultant from a registrar or a well-established barrister from a middle-level solicitor, that both fuel jealousy and resentment and drive aspiration and ambition. And the reason for this is the obvious one, that it is these inequalities that are the most socially visible, that are encountered in people’s everyday lives along with their numerous physical penumbra (size and quality of house, size and quality of car, clothes worn, holidays taken, etc.)

By contrast the lives of the fabulously rich are largely invisible to the rest of us. (Such people tend to commune only with each other in a variety of socially, even physically, ‘sealed off’ venues across the world.) Their lives may be the constant subject of gossip columns and glossy magazine articles, but these just serve to make them exotic and ‘other-worldly’ to those who read the articles or glimpse their lives on television or computer screens.

And that is precisely the point. In order to fuel either resentment or ambition, social and economic inequalities and differences have to be of such a magnitude that those who are ‘relatively deprived’ can resent them but feel that, with luck or effort, they could attain to the positions and lifestyles they envy – the registrar become the consultant, the sales assistant the middle manager, the solicitor a barrister, etc. In fact, the social and economic inequalities which are most socially and politically potent are those in which the relatively privileged can become what sociologists call a ‘reference group’ to the relatively deprived. ‘This guy/woman isn’t really any different from me/any smarter than me, therefore if he/she can do it so can I.’ In essence, in order to be their ‘reference group’ the relatively privileged have to be seen by the relatively deprived as people like them, people whose superiority is ‘only’ one of some money, or a degree of professional status, or somewhat higher position in an organisational hierarchy.

Therefore, it is one that can be overcome or matched, 'if I just try hard enough', 'get the breaks', etc.

And if this is true within single countries or societies, it is even more true globally. People in 'the West' or 'the North' enjoyed material standards of living far superior to those of people elsewhere for at least a century or so (from the 1880s to the 1980s), without this fuelling serious ambition or aspiration among the mass of non-western people. The reason for this was twofold:

- a Many people in what was then called the 'Third World' knew little or nothing about life in the West; and
- b even when they did, life there was seen precisely as the majority of people in the West currently view the lives of their 'super-rich' – as something 'alien' or 'exotic' – a life lived far away by people 'not like us' and therefore not seen as any kind of reference group to be emulated.¹²

But again, in the last 30–40 years all this has changed. On the one hand, ever-enhanced forms of 'global' communication and mass media have made everybody on the planet aware of the material 'lifestyles' that are lived in its most privileged countries and regions. But more importantly, such lifestyles have been exported across the world, so that they are now enjoyed by some Africans, many Chinese, some Indians, some Indonesians, some Colombians, etc., i.e. by people 'like us' in 'our country' (whoever 'we' are or wherever 'we' are). And such people do now function as reference groups for their fellow citizens.

It is implicit in everything said above that 'relative deprivation' has generally been regarded by social scientists as a positive phenomenon. For insofar as it drives aspiration and ambition and is a spur to heightened effort by individuals to 'improve their position in life', be 'upwardly socially mobile' (to use the sociologist's jargon) it is seen as an important contributor to economic innovation and social change.

However, this is only the case if, for at least the majority of people, there is some reasonable chance of aspiration being matched by achievement. For if the population of a country is rising then, all things being equal, sales assistants have a better chance of becoming middle managers, junior teachers have a better chance of becoming head teachers, registrars have a better chance of becoming consultants, if the number of such 'better paid', 'higher status' opportunities is also increasing. But if it is not, if the number of such opportunities is stagnant or declining, then aspiration and ambition, even when it is a spur to greater effort, will only end in disappointment and frustration, at least for the majority of people. Relative deprivation is only a positive social and economic force in conditions of growing economic opportunity and prosperity (and this is especially so where population itself is growing.)

Seen in this light, the current global situation is disturbing in at least two ways. First, across the world as a whole it seems that the globalisation of aspirations has

significantly outpaced globalisation of the means of their satisfaction. Even in the most economically successful parts of the non-western world (China, India, other parts of Asia and Latin America) it is proving difficult for states to match opportunities to very rapidly rising popular aspirations, especially as populations continue to grow. As Runciman noted, and Barrington Moore brought out powerfully in his study of Ruhr coal miners,¹³ the sense of relative deprivation seems to increase in two historical circumstances:

1. as the standards of living of a group or population *rises* from an absolutely low base, and their 'reference group' aspirations widen;
2. as the standards of some group or groups *decline* relative to their reference groups.

And at the moment both these 'relative deprivation increasing' forces are at play in the world, the first in the most economically successful of the states and societies of Asia and the second in some parts of Latin America and Africa. In Africa particularly, poor economic performance combined with higher rates of population growth, have led to aspirations completely outrunning opportunities. Thus, millions of people see no hope of realising their aspirations 'at home'. They therefore look to realise them through migration, both legal and illegal, to more fortunate parts of the world.

The spreading, across the entire human population of the planet, of a more or less uniform understanding of the material 'good life' and a desire to share it, is an aspect of globalisation which has received much less attention than many others. But it is probably the one which has been most spectacularly 'successful' in a certain sense, and the one which, just because of its speed and success, threatens to be the most socially and politically destabilising. It is, I believe, what lies behind much of the popular discontent with political regimes in many parts of the non-western world (the so-called 'Arab Spring' being just one recent example). It is also what is driving much so-called 'economic migration' out of Africa to Europe and beyond. And this latter phenomenon (in conjunction with the mass displacement of millions of genuine refugees from Syria and other parts of the Middle East) is, in turn, driving ever more xenophobic nationalism in many European states and in the USA.

The migratory impact of the horrific wars in Syria and Yemen is likely to be short term, if profound while it lasts. But rising aspirations in societies which, for whatever reason, are incapable of satisfying them, is likely to produce a longer term, sustained desire to migrate by millions of dissatisfied people. Such people will attempt to move, not only to Western Europe or North America, but to anywhere in the world that holds out better economic prospects. This currently includes Australasia and the Gulf States of the Middle East, and may, before the twenty-first century is out, encompass China and other parts of East Asia as well. And these aspirational migrants will certainly be joined by ever-increasing numbers of people displaced by climate change.¹⁴

In short, as the ‘revolution of rising expectations’ becomes as globalised as the expectations themselves, it will in turn produce ever more global movements of people looking for a better life, as well as people moving from places where life has become environmentally impossible. Moreover, and depressingly, one also has to assume that there will be future refugees from wars yet to be fought and political repressions yet to be commenced.

Given the relative economic decline of western capitalist economies, their current failure to deal with increased migratory pressures without collapse into xenophobia, and the broader failure of the world, at least to date, to share migratory flows multilaterally, none of this is a happy prospect.

It would be a somewhat happier prospect if, over the next century or so, there were improved possibilities of people realising their aspirations at home. Because they would certainly prefer to do that, rather than move thousands of kilometres to places with, in many cases, strange languages and stranger cultures. But for people in large parts of Africa, the Middle East and the less successful parts of Latin America and Asia to realise their aspirations at home, far more countries have to benefit from the globalisation of capitalism.¹⁵ The current ‘tectonic shift’ in the global economy has to continue and accelerate. And if/when it does, the countries involved have to ensure that its benefits are distributed much more equally than they have been to date.

Notes

- 1 Niall Ferguson, *Civilization: The West and the Rest*, London: Penguin, 2011.
- 2 The geographical and cultural exception to this generalisation was, of course, Japan. But I here treat Japan as an ‘honorary’ western country, a status with which at least some Japanese would be pleased and certainly a status which Japan’s Asian neighbours frequently accuse it of seeking!
- 3 Richard Baldwin, *The Great Convergence*, op. cit., pp. 2–3 and 85–96.
- 4 These data are from Nagwa Riad, Luca Errico, Christian Henn, Christian Saborowski, Mika Saito and Jarkko Turunen, ‘Changing Patterns of Global Trade’, IMF Strategy, Policy and Review Department, 2012, at <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2016/12/31/Changing-Patterns-of-Global-Trade-25104>; and World Trade Organization, *World Trade Statistical Review, 2017*, at http://www.wto.org/english/res_e/statis_e/wts2017_e/wts17_toc_e.htm
- 5 Baldwin, op. cit., pp. 93–96, 105–8 and 215–16.
- 6 See summary of World Bank poverty data at <https://data.worldbank.org/products/wdi-maps>; and also Max Roser and Esteban Ortiz-Ospina, ‘Global Extreme Poverty’, in *Our World in Data*, at <https://ourworldindata.org/extreme-poverty>
- 7 These figures are very ‘rubbery’ though, and not immune to political predilections. Contrast the estimates in Homi Kharas, ‘The unprecedented expansion of the global middle class’, at <https://www.brookings.edu/research/the-unprecedented-expansion-of-the-global-middle-class-2/> (2017) with the Pew Research Center paper by Rakesh Kochhar, ‘A Global Middle Class Is More Promise than Reality’ (2015) at www.pewglobal.org/2015/07/08/a-global-middle-class-is-more-promise-than-reality/ In this situation I have opted for the cautious estimates of Mario Pezzini ‘The Emerging Middle Class’ *OECD Observer*, July 2018, at http://oecdobserver.org/news/fullstory.php/aid/3681/An_emerging_middle_class.html

- 8 Stephen Pinker is absolutely right to insist on capitalism's achievements in this regard, and in bringing out graphically the extraordinary global improvements it has wrought, not just in real incomes, but in health, nutrition and life expectancy. He is also right to claim that far too many materially secure and prosperous intellectuals wilfully disregard, or even deny, those achievements, in a way both arrogant and inhumane. Stephen Pinker, *Enlightenment Now: The Case for Reason, Science, Humanism and Progress*, London: Allen Lane, 2018, especially chapters 1–8. In my view however he seriously underestimates the politically destabilising effects both of rapidly rising global living standards outside the West and of relatively stagnating standards among certain groups of western workers. In both these cases it is an enhanced sense of relative deprivation, and its link to what is regarded as 'fair' and 'unfair' that is crucial. Pinker notes the link (pp. 101–2) but then simply disregards it. Sadly, belief in a beneficent reason most frequently comes to grief in politics. On this see pp. 33–36 and Chapter 8 below.
- 9 For economic detail on this well-known story, see for example Baldwin, op. cit., pp. 131–9 and chapter 5; and Peter Dicken, *Global Shift: Reshaping the Global Economic Map of the 21st Century* (4th edition), New York: Guildford Press, 2003, chapters 7 and 8.
- 10 Between 1990 and 2010 the share of the G7 group of countries in global GDP dropped 17 per cent, but 'the G7's loss went to very few nations. Only eleven nations saw their global shares rise by more than three-tenths of one percentage point ... Together these Rising Eleven ... – China, India, Brazil, Indonesia, Nigeria, Korea, Australia, Mexico, Venezuela, Poland and Turkey – accounted for fourteen of the seventeen percentage points lost by the G7. The whole rest of the world – almost 200 nations – accounted for the remaining three percentage points'. Baldwin, op. cit., p. 89.
- 11 W.G. Runciman, *Relative Deprivation and Social Justice*, London: Routledge & Kegan Paul, 1966. See also Barrington Moore Jr, *Injustice: The Social Basis of Obedience and Revolt*, London: Macmillan, 1978, for a historical application of these ideas.
- 12 It did sometimes fuel resentment but only, for the most part, when westerners were physically present in other peoples' countries as colonial rulers and/or privileged settlers.
- 13 See Barrington Moore, *Injustice*, op. cit., especially chapters 1, 2 and 14.
- 14 There were reported to be about 30 million environmental refugees in the world by the beginning of the 21st century. See Norman Myers, 'Environmental Refugees: A Yardstick of Reliability', *The Royal Society*, October 2001 at www.ncbi.nlm.nih.gov/pmc/articles/PMC1692964/pdf/12028796.pdf. However, this figure, and the very category of 'environmental refugee' is controversial, because, even where people are physically displaced and suffering for what are clearly 'environmental' reasons (droughts, floods, desertification of agricultural or pastoral land) linking such displacement to *long term* climate change can be difficult. It is clear that a minority of refugees – especially those from Bangladesh or parts of Polynesia and Melanesia fleeing seawater inundation of their agricultural land – are environmental refugees in this stronger sense. But the relatively small numbers of such people must be distinguished from the many more people currently displaced for environmental reasons that may be cyclical or short term. On this see Richard Black, 'Environmental Refugees: Myth or Reality?' *Journal of Humanitarian Aid*, March 2001, at www.jha.ac/articles/u034.htm. However, while the category of 'environmental refugee' is difficult to distinguish from other categories at the moment, it certainly will not be as the century advances.
- 15 For some interesting ideas on how this might be made to happen in Africa, Paul Collier, 'Meeting the Migration Challenge and Reforming Capitalism through Mutual Solidarity', chapter 8 of the Social Europe dossier, *The Crisis of Globalisation* (2019) at info@socialeurope.com.

5

GLOBALISATION, AUSTERITY AND THE INTENSIFICATION OF COMPETITION

In June 2015, the *Guardian* reported that David Gauke, then Financial Secretary to the UK Treasury, had told representatives from the European Parliament that the newly-elected British government would not accept plans for tax harmonisation within the EU – the so-called Common Consolidated Tax Base or ‘CCTB’ – proposed by the European Commission. The point of the CCTB is to provide a standardised tax treatment of the profits of multinational corporations operating within the European Union. The point of such standardisation is to prevent, or at least moderate, ‘tax competition’ among EU states to attract multinational headquarters and investments to their individual countries.

It was clear why the British government was fiercely opposed to the CCTB – it ran directly counter to that government’s own policies:

‘UK chancellor George Osborne has set great store by Britain’s tax competitiveness, slashing the headline corporate tax rate from 28 per cent to 20 per cent’ ... ‘new favourable tax regimes for multinationals with offshore financing subsidiaries as well as new tax breaks for patent-owning companies have also been central to [the British government’s] aggressive tax competition policy’.¹

It is frequently said, in criticism of these kind of policies, that if pursued by all or many states they produce a continuous ‘race to the bottom’, in which each state’s competitive gain is temporary, being rapidly eroded by others cutting taxes still harder. As a result, all the states involved end up with weaker tax bases and with fiscal deficits of greater or lesser magnitude, deficits which in turn force further public expenditure cuts in order to ‘balance the books’.

I have considerable sympathy with this view and hope to justify it as this chapter develops. However, the disparity between the short term benefits and longer term costs of such tax policies are presumably well-known to the politicians and policy-makers who pursue them. Why therefore do they embrace

them, despite this contradiction? As we will see, their reasons take us to the heart of the cult of ‘austerity’ in so many western economies and of the rapidly growing inequality both within those economies and across the global capitalist system as a whole.

The ‘Post-Industrial’ Economy and Service Employment

It is a commonplace of innumerable books and articles on economic globalisation, and of innumerable OECD and IMF reports on the global economy, that the last 30–40 years has seen, not just a greater and deeper integration of national economies into a global whole, but the restructuring of that whole in important ways. In particular, as we have already seen, all forms of labour-intensive manufacturing have contracted sharply in western economies, while expanding rapidly in such cheap labour economies as China and India, but also in other so-called ‘emerging economies’ of Latin America and Southeast Asia.² This is generally reflected in the sharp reduction of employment in manufacturing in all western economies, as well as the declining share of manufactures in the exports of most of them.³ Manufacturing has not disappeared entirely from any major western economy, but even where manufactured production and exports have continued to grow (as in Germany or the USA), employment in manufacturing has still fallen sharply, so that such employment is less than 35 per cent of the total in all western economies, and less than 25 per cent in most.⁴ Moreover, the manufacturing firms that remain in high-wage economies can only be internationally competitive if they are highly automated or ‘technology-intensive’, so that even new and successful manufacturing firms (in IT, bio-genetics and bio-engineering for example) generate very little employment.

In this situation, it is equally commonplace that the slack in western labour markets has been taken up almost entirely by service employment, to the extent that the highly heterogeneous ‘service sector’ (indeed it is really a misnomer to call it a ‘sector’ at all) provides about 75 per cent of total employment in all western economies taken as a whole. Although this average disguises variations among countries, the proportion is not below 65 per cent in any western economy.⁵

The simple movement of ever more people into services, particularly if they become owners of small enterprises, itself renders the service sector ever more competitive. There are ever more cafes, restaurants, hairdressers and beauty parlours, estate agents, fitness centres, financial advisors and tax accountants, etc.⁶

From the point of view of popular welfare there are also considerable drawbacks in substituting service employment for employment in manufacturing. The most important of these is that it is very difficult to increase productivity in service occupations except by lowering labour costs. In fact productivity increases in all kinds of service activities can really only come about either by increasing workers’ hours more than their wages (thus reducing the wage bill) or by spreading the same work across fewer employees (just another way of reducing

the wage bill). In manufacturing, by contrast, it is (or rather it has been – see the paragraph below) much easier to increase worker productivity by investing in improved technology, and thus to increase real wages while not increasing, or even reducing, the share of wages in total output. It was this ‘technological’ way of increasing worker productivity and real wages that was responsible for much of the rise in mass standards of living in western economies in the first two-thirds of the twentieth century. Moreover, firms whose productivity and profits are rising continually, and workers whose real wages are rising along with them, are both likely to be less resistant to higher taxes. In such boom situations firms do not feel that a rise in corporation or profits tax need be at the expense of their investment and growth, and workers do not feel that a rise in income taxes, or in indirect taxes, need be at the expense of their standards of living.

The above account encapsulates the conventional wisdom in economics as regards manufacturing and service employment as it was until (roughly) the beginning of the twenty-first century. However, in the last 15–20 years the enormous advances in robotics, and in computers and ‘information technology’ generally, have begun to pose new issues. In the case of manufacturing the increased speed and scale of automation made possible by robotics opens up the possibility of increasing productivity in manufacturing further while actually reducing employment in the sector absolutely to unprecedentedly low levels. In the case of services, the speed of advance of IT opens up the possibility of entirely computerising activities (notably all forms of standardised calculation, record-keeping and communication) that were once thought to necessitate human presence. In short, we may be entering an entirely new economic world. In that world the ‘old’ manufacturing economies of the West and in the ‘new’ ones of the East and South, employment in manufacturing could decline absolutely, while IT-driven automation of many service activities prevents them taking up the labour-market slack (either in the West or in the East and South) in the way they have done to date.⁷

It is in contemplating such a world – a world in which people are still required to consume goods and services but their labour is not required to produce them – that has led some economists to advocate ‘a guaranteed minimum income’ for all citizens, an income that would accrue to them irrespective of their labour contribution.⁸ Were such to be widely adopted it would indeed mark a fundamental structural change, not merely in capitalism, but in the fundamental link that has marked human economic organisation on this planet for eons – the link between consumption and labour. So ancient is that link that it was central to God’s ejection of Adam and Eve from the Garden of Eden. Casting them out from that paradise, God condemned them, and through them all humanity, to ‘earn thy bread by the sweat of thy brow’. But until very recently economists, no more than the god of the Old Testament, ever considered that human beings might (quite unintentionally once

more) create a world in which all of them continue to need bread, but most can find no buyers for the sweat of their brows or their bodies.

However, gruesomely fascinating though such speculations about 'the collapse of work' are, I will not give them any further attention in this chapter. Rather I will focus on our current world, a world in which service employment is, for the moment, taking up the slack in the labour markets of western democracies, with all the problems of low productivity, and slowly-growing real wages referred to above.

Service Economies and the Anti-Tax Consensus

In a globalised world, services-dominated economies are centrally dependent for their continued international competitiveness on keeping real wages down or (at any rate) on keeping the share of wages in output as low as possible. In fact, this is the primary way in which they generate a continued flow of profits for shareholder dividends and investment. Whether it be in retail, in tourism, hospitality and related services, or in fiercely competitive personal services such as insurance, real estate, or personal grooming, price competitiveness is likely to depend more on keeping wages down than on any other 'cost-reducing' or 'productivity-increasing' measure, because there are very few other measures available to such enterprises (apart, that is, from eliminating jobs altogether). Moreover, since increasing profit taxes or indirect taxes means increased costs for businesses that find it hard to increase productivity to offset them, and increased direct and indirect taxes mean increased costs for workers who find it hard to increase money wages to offset them, *'service-intensive' economies tend to bring capitalists and workers together in a deep and widespread antipathy to tax increases.*

Hence, while in economic logic increased public expenditure can be funded either by increased borrowing or by increased taxation, in practice, in the service-intensive capitalist economies of the twenty-first century there is a powerful social alliance strongly opposed to, or at least continuously suspicious of, the 'increased tax' alternative. Indeed, in all western economies now, the only significant social group not invariably hostile to raised taxes are public sector workers (civil servants, teachers, health and welfare workers) whose wages are paid, in considerable part, from taxes. And just for this reason, the privatisation of government services becomes a means, not only of reducing public expenditure, but of increasing the number of workers and employers opposed to tax rises.

Moreover, as Thomas Piketty has emphasised in his much-discussed book,⁹ in a world of increasing inequality the very rich much prefer to fund their governments by lending them money (by buying their securities) than by paying taxes. Why would they not? Taxes represent an effective gift of income to the state, while becoming a state's creditor guarantees a flow of income from the state in the form of interest, together with a complete refund of the money loaned (disregarding inflation) when a government security 'matures'. This means that the

rich in all western societies have an interest in a structure of public expenditure which is 'tax light' and 'debt heavy', and this preference can only strengthen as the very rich get richer.¹⁰ So given this, and a more general hostility to tax rises even among citizens who are not rich, government debt in all western societies is likely to grow unless there are continual cuts in public expenditure. From which we must conclude that service-dominated economies are likely to provide political environments highly congenial to government austerity policies. Indeed it is their congeniality to lower taxes that makes them such fertile environments for austerity policies too.

Service Economies and the Rising Power of Capital

As well as being full of enterprises that find it hard to raise productivity¹¹ (and thus whose profits depend very largely on keeping wages down) the private service sector has, from its nineteenth-century beginnings, been much more difficult to unionise either than manufacturing or public sector employment. Moreover, developments in the sector in the last 30–40 years (especially the casualisation of jobs and the rapid 'churning' of labour that accompanies it) have increased this problem markedly. In addition to the traditional barriers to unionisation that have long characterised the sector (employer hostility, small-scale enterprises with personalised 'patron–client' relations between employers and employees) many service enterprises, large and small, are now composed of highly fleeting and unstable work forces that see little point in unionisation, since they do not feel any real commitment to the enterprise in which they happen ('at the moment') to be working. Since unions continue to recruit mainly at the enterprise level, this ever-increasing labour instability constitutes a chronic and ever-growing problem for them.

One traditional, and largely accurate, way of summarising all this is to say that, in economies where employment is services-dominated, *bargaining power tends to shift away from labour (in general) and toward capital (in general)*. This is expressed in many forms on both sides of the divide. On the labour side there is continual pressure to keep wages down and a sharp weakening of unions in wage bargaining. On the employers' side there is a tendency for the share of profits in output to rise relative to the share of wages, a tendency for the income accruing to shareholders in the form of dividends ('rentier income') to rise much faster than income from wages, and a tendency – given shareholder-dominated forms of corporate governance – for a larger share of enterprise profits to go to senior managers as massively-raised salaries and bonuses.¹² Those managers often earn bonuses by raising short-term profits (and shareholder dividends) by reducing the wage bill, usually through labour-shedding forms of 'restructuring'.

In short, services-dominated economies are, in the absence of effective state policies to the contrary, highly congenial environments for the rapid growth of inequality. The very 'wage suppressive', 'low productivity' way in which service

economies produce wealth (and they do produce wealth, both from domestic and export sales) tends to distribute that wealth very unequally, while the hostility to tax rises which service economies generate among both employers and workers, weakens the state's capacity to compensate for rising inequality by effective redistributive policies.

Post-Industrialism and Relative Economic Decline

It is often said that, in the last 30–40 years, western societies have moved from an industrial to a 'post-industrial' phase of development. What is much less emphasised is that such a movement also constitutes the relative economic decline of such societies. It is important, however, to understand clearly what this means, and what it does not mean, as follows:

1. The gap in *per capita* income between western economies and the rising market economies of the East and South has narrowed and will probably continue to narrow.¹³
2. This gap will narrow because of the higher growth rates of the emerging economies, and, as Piketty and others have emphasised, because western societies will probably grow much more slowly in the twenty-first century than they did in the late nineteenth and twentieth centuries. This lower rate of growth will produce a much slower growth of real incomes for most citizens in those societies than has (again) been the case for the previous 150 or so years.¹⁴
3. The gap in rates of growth between western economies and the rising economies of the East and South will mean that some of the latter will actually move up the world 'league table' of *per capita* income over the coming century and displace some western economies as they do so.

But their relative economic decline does not mean that *per capita* incomes in western economies will fall absolutely. On the contrary overall standards of living of the majority of their citizens will continue to rise, albeit more slowly than previously. In fact, the very narrowing of the *per capita* income gap between the West and the 'Rest' is itself the major reason why real incomes for the majority of people in western economies will continue to rise. As the economies of China, India and other emerging economies grow and prosper, so their citizens provide an increasingly buoyant market for western goods and services, whether by means of exports to them, or through the arrival of their citizens and companies in the West as tourists and investors.¹⁵

The problem is, however, that western economies will mainly play the role of service providers in the global market of the coming century, and, as already noted, service industries can usually only remain nationally and internationally competitive by keeping wage costs down.¹⁶ Hence, and to repeat, a combination

of slower rates of growth with rising inequality means that a slow rise of overall standards of living in western countries over the twenty-first century will likely coexist with a stagnation in such standards for people in the lower-middle rungs of the income distribution and an actual fall (an *absolute* fall) in such standards for those at the bottom.¹⁷

At this point we encounter the central economic contradiction that western societies face in the coming century. On the one hand the ‘rising-tide-lifts-all-boats’ approach they have predominantly relied on to increase the incomes of their poorest people is likely to be much less effective in a service-dominated future than it was in an industry-dominated past. In fact, the rising tide of general prosperity is more likely to ‘lift all boats’ in the world as a whole than in western democracies specifically.

Hence, if the incomes of less-well-off citizens of such democracies are to be increased, or even maintained in real terms, this will have to occur by policy-political means, rather than by economic-market means. But the much slower growth of real incomes, even in the middle and upper-middle levels of the income distribution, is likely to produce a widespread hostility to the tax increases necessary to fund such redistributive policies. In addition, at the very top of the income distribution (in the top 1 per cent of the distribution, and even more, at the top levels of that 1 per cent) there is likely to be a greatly increased capacity to evade or avoid tax by the systematic use of tax havens and other low tax environments.¹⁸ Thus the personal incomes of the rich, and the revenues of trans-national firms (in which many of the very rich are both senior managers and/or investors), will increase rapidly as the incomes of most other citizens grow only slowly or stagnate. And thus there will be further increases of inequality *and* further weakening of the ‘policy-effectiveness’ of individual western states.

Policy Responses: Nationalist ‘Realism’ versus Trans-National Aspiration

Faced with this gloomy reality there are two possible policy responses for western governments. The supposedly ‘realistic’ option favoured by the UK government and others, involves ‘going with the flow’ of events, and getting the best deal one can for one’s own nation-state from the services-dominated present and future. As we saw from the *Guardian* story at the beginning of this chapter, this means engaging in competitive tax-cutting and in the continuous hacking of public expenditure in line with those cuts. Others, like the European Commission, think that in a trans-national world of service-dominated economies, this supposed realism is just a delusional race to the bottom, in which every short-term victory is pyrrhic, just another twist in the long road to defeat. They think that the only real beneficiaries of this realism are trans-national companies and the trans-national rich, not national policy-makers nor any of the states they

superintend. In short, despite its apparent ‘realism’ and short-term appeal, they think there is no longer-term benefit to be obtained, at least by the majority of citizens (whether of the UK, USA, France, Germany, Sweden or wherever) in this myopic nationalist competition.

If this is true, then genuine realism lies in creating a trans-national ‘level playing field’ of taxes on wages and profits. The aim of such trans-national tax harmonisation is to allow the service enterprises of all these states to remain competitive because all subject to the same levels of tax.¹⁹ Such harmonisation will also enable western democratic states to obtain the revenues necessary to undertake a redistributive welfare role, a role that service-dominated capitalist economies actually need even more than their manufacturing-dominated predecessors did.

Given my arguments in this chapter, it is obvious that I too think that the supposedly ‘realistic’ policy is self-delusional. I thus have far more sympathy with the EU Commission’s tax-harmonisation proposals than with the grievously short-sighted and reactionary opposition to them manifested by the British government and many others.

Global Capitalism and Intensity of Competition

However, while this is so, it is important to acknowledge the truth in the ‘realist’ position, not least because, being extremely politically inconvenient, it is not often articulated, even by realist politicians and economists themselves. That truth is the one already referred to – that all capitalist enterprises (large and small) in the world, *are now engaged in an historically unprecedented intensity of competition*.²⁰ In fact, this is really just another way of describing the movement from western to globalised capitalism that has occurred in the last 30–40 years. This increased intensity of competition takes several forms, some of them obvious, some of them less so. Most obviously it means that every capitalist enterprise, irrespective of whether it is operating globally or in one national market, now experiences intense pressures to lower costs and increase productivity. For if it does not it will face closure or takeover by its more successful competitors. This competition may come directly from competing enterprises on that national territory (both domestic and foreign-owned) or, in the case of manufacturing firms in particular, from imports. Less obviously, it means that all companies whose shares are quoted on stock markets have to generate dividends for present and potential shareholders that at least match the ‘best’ dividend performance of competitors. For otherwise their shares will be sold down, the value of the company in share-price terms will fall, and the company become vulnerable to a hostile takeover and ‘restructuring’.

This ever more ferociously competitive environment can sometimes be difficult to perceive because some of its effects are perverse. For example, some of the largest trans-national companies can generate excess *monopoly* profits, from their

domination of a particular sector (IT companies like Microsoft, Apple and Google are perhaps the best-known current examples). In the financial sector banks, insurance companies and superannuation funds can also generate such profits through benefitting, as institutional investors, from the insistent pressure on other firms to maximise 'shareholder value'.

However, in the case of the large IT monopolists, their excess profits have constantly to be defended by taking over 'start up' companies that continually threaten them.²¹ Also, firms which hold a dominant or quasi-monopolist position in some national market or markets may nonetheless be engaged in an intense competition globally. (Vehicle manufacturers, mining companies and telecoms are three classical examples.) Most importantly of all, the large profits accruing to trans-national financial enterprises from their shareholding portfolios must be understood as a result of the increased intensity of competition among other enterprises for investment capital itself.

In fact, *intense competition for capital investment*, of which the cult of 'shareholder value' is an integral part, is probably the main factor driving rising inequality within many capitalist societies. For it puts ever more wealth into the hands of those who already have capital, while forcing all other enterprises to keep wages and other costs as low as possible in order to pay dividends. Inevitably this comes at the cost of the real standards of living of those for whom labour, rather than capital, is their main source of income – an outcome Marx would readily recognise!

But there is a modern twist to this tale he would not recognise. For many workers are now also beneficiaries of 'shareholder value' through their membership in superannuation funds, some of the biggest capital investors in the world. But even so it is doubtful whether, for the majority of workers, their end-of-life earnings from superannuation will adequately compensate for the 'dividend-produced' loss of earnings over their working lives.

In short then, in the fiercely competitive environment of a globalising capitalism, enterprises everywhere are hostile to increased taxes (or even to the maintenance of taxes at levels above those paid by competitor firms in another tax jurisdiction) and workers or employees also resent tax deductions from stagnant real wages. 'Realist' politicians, knowing all this, continually pursue lowered public expenditures, convinced (particularly in the West) that the 'generous' levels of the past can no longer be afforded if the competitive position of 'their' national economy is not to be eroded.

And they are right – given certain assumptions about how the world must be organised politically and economically. But it is possible to challenge those assumptions now, to suggest that they are out-dated, and that their being out-dated is shown precisely by there being self-defeating for all the politicians and policy-makers involved.

We live in a globalised world, we live in a world which is ever more unequal in the respects that matter politically,²² we live in a world whose economic and

social structure is very different from that in which our parents and grandparents lived. All this we know. What we (mostly) don't know is how these phenomena inter-relate – how globalisation in its current form leads to ever more intra-state and intra-society inequality, and how that inequality is both an effect of structural economic change and (increasingly) a cause of widespread popular unwillingness to support the policies necessary to combat it. Above all, because we do not understand these interconnections we fail to see why citizens of western democracies deny their states the means to combat inequality, even as that inequality gets worse and even as those citizens see it getting worse. The citizens of western democracies do not behave in this perverse way despite the fact that they see inequality getting worse, their actions are part of the process by which inequality actually gets worse. In other words, pursuing low tax policies in a highly unequal globalised economy that requires higher tax policies to mitigate that inequality, comes about as a result of individuals acting rationally. For in a world of slowly-growing or stagnating incomes it is individually rational to be increasingly hostile to tax deductions from those incomes. Collectively, however, it is both irrational and self-defeating.

Global Reality and Nationalist Spectacles: the USA

Citizens of western democracies perceive the decline of manufacturing and the rise of services in their societies, they perceive the growth of inequality, they perceive the ever more widespread pursuit of public sector austerity. What they do not perceive is how all these phenomena are connected, and how that interconnectedness is the totally unintended product of mass human activity (their own activity and inactivity, and the activity and inactivity of billions of others across the planet). So long as they do not perceive these connections, so long will they be tempted by policy analyses and prescriptions ('reduce public expenditure to get the deficit down', 'increase taxes to get the deficit down', 'reduce taxes to increase incentives', 'raise taxes to reduce inequality') all of which have some merit if *perceived* in national isolation, but all of which are dubious or question-begging if actually *pursued* in national isolation.

An example may make this last point clearer. The United States of America is one of the western capitalist economies currently running large balance of payments and budget deficits. It too has an elite and popular culture hostile to tax rises, and it too has been engaged in public expenditure cuts to try and reduce its deficit.

However, the USA is unlike every other western economy in one crucial respect – the US dollar is the currency through which the bulk of global trade and investment is conducted. Therefore, when the USA runs large balance of payments deficits (imports more than it exports) dollars are paid out to the people and organisations around the world who supply those imports. Those people and organisations (in China, Europe, India, Latin America and the Middle East) then

use those dollars to conduct trade with each other, and to make investments and buy assets, both in America and around the world.

This in turn means that (a) many people, other than Americans, have an interest in maintaining the value and stability of the American dollar, and therefore (b) America can run large budget and balance of payments deficits without that leading to devaluations or ‘runs’ on its currency in a way they would if the dollar were not a global currency. To put that another way, the dollar’s unique global role forces the rest of the world to allow America a kind of ‘unlimited credit’ not available to any other country.²³

But this American advantage also has a massive disadvantage. Because if the USA were to try and severely reduce or eliminate its balance of payments deficits by protectionist policies, the amount of dollars held by people and organisations outside America (the so-called ‘dollar liquidity’ of the world) would fall sharply. If this were not to completely disrupt world trade and investment, with disastrous consequences for everybody, including America, the world would have to find, or create, an alternative global currency. That would be difficult and time-consuming and the disruptive consequences for the global economy would be severe. But if an alternative global currency were developed, the rest of the world would no longer have an interest in maintaining the value of the American dollar.²⁴ Its value would therefore slide sharply, and while this would make American exports cheaper, it would also make its imports more expensive and fuel inflation in the USA. All-in-all it is likely that these developments would severely reduce the standard of living of the bulk of American people, certainly in the short to medium term. If they also disrupted world trade severely, they would make many other people around the world poorer as well.

The unique role of the American dollar in the world economy, and the complexities this introduces into American attempts to conduct austerity policies, or reduce its balance of payments deficits,²⁵ is perhaps the most extreme example of the way, in an interdependent globalising economy, national policy-making can have ‘global’ or ‘international’ repercussions. If these repercussions are not properly understood and allowed for, they can also frustrate domestic policy-making and damage an individual economy and society deeply. Certainly they will undermine economically-naïve attempts to ‘make America great again’ by various forms of protectionism.

Notes

- 1 www.theguardian.com/world/2015/jun/18/uk-reject-eu-plans-combat-multinational-tax-avoidance. The resignation of George Osborne as Chancellor of the Exchequer after the Brexit referendum made no difference in this respect. Both his successors have been just as keen on corporate tax cuts.
- 2 See Chapter 4 above, also Baldwin, *op. cit.* and Dicken, *op. cit.*
- 3 It is sometimes said that reductions in manufacturing employment in the West are due less to job movement than to automation. But this is a distinction without a difference. Automation is one way for manufacturing enterprises that continue to operate in ‘high

- wage' western economies to compete against 'cheap labour' manufactured imports and/or to avoid moving to cheaper wage locations. These are two aspects of a single process, not two separate causal factors.
- 4 See 'Employment by activities and status' under 'Labour Force Statistics' at www.stats.oecd.org
 - 5 Ibid.
 - 6 For some statistical data on these trends, OECD, 'Small Businesses, Job Creation and Growth: Facts, Obstacles and Best Practices', especially Section 1, pp. 7–16, at <https://www.oecd.org/cfe/smes/2090740.pdf>
 - 7 See among a mass of accounts and speculations about this, 'The Future of Work; The Onrushing Wave' and 'Technology isn't working', *The Economist*, 18 January and 4 October 2014. See also John Lanchester, 'The Robots Are Coming', *London Review of Books*, Vol. 37, No. 5, March 2015, pp. 3–8; and Baldwin, *op. cit.*, chapter 10.
 - 8 See for example, Philippe van Parijs, 'Basic Income: Guaranteed Minimum Income for the 21st Century', *Papers de la Fundacao* 121, 2000, and 'The Cheque Is in the Mail: A Government Guaranteed Minimum Income', *The Economist*, 19 November 2013. The last four or five years have seen the GMI move from an academic idea to an active policy, with pilot schemes being tried in Canada, Finland, Italy and Holland. For an overview see 'The Guardian View on Basic Income: A Worthwhile Debate not yet a Policy', 2 February 2017) at <https://www.theguardian.com/commentisfree/2017/feb/01/the-guardian-view-on-basic-income-a-worthwhile-debate-not-yet-a-policy>
 - 9 Thomas Piketty, *Capital in the Twenty-First Century*, London: Harvard University Press, 2014.
 - 10 Ibid., pp. 129–34 and chapter 16, pp. 540–70.
 - 11 There are also issues about the very meaning of 'productivity' in service industries. The matter is complex, but suffice to say that, while in manufacturing, it is often possible to raise both the quality and quantity of output together, in service enterprises, increases in 'output' (e.g. a rise in the number of clients or customers served) can frequently only occur at the cost of the quality of the service offered. (This is especially so where quality strongly depends on the time spent per client or customer.)
 - 12 Piketty, *op. cit.*, chapters 1 and 10.
 - 13 For an interesting attempt, on the basis of current trends, to project the relative GDP *per capita* rankings of countries in 2050, see *The World in 2050: Will the Shift in Global Economic Power Continue?* www.pwc.com/gx/en/issues/the-economy/assets/world-in-2050-february-2015.pdf
 - 14 See Piketty, *op. cit.*, pp. 93–105, also James K. Galbraith, *The End of Normal; The Great Crisis and the Future of Growth*, New York: Simon and Schuster, 2014.
 - 15 The most spectacular relative economic decline of all has been experienced by the UK. In 1870 it had the highest GDP *per capita* in the world, and by a considerable margin. By 2015 it had fallen to 32nd, behind such countries as New Caledonia, San Marino and Brunei, as well as better-known rivals such as the USA, Germany, Finland and Sweden. However, in 1870 UK GDP per head was around \$3,200 in 1990 purchasing power parity terms; in 2015 it was more than *ten times* that figure (about \$37,000). And the main reason for this was the enormous growth of the global economy over that time. In 1870 the UK's GDP constituted over 9 per cent of world GDP; by 2015 it had fallen to less than 4 per cent. But since the global economy was more than *40 times* bigger in 2015 than it had been in 1870, a more than halving of the UK's share was perfectly compatible with a tenfold increase in average incomes per head. And what this demonstrates is that the UK's relative economic decline was both statistically inevitable and extremely fortunate, and not just for the rest of the world but for the UK itself! For these statistics – which can be obtained from a whole variety of sources – see www.indexmundi.com and [https://en.wikipedia.org/wiki/List_of_regions_by_past_GDP_\(PPP\)](https://en.wikipedia.org/wiki/List_of_regions_by_past_GDP_(PPP))

- 16 Also, many private sector service enterprises in particular tend to provide what consumers want rather than what they need. Their demand comes more from consumers' so-called 'discretionary' spending than from their essential spending. Hence such enterprises tend to do best when times are good, both nationally and internationally. For the same reason, they are very quickly impacted by depressions, recessions, and bad times generally. At a global level this tends to mean that service-dominated economies do best when the world economy as a whole is booming and to struggle more than others when its rate of growth falters.
- 17 Piketty, *op. cit.*, pp. 251–7. The proportion of people in western societies experiencing such absolute falls will vary from one society to another depending upon their global competitiveness. Larry Elliott and Dan Atkinson, for example, think that the UK, with its severely shrunk manufacturing sector and exports, its poor economic productivity generally, and its gross over-reliance on financial services for export earnings, may end up as a 'Third World economy'. This may be somewhat alarmist, but it could well be that, if the UK's economic performance does not radically improve, an actual majority of UK citizens could be absolutely worse off than they are now by 2050. If that were to happen then (a) the UK would probably be anomalous in the western world as a whole, and (b) the domestic political effects of such a decline would surely not be positive! Larry Elliott and Dan Atkinson, *Going South: Why Britain Will Have a Third World Economy*, Basingstoke: Palgrave Macmillan, 2012.
- 18 In July 2012 the Tax Justice Network estimated that in the period 1970–2010 anywhere between US\$21 trillion and US\$32 trillion had been deposited in tax havens around the world. \$US21 trillion (£13 trillion) exceeded the combined GDP of the USA and Japan in 2010. *The Observer*, 22 July 2012, pp. 1–4 and 38–9. A more recent estimate is that 'close to 40 per cent of multinational profits are shifted to tax havens each year'. Stefano Marcuzzi and Alessio Terzi 'Are Multinationals Eclipsing Nation-States?' *Project Syndicate*, 1 February 2019, p. 2.
- 19 To *allow* them to remain competitive, not to guarantee that they will. Any enterprise can lose out in national, and global, competition for reasons other than differing tax rates.
- 20 This is not to deny the important role played by the policy choices made *within* nation-states from the 1980s on in *creating* what Dani Rodrik calls 'hyper-globalisation'. But it is to say that globalisation cannot now be tamed – made subordinate to civilised social priorities – simply by re-corralling capitalism back into national spaces. For a most interesting set of essays debating this and other issues (especially the relationship of globalisation to recrudescent nationalism and populism), see *The Crisis of Globalisation*, *op. cit.*, and especially the contributions by Heikki Potamäki, Mark Blyth, Jurgen Habermas, Dani Rodrik and Chris Crouch. I favour the Potamäki-Blyth-Crouch view against the Rodrik view.
- 21 'Over the last 10 years ... Apple, Amazon, Google, Facebook and Microsoft – have entrenched market power by making more than 400 acquisitions globally'. Larry Elliott, 'The Demise of the Middle Classes Is Toxicifying British Politics', at <https://www.theguardian.com/commentisfree/2019/may/03/demise-middle-classes-british-politics-digital-age>. Elliott's fine article, which despite its title is not simply focused on Britain, echoes much of the argument of this book.

The economics commentator Paul Mason is an interesting and informed observer of the IT sector. He emphasises how the monopoly power of giant 'tech' firms like Google, Microsoft and Facebook is permanently unstable because there are no large 'capital barriers' to market entry in the sector. Hence the only way for these monopolists to defend their position is through regular buy-outs and takeovers of 'start-up' competitors. However, the political conclusions he draws from this – that somehow or other we have entered a 'postcapitalist' world – seem to me overblown. See Paul Mason, *Postcapitalism*, London: Allen Lane, 2015. For some specific suggestions for

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regulating 'Big Tech' see Jean Tirole, 'Regulating the Disrupters', *Project Syndicate*, 9 January 2019.

- 22 Whilst it is true that global inequality – understood as inequality amongst states and societies – is decreasing (see Pinker, op. cit., chapter 9) – inequality *within* virtually all states and societies of the world is currently increasing, and that is what matters politically. For such societies are the currently most important 'reference universes', i.e. it is within them that notions of 'injustice' and 'unfairness' are most powerfully at play.
- 23 The principal way this credit is provided is by foreigners holding large quantities of American dollars rather than other currencies (which keeps the dollar's value up) and buying American government bonds with those dollars. Foreigners buying large quantities of US government securities allows the US government to borrow back 'overseas-held' dollars and to do so at relatively low interest rates.
- 24 For a novelist's brilliant imagining of what this could mean, based on only slightly over-simplified economic premises, Lionel Shriver, *The Mandibles: A Family 2029–2047*, London: HarperCollins, 2017.
- 25 They also make it difficult for the American government alone to reduce the value of the dollar – to make US exports cheaper.

6

NATIONALIST DEMOCRACY

Having examined the way the structure of capitalism changed as it globalised in the late twentieth and early twenty-first century, how those changes led to an ever more competitive world economy, and the effects of those competitive pressures on economic and social policy-making in western societies, I want now to consider the political repercussions of these trends, and in particular their implications for western democracy. I shall argue that those repercussions have been threefold. First, there has been a strengthening of the already strong link between democracy and nationalism (the concern of this chapter). There has also been a weakening of the policy capacity of democratic states, which are less able than they were to aid 'their' firms and citizens in global capitalist competition, or to protect 'their' citizens from its more destructive effects. This is the concern of Chapter 7. Finally, and perhaps most importantly of all, globalisation has exposed the intellectual weaknesses of democracies (or rather, of the bulk of their citizenries) in dealing with an ever more complex world. This is the focus of Chapter 8. As we shall see, the limited capacity of western citizenries to understand the complexities of a globalised capitalism has led them to embrace nationalist solutions to their economic and social problems just at the time when such solutions are less likely than ever to be effective.

Nationalism and Democracy: Siamese Twins

The combined effect of the American and French revolutions of the late eighteenth century was to change the dominant principle of political legitimacy in the world. In place of the ancien régime doctrine of religious legitimacy – that rulers should be obeyed either because they were themselves divine or because they were God's 'temporal' representatives on earth – the two great political revolutions

substituted a secular principle. Rulers should be obeyed if they represented ‘the will of the People’. This revolutionary change in the principle of political legitimacy also involved a simultaneous revolution in the conception of a state’s population. No longer did it consist of ‘subjects’ owing absolute obedience to ‘lords’ and ‘monarchs’. Now it consisted of ‘citizens’ owing obedience to their ‘representatives’, but an obedience contingent on those representatives ruling in accord with the popular will.

But as many historians have pointed out, this change in the principle of legitimacy raised a tricky question. Precisely who among the population of a state constituted ‘the People’ or ‘the citizenry’ whose ‘will’ was to be ‘sovereign’? Much of the bloody conflict between different groups of French revolutionaries revolved around this issue, as did many of the political divisions of post-independence America (including its Civil War).¹

All of those conflicts arose from the fact that, contrary to what one might naively assume at the beginning of the twenty-first century, ‘the People’ whose will was to be sovereign was not, originally, equated with the total adult population of a state. On the contrary, in both the US and France, the sovereign ‘People’ was initially restricted to property-owning men. As a result, much of the political history of nineteenth and early twentieth-century Europe and North America can be understood as a continuous struggle over who was to be included in ‘the People’. At one moment this struggle focused on class divisions, at another on gender divisions, and at yet another on ethnic or racial divisions. But ‘in the end’, all over Europe and North America, the ultimate outcome was the same. The People, the *demos*,² came, slowly, to be equated with the nation, and ‘a nation’ was understood as composed of all those human beings who were its rights-holding *citizens*. The struggle for the vote, whether by working-class men, or women, or African American people, or by anti-colonial nationalist movements in the ‘Third World’, was simultaneously a struggle to be included in the People and the Nation. Because the People was the Nation and the Nation was the People. It is not surprising therefore that franchise extensions – to poor men, to slaves, to women – often occurred after wars. For if the People is the Nation and the Nation is the People, it becomes almost impossible to deny membership of both to those who make sacrifices (especially ‘the ultimate sacrifice’) for the nation when it is fighting for its existence.³

But there is an ambiguity even here, because membership in a nation (and in a people) can be construed as a *legal status* or as a *cultural identity*. If construed as a legal status, then it is open to anyone who legally adopts citizenship, irrespective of his/her place of birth. If construed as cultural identity however, membership of a nation derives from one’s country of birth primarily, and ‘immigrants’ are not seen as ‘real’ members of the Nation or the People, even when they legally adopt citizenship. In a world of ever-increasing global movements of population, this conflict – between ‘civic’ and ‘ethnic’ conceptions of nationality and citizenship – is an increasingly bitter one. But irrespective of their differences, protagonists on

both sides of this conflict agree in equating ‘the People’, the sovereign *demos*, with the Nation. They concur in believing, not that all nations are democracies, (for they clearly are not) but that all democracies are nations. They agree – ‘everyone’ agrees – that what makes a human being a member of a nation also makes him or her a member of its *demos*, *if* that nation is a democracy. The disagreement is ‘just’ over what it is that makes one such a dual member, what it is that confers this prized dual identity.

So what strengthens democracy also strengthens nationalism. From which it follows that, as the world becomes more democratic it also becomes more nationalistic. Those who are excluded from equality of citizenship (for whatever reason) feel, at best, a qualified loyalty to the nation that excludes them. Conversely, those who become included in the nation and the *demos*, and who therefore come to feel that nation as ‘their’ nation, have their nationalism deepened and strengthened.

All of which would be fine if it were always the case that what strengthens democracy also strengthens the nation, and *vice versa*. But we now live in a world in which what strengthens its democracy can actually weaken a nation economically.

For example, economists often complain that the majority of citizens, even in so-called ‘mature’ democracies, have little or no understanding of the economics of free trade generally or of comparative advantage specifically, and are thus endemically prone to protectionist temptations, especially at times of economic crisis. But, or so they will argue, such protectionism always makes such crises worse by reducing global demand and output.

Also, in a world where virtually all global trans-national economic institutions (from global corporations, to the EU, WTO, IMF or World Bank) have no direct democratic mandate, it seems that economic life would be made more obedient to the democratic will if it were just ‘repatriated’ or ‘re-nationalised’ in some way. But while economic decision-making may well be made more democratically accountable in this way, in a world of globalised economic relations democratic accountability may come at the cost of economic effectiveness. In particular such nationalist measures, whatever their short-term democratic appeal, may actually damage the economic welfare of citizens in the longer run.

So while the spread of democracy always brings with it the spread of nationalism, and the strengthening of democracy always brings with it the strengthening of nationalism, the catch is that, in a globalising world, neither a strong democracy nor a strong nationalism guarantees an economically-strong nation. On the contrary, an over-weening nationalism can be disastrous to a nation’s economic well-being in a world as complexly interdependent as ours now is. For in that world many of the determinants of its economic well-being are beyond the capacity of an individual nation-state to control, or even significantly influence.

As for democracy – well, nothing is more likely to erode its popular legitimacy than the discovery that the more democratically accountable decision-making

becomes the less effective it is. It was precisely that discovery – in Weimar Germany, in pre-fascist Italy – that fuelled popular support for the contention (of Hitler, of Mussolini, but also of the authoritarian communist left in both countries) that democracy was a waste of time – a mere ‘talking shop’ – best swept away.⁴

It is not difficult, therefore to see that, in a globalised world, the relationship between democracy and nationalism is increasingly problematic. It is far more difficult to come up with a solution. It is clearly no solution to wish (let alone ‘demand’) that a universally nationalistic humanity become immediately converted to ‘internationalism’ or ‘cosmopolitanism’. This is clearly not going to happen, so such a demand is a waste of time and breath. But it is important to understand why, to understand the powerful emotional hold of national identities on human beings.

National Pride

To begin by stating the obvious, human beings ‘take pride’ in their countries or nations, irrespective of whether that pride is called ‘patriotism’ or ‘nationalism’.⁵ But in order to do so, in order to take pride in an abstraction like ‘Britain’ or ‘France’ or ‘Uruguay’, people have to treat these abstractions as names of ‘communities’ with which they identify, to which they see themselves as belonging. They also have to consider these ‘imagined communities’⁶ to be extended in time as well as in space, so that being eternal, or at any rate being beyond the life span of any individual, the national community endows that individual with a quasi-religious immortality. In all these respects Benedict Anderson’s fine book on nationalism is right. It is probably also right in claiming that the invention of cheap printing, and state-controlled mass education systems using such printing, helped enormously in the linguistic construction of the nation as an imagined community and its domination. By the latter I mean that the national community came to subsume and take precedence over, other communities with which people had long identified – the family or kin group, the village, the region, the occupational group, etc.

In particular, the teaching, in a common ‘national’ language, of a national history constructs the nation as a kind of ‘collective time machine’ in which ‘we’ all are travelling and in whose historical achievements we are encouraged to take pride. In fact, the telling of history as ‘our’ history is part of psychologically creating a national ‘we’. Knowing and sharing a common history is one of the most powerful ways in which ‘we’ actually become ‘British’ or ‘French’ or ‘Russian’ or ‘Thai’.⁷

‘Home’

And yet it is hard to feel that national identifications would be as powerful as they are if they were based simply in the mass socialisation of children and young people in modern educational systems, even their socialisation into a shared history. It is hard not to think that national loyalties and identities rest on something emotionally deeper and more primary than this.

The best candidate for this ‘something deeper’ seems to be the one that the German romantic thinkers long ago identified – the ‘imprinting’ by infants on the landscapes of their childhood – an imprinting which transfers to those sights, sounds and smells the love which the child feels for his or her parents, family and friends. It is this imprinting which creates the emotionally gripping compound concept of ‘home’ and its corollaries – being at home, returning home, feeling at home. And in its turn the notion and feeling of ‘home’, once established, makes possible its emotional antithesis – being away from home, missing home, being a stranger, being where one does ‘not belong’ – and so forth.⁸

If that is right, it follows that it is the construction of the nation-state as the enfolder and protector of multitudes of homes that is at the root of its emotive appeal. Certainly it is striking that in war time, when nationalism or patriotism is generally most intense, it is the threat posed by the enemy to ‘hearth and home’ that is constantly invoked as the primary horror to be resisted.

But these reflections on home, and on the nation-state as the enfolder and protector of homes, raises a further question. Why is it the nation-state – rather than the village, or the city or the region – that is primarily conceived in this way? For after all, peoples’ homes, and the loved ones in them, are found physically situated in villages, towns, cities and regions as much as in the ‘countries’ to which national sentiment is attached. Indeed the sense of ‘home’ is very often extended to these other geographical settings too – to ‘my village’, ‘our town’, our city ‘neighbourhood’, etc.

The answer must lie in the fact that the nation-state is not merely the ‘enfolder’ of homes but their protector. Towns, villages, suburbs, industrial or dialect regions, may be spatial enfolders of homes but they cannot protect them. For towns, villages, even regions, are not, these days, military entities. They cannot protect ‘their’ homes from physical attack by an enemy and are too weak to protect them from economic, social or cultural threats either. Nation-states however *are* military entities, and, for at least the last 150 years or so their governments have claimed to be able to defend the homes of citizens from economic, social and cultural threats as well as military ones.

But if the nation-state is now the primary military protector of homes, it was not always so. There was a time when it was the armed lord of the manor and his retainers who, over most of Europe and Japan at any rate, was the primary protector of homes from military threat. In other places and times in history it has been emperors, kings and princes who have played this role. Yet there is no evidence that the subjects of these protectors emotionally identified with them, or with the territory they controlled, in the way that modern citizens of nation-states do. There is a lot of evidence that such subjects identified with ‘their village’ or ‘their region’ as their ‘expanded’ home, just as modern citizens do. But there is very little evidence that this identification embraced the lord of the manor or ‘their’ king or ‘their’ prince, let alone the entire territory he (or occasionally she) ruled.

If one asks why that was, the answer seems to lie in the very terms in which the question is posed. For while modern homes are the homes of *citizens*, the homes of the medieval and ancient world, and even of the early-modern world, were the homes of *subjects*. Thus while the lord of the manor, or the armed king or prince, could call out his subjects to protect their homes and loved ones from some military threat or other (another lord, another king or prince), he did not call on them to protect his manor, or his estate, or his kingdom, as their home. He did not expect his subjects to defend his realm as theirs. Why should they? It was his, not theirs.

In fact, rulers can only mobilise the ruled to defend a territory as their home, if the ruled are not simply conscripted or coerced into arms at the ruler's behest but have some influence over who or what are deemed threats. For after all, one of the characteristics of homes (real ones) is that all the people in them get some say in how they are run, even if that say varies considerably by age or gender. But that means that, for this territory to be 'our' home, its rulers must – like fathers, mothers or other heads of families – be part of 'us'. They must be members of the 'we' which is defending and of the 'us' to be defended. They must be people 'like us' who have homes and loved ones 'like us'.

In short, being regarded, and regarding oneself, *as part of the entity over which one is ruling*, is the crucial difference between rulership in the modern and pre-modern world. And it is only possible once households are composed of citizens not subjects, and states have been converted from the 'estates' of hereditary rulers to the territories of democratically-elected governments.

The unique emotional power of modern nationalism then, derives from its combining the primary and ancient human attachment to home (and to armed rulers as the protectors of home) with a distinctively modern expansion of the notion of home to the territory of the state itself. And this expansion required, as most theorists of nationalism emphasise, the 'revolutionary' conversion of subjects to citizens and the simultaneous conversion of rulers from hereditary 'lords' to popularly elected servants of 'the People'.

But these reflections open up another possibility. If, in the twenty-first and subsequent centuries human beings could be protected from military, economic and cultural threats by higher level forms of regional or even global organisation, then some of the more localised forms of 'home' which have been subsumed into nation-states, might emerge from that subsumption to play more prominent economic, political and cultural roles.

Ernest Gellner once calculated that, if all the current nationalist movements in the world were successful in obtaining 'their own' states, there would be four times more nation-states (about 800) than there are currently. If every distinct language group of human beings were awarded 'its own' state the total would be ten times that.⁹ And this takes no account of other sub-regions and parts of current nation-states (the states of India or the USA, the provinces of Canada, the city-regions of Italy, etc.) many of which are not separate linguistic entities but

may be 'dialect' or 'accent' regions. These too, being felt as 'homes', might emerge from the shadow of the nation-state under changed circumstances. Certainly, the experience of the EU suggests that the 'security' of a common market and common regulatory regime can be conducive to the reassertion or re-emergence of 'sub-nation-state' political and cultural movements of various kinds. (Scottish nationalism, Catalanian nationalism, regionalist movements in Italy, etc.)

Notes

- 1 Christopher Hill, 'Parliament and People in Seventeenth Century England', *Past and Present*, 92, August 1981, especially p. 120. Also Barrington Moore Jr, *The Social Origins of Dictatorship and Democracy*, Harmondsworth: Penguin, 1967 pp. 14–20 and 84–92.
- 2 The word 'democracy' is the abstract noun from the ancient Greek word *demos* meaning 'the People'. Democracy is therefore 'the rule of the people' or 'rule by the people'. But as Sinclair says, 'there was in the word *demos*, like the word "people", a certain ambiguity. In a technical sense it referred to the whole body of Athenian citizens ... in particular to the *Ekklesia* or assembly, which all adult males had the right to attend. Yet to some Athenians, even when technically *demos* referred to the whole citizen body, it would have been conceived in the sense of "the common people" or "the masses", since the people were in the majority and *hoi polloi* ("the many" or "the majority") might impose their wishes in a vote in the assembly.' R.K. Sinclair, *Democracy and Participation in Athens*, Cambridge: Cambridge University Press, 1988, p. 15.
- 3 See Benedict Anderson, *Imagined Communities: Reflections on the Origins and Spread of Nationalism*, London: Verso, 1983, especially chapters 2 and 3.
- 4 See for example, C.S. Meier, *Recasting Bourgeois Europe: Stabilization in France, Germany and Italy in the Decade after World War I*, Princeton, N.J.: Princeton University Press, 1975, especially chapters 3–5.
- 5 One of the most common defences of nationalism consists in distinguishing it sharply from patriotism and lauding the latter as tolerant and pacific, in contrast to the intolerant aggression of the former. I have long been sceptical of this distinction, and the apologetics based on it, but was never very clear why until I read Michael Billig's *Banal Nationalism*, London: Sage, 1995. See especially pp. 55–9, 119–25 and 157–73 of his fine book for the argument that a great deal of 'banal' patriotic behaviour (e.g. supporting one's country in international sports competitions) is neither tolerant nor pacific.
- 6 'I propose the following definition of the nation: it is an imagined political community – and imagined as both inherently limited and sovereign ... It is *imagined* because the members of even the smallest nation will never know most of their fellow-members, meet them, or even hear of them, yet in the minds of each lives the image of their communion ... it is imagined as a *community*, because, regardless of the inequality and exploitation that may prevail in each, the nation is always conceived as a deep, horizontal comradeship'. Anderson, op. cit., Introduction, pp. 15–16.
- 7 Anderson, op. cit., chapter 3.
- 8 For an old but still powerful account, Hans Kohn, 'Romanticism and the Rise of German Nationalism', *The Review of Politics*, vol. 12, no. 4, October 1950, pp. 443–72.
- 9 Ernest Gellner, *Nations and Nationalism*, Oxford: Basil Blackwell, 1983, pp. 43–5, where he cites a figure of about 8,000 extant human language groups. This was part of Gellner's argument that the current 200+ 'nation-states' in the world are not defined by linguistic homogeneity, cultural homogeneity, or any other single principle, but are the products of successful nationalist movements. In his words, 'it is nationalism which engenders nations, and not the other way round.' (*ibid.*, p. 55). One implication of this

is that for every successful nationalist movement there are several unsuccessful ones. In fact, the success of some has often occurred through the repression or subordination of others. Moreover, as he emphasises, a *mass* of human groups who have as much claim to being linguistically or culturally homogeneous as any current 'nation', have never had nationalist movements, let alone their own state.

7

GLOBALISATION AND DEMOCRATIC LEGITIMACY

I believe, very conventionally, that a form of implicit social contract stands at the centre of democracy. In that contract, democratic states obtain their legitimacy by acting in the interests of their citizens, and in return obtain the consent of those citizens to govern and to constrain the actions of individuals in certain ways. The claim to act in the interests of citizens is common to democratic and dictatorial states, but the legal and political form of a democracy ensures that this 'contractual' claim to legitimacy is also an institutionally-ensured reality. It is this that makes the implicit social contract at the heart of democracy binding and enforceable (binding because enforceable) in a way it is not in dictatorships.

However, while I endorse the conventional political theory of liberal democracy, it is inadequate if left in this abstract form. It requires buttressing by more specific historical observations. Demands for democracy increased markedly from the late eighteenth century with the rise and spread of industrialisation. Historically such demands went through two stages. In the first, the new industrial entrepreneurs (the 'bourgeoisie' as Marx called them) demanded legal and political protection from the power of older landowning classes. In a second, the new industrial working classes demanded legal and political protections from the power of their employers. In both these cases franchise extension was central, because gaining the vote was seen as the essential means to ensure that the state acted in the interests of newly-appearing groups and social classes. People excluded from the franchise, it was universally (and rightly) assumed, were also people excluded from the forefront of state concern.¹

In short then, the democratic social contract was constructed in order to force the state to protect citizens from the political manipulation of the market economy by more powerful groups. That was as true of industrialists' demands that the state legislate against pro-landlord agricultural protectionism, as of workers'

demands that the state legislate to control child labour, or recognise trade unions, or introduce old age pensions. The kind of protection that industrialists or financiers sought was sometimes diametrically opposed to the kinds of protection demanded by industrial workers or the political parties which represented them. But for our purposes the most important point is that neither industrialists, nor male workers, nor women (when women's franchise movements arose) had any doubt about the state's capacity, the state's power, to actually provide the rights and protections they sought. All these groups wanted the state to use its power for the (often very different) ends they approved, or in support of the (frequently opposed) interests they represented. But none of them ever doubted the capacity of the state to do this. In fact, that states could intervene effectively in markets and in society, and demonstrated this unequivocally from the late nineteenth century onwards through a mass of economic and social reforms, is what made the democratic social contract a legitimising success.²

Understood historically then, demands for the extension and deepening of democracy were simultaneously demands for the ending or attenuation of different forms of economic and social exclusion. Democratic states acting effectively to do this, is what proved to citizens in a whole raft of states that democracy works, that its social contract was effective and should be abided by.

What if we are now entering a world in which the above universally shared assumption is no longer valid? What if the US state alone, or the UK state alone, or the German state alone, or the Japanese state alone, cannot any longer provide the support and protection demanded by 'its' industrialists, or 'its' workers, or 'its' farmers, or 'its' pensioners, or 'its' welfare claimants? Then we would be entering a world deeply threatening to democracy. Because if the democratic state's policy effectiveness is what underpinned, and underpins, its political legitimacy, then its growing policy ineffectiveness will surely erode that legitimacy quickly.³

That erosion would be especially marked if the diminished capacity of the democratic state were to intensify social and political competition to monopolise what remained. In other words, a state might have enough resources to subsidise its farmers, *or* retain the real level of its pension or welfare benefits, *or* provide R&D support to its industrialists, but not to do all three. In such a situation it could logically either reduce the levels of all three, or savagely cut two to preserve or expand a third, or introduce moderate cuts in two and savage cuts in a third, etc. But one can be certain that whatever it did would be a product of the relative influence of different lobbying groups, not some abstract optimisation exercise conducted by politicians or civil servants in an apolitical vacuum. Moreover, in all democratic societies with market-based economies (and that means all democracies now) the economic and political power of different social groups is very unequal, so that in a situation of declining policy capacity it is highly likely that the politically weakest and economically most vulnerable groups will be the first to be abandoned by the state.

This whole argument depends on its being true that the policy effectiveness of individual democratic states is indeed in decline at the beginning of the twenty-first century. But in regard to such matters as: currency values, interest rates, the general level of employment, the general price level (and hence the real value of wages, benefits and pensions), and public and private debt levels (and hence real incomes, and real levels of public expenditure),⁴ the power of all states declined significantly through the last three decades of the twentieth century and the first two decades of this. States still have some influence over such things, but that influence has diminished radically in comparison with that of large transnational companies and global financial and bond markets. Moreover, even to retain such influence as they do possess, individual states are often constrained to follow what companies and markets consider to be 'sound', 'pro-business' policies, which means, in practice, to favour certain groups of their citizens over others. But doing this, and certainly doing it for any length of time, is likely to be very legitimacy-threatening, especially to democratic states.

The 'legitimacy' threat to democratic states is therefore two-fold: their reduced ability to intervene effectively in markets generally, and to end or attenuate various forms of economic and social exclusion particularly. In a globalising world both these weaknesses can be much better rectified by states working together, although the point or purpose of their doing so would be different each case.

It is perhaps obvious that only groups of states acting together could provide a global 'level playing field' for corporate and individual citizens. What is rather less obvious, but must also be understood if the future of democracy is to be secured, is that it is only through acting together that individual states can provide effective security and support for their national citizens and businesses.

In the first case above we are dealing with large and medium size firms competing in the global market, and their well-paid employees selling their labour globally. In this case the aim is to free global corporate (and individual) citizens from all 'state-specific' obligations beyond being successful global competitors. This means freeing corporations to be loyal only to shareholder value and freeing globally mobile employees from any loyalty other than to their employers. In short, corporations and certain powerful individuals would be freed to become genuinely global economic actors, whose economic loyalty is not to national states at all, but solely to trans-national organisations and their profitability. However, these global actors would have to pay a price for their freedom. They would be subordinated to globally enacted and enforced tax minima (so that firms and individuals would pay the same minimum taxes on their income and profits wherever they located).⁵ In addition, they would have to act within global minimum environmental standards. When global economic actors are set free from state demands and loyalties, they must have global economic and environmental responsibilities enforced on them as a concomitant of their new freedoms.

In the second case however, the aim is not to free the mass of 'national' businesses and citizens from state constraints, but, on the contrary, to maintain their

loyalty to 'their' state, by continuing the protection from market risks and vagaries which we have seen has underpinned democratic legitimacy for the last 250 years. This requires that all states have effective tax systems to fund such legitimacy-enhancing policies, and systems from which neither domestic nor globally mobile actors can escape. Such systems can only be protected from evasion and avoidance now by collective action. However, once such 'inescapable' global tax systems are in place, it will remain the responsibility of individual states to use the revenues they provide for high quality education and health care, well-functioning public infrastructure, and good social security against sickness, old age, disability, etc. It will be up to each state to do this in the manner, and by the means, it thinks best.

It can be implied from all this that, for the foreseeable future at any rate, democracy will remain a state-bound form of society. It is idle to pretend that global economic regulation can ever be democratically controlled or monitored, except very indirectly through the accountability of the regulators to their national electorates. The problem of the so-called 'democratic deficit' is considerable not only in the European Union, but in all regional economic blocs. When we move from the regional to the global level it becomes less a deficit than total death.

But being subject to decisions made by those who are democratically unaccountable, while certainly a problem, is not as profound a threat to democracy as being subject to decisions made by those who *are* accountable but impotent to affect the welfare of the *demos*. Because the latter situation strikes at the heart of the implicit social contract on which democracy is built. In fact, if maintained for long enough such a situation makes democracy pointless. The whole apparatus of competitive parties and elections, freedom of speech, etc., becomes meaningless if its only consequence is the election of governments diverse in rhetoric but uniform in ineffectuality.⁶

We have not reached this point of democratic absurdity yet. The policies of national governments can still affect the welfare of their citizens to a degree. But if states wish to have reliable and buoyant sources of revenue (the *sine qua non* of all effective public policies); if they wish to operate in a global economy manifesting reliable and steady growth rather than ever worsening crises (the single most important determinant of their citizens' economic welfare); if they wish to see global demand maintained through the organised moderation of balance of payments deficits and surpluses (the single best method for avoiding public debt crises); states must now engage in collective policy-making. Such policy-making cannot be directly democratically accountable (although it could be democratically mandated and influenced in various ways). In short, the cost of maintaining democratic legitimacy at the state level is a significant movement of policy-making power to the global level, where the degree of direct democratic accountability will necessarily be limited.⁷

The profound threat to democracy posed by uncontrolled economic globalisation has not gone unnoticed. On the contrary, at the beginning of the new

century and millennium that threat is discussed ever more widely and anxiously. But to date the predominant response to it has been a nationalist one.

The Sovereign Debt Crisis

Perhaps the most extraordinary recent example both of this nationalist response to globalisation and its acute limitations was the ‘sovereign debt crisis’ of 2010–12. Anyone even moderately well-informed about current affairs knew that there was an important connection between that crisis and the so-called ‘credit crunch’, or ‘global financial crisis’ (GFC) of 2008–9. The ‘bailout’ packages that central banks in the US and Europe undertook in 2008–9 to save private banks and other financial institutions laden with worthless mortgage and other loan ‘assets’, massively increased government deficits. Since domestic banks are invariably among the most important holders of the debt of ‘their’ governments, a government defaulting on its debts can lead to domestic bank collapses. Governments in the US, Ireland, Portugal, France and the UK therefore found themselves in the ironic situation that debt taken on in 2008–9 to ‘save’ their banks, became in turn the greatest threat to those same banks in 2010–11. Thus those governments were effectively forced to raise taxes and cut spending savagely if the ‘saving’ of the banks they had so expensively engineered two years earlier was not to be negated.⁸

What is extraordinary however was the speed at which, through national political framing, this connection was lost sight of. The issue of *why* government deficits had become ‘unsustainable’ in 2010–11 disappeared from national political discourse (in the US, UK, Ireland, France and Portugal) in less than a year, and was replaced simply by the fact that they had, and by questions about ‘what was to be done’ about this by national governments. These issues in turn were then displaced by an even more narrowly ‘nationalist’ focus on the effects (economic, social) of the severe government expenditure cuts required to reduce such deficits.

Moreover, the very terminology used to describe these phenomena had strong narrowing and ‘nationalising’ tendencies of its own. Are government deficits, not, by definition, the fault of (national) governments? *A fortiori* are government austerity programmes, and their baleful effects, not, by definition, the fault of the national governments that impose them? In both cases opposition parties say they are and play their part in turning the spotlight of concern and anger away from the doings of the global financial institutions whose failings first started the destructive ball rolling.

But while the nationalist ‘framing’ of the sovereign debt crisis served to obscure, or render politically irrelevant, its origins in globalised capital markets, that framing could be seen as ‘natural’ or ‘justified’ because of the markedly different way that the crisis manifested itself as between two groups of countries – those with balance of payments deficits and those in surplus.

For while the US and a number of countries in the EU experienced the second wave of the global financial crisis as a sovereign debt crisis, a number of other countries (Germany, China, India, Australia for example) either had significant budget surpluses (and balance of payments surpluses as well) or only very small deficits. As a result, they did not make severe public expenditure cuts,⁹ and such unemployment as they experienced did not (therefore) derive from such cuts. In fact, they experienced the crisis primarily as one of demand for their exports rather than of national liquidity. This in turn meant that the national politics of the crisis were different in those countries. The issue facing their governments was how far they should assist the indebted countries financially (through the IMF or some other lending mechanism) in order to maintain export demand for their goods. But their longer term or enlightened self-interest in offering such assistance conflicted, in the familiar nationalist way, with shorter-term concerns (about the 'misuse' of 'wasting' of 'their' surpluses in lending to others).

Even within the group of countries in which the GFC was indeed experienced as a credit crunch and/or a sovereign debt crisis, the problem was nationally varied in its severity. In particular the size of deficits in proportion to GDP and (therefore) the scale of public expenditure cuts and/or tax hikes required varied significantly by country. These variations, along with the differing political/ideological traditions and balances of power, also made for somewhat different national political responses to the same economic difficulties. Yet, despite this variation, the fact remained that these difficulties all derived, in one way or another, from the malfunctioning of a single globalised financial system.

I therefore conclude that a global politics constructed around capitalism is not arising, and will not arise, from the social effects of global economic crises alone, any more that it will from the environmentally damaging effects of a globalising capitalism. The reasons for this are the same in both cases. First, there is no political or institutional 'target' for such a politics even among the small minority of citizens in each country who see the problem in global terms. Second, the profound 'nationalising' effect of the normal functioning of politics in nation-states (and especially in democratic nation-states) means that the global origins of economic problems are soon lost sight of by the majority of citizens, where they are grasped at all.

Given all this, it is hardly surprising that, in the wake of the GFC and its aftermath, there is an increasing desire to withdraw from regional or global 'entanglements', and to try, just as in the 1930s, to resolve global problems nationally.¹⁰ But this solution is chimerical even if motivated by a genuinely democratic impulse. Moreover, it will not work. Or rather it might restore accountability, but accountability without power equals impotence and absurdity. It amounts, not to the restoration of the social contract, but to its abrogation. And the net effect of that could well be an ever-deepening alienation from democracy itself. In short, the expansion of western capitalism

into globalised capitalism means that the only possibility of regulating it for human ends now (and without such regulation capitalism is always a threat to democracy) lies in collective action by groups of states.

Notes

- 1 Harold Perkin, *The Origins of Modern English Society 1780–1880*, London: Routledge & Kegan Paul, 1969, is a fine interpretation of late eighteenth- and nineteenth-century English history structured around these themes.
- 2 For what is still an exemplary cross-national comparison of these processes see Barrington Moore Jr, *The Social Origins...*, op. cit.
- 3 ‘Faced with a network of connections that escape their powers of surveillance or regulation, national governments become increasingly unable to cope with the problems that arise from the intrusion of the global economy into their territories, most egregiously in moving jobs to low-wage countries. Worse, the degree of that intrusion is steadily growing, while the defensive capability of the state remains largely static.’ Robert Heilbroner, *Twenty-First Century Capitalism*, St Leonards, NSW, Australia: Allen & Unwin, 1993, p. 60.
- 4 Any reader who doubts these generalisations need only turn to the evidence and analysis in Satyajit Das, *Extreme Money: The Masters of the Universe and the Cult of Risk*, Camberwell, Victoria, Australia: Penguin Portfolio, 2011, especially Parts 3 and 4, to have them violently dispelled.
- 5 Interestingly, what is probably the most in-depth current research project into these matters – the OECD/G20’s ‘Base Erosion and Profit Shifting Project’ (www.oecd.org/tax/beps) – has come to much the same conclusion. For an overview see Joseph Stiglitz, ‘How Can We Tax Footloose Multinationals?’ *Project Syndicate*, 13 February 2019.
- 6 Colin Hay, *Why We Hate Politics*, Cambridge: Polity, 2007, is an astute analysis of the growing legitimacy crisis of the democratic state, based centrally on its increasing ineffectuality, although I remain sceptical about some of his posited solutions.
- 7 This does not mean, however, that global policy-making need be immune from direct and indirect democratic pressures. Indeed, part of the point of creating a new set of global regulating institutions would be to provide a focus for such pressures. See Chapter 10 below.
- 8 The ‘cost’ of government debt (in interest payments on government bonds) varied markedly between states however, and with it the pressure for expenditure cuts and tax rises. This was even true within the EU, because of the limited role played by the European Central Bank (relative to national central banks) in funding bank bailouts in member states. And just as the GFC had its roots in global financial speculation, so did the differences in state borrowing costs to fund bailouts. For an economist’s reflections on all this, see Thomas Piketty, *Chronicles on Our Troubled Times*, London: Penguin, 2017 (a collection of his economic journalism, 2008–2015).
- 9 Actually, the Australian government did make some mild (by US and European standards) public expenditure cuts, to keep the government’s promise to return its budget to surplus by 2013. It was another example of prioritising national electoral politics over globalist common sense. Countries pursuing domestic deflation in a situation of global recession are worsening an already bad situation in the name of making ‘prudent’ provision for that worsening!
- 10 Such yearnings have been strong in eurozone countries that are unable to deal with their debt and balance of payments problems by devaluation because ‘trapped’ in a single currency. But nonetheless it is as vital now, as it was in the 1930s, to realise that attempts to deal with government debts and balance of payments deficits by

competitive devaluations and other forms of protection are likely to exacerbate everyone's problems. Rather the best help to deficit countries would be for those countries running significant balance of payments *surpluses* – countries such as China, India and Germany – to revalue their currencies. And if, like Germany, they cannot unilaterally do that, they should run significant government deficits.

8

DEMOCRACY'S ACHILLES HEEL

Democracy and Citizen Knowledge

Pericles's famous oration in praise of Athenian democracy, Thomas Jefferson's and Alexis de Toqueville's reflections on the eighteenth-century 'township' roots of American democracy and Hannah Arendt's gloomy prognostications on the fate of modern democracy¹ have one value judgement in common – that democracy works best in relatively small communities. In such communities citizens know (either personally know, or at least can obtain such knowledge from trusted others) both the candidates for office and the social and economic context for which, and in which, public policies are to be made. They know, from direct experience, the principal economic activities in their communities, the natural resources on which those activities depend, and the (usually limited) role of trade in providing either those resources or additional markets for local products. In addition, they know, in similarly 'direct' ways, the familial and other social relations of their fellow citizens, their religious and ethical beliefs, and (for at least a significant proportion of those citizens) even their personalities, individual strengths and weaknesses, and degree of dependence on others. They know, that is, not that X is a poor candidate for political office because s/he is 'in the pocket of Wall Street', or 'a plaything of the trade unions' or 'a sucker up to the Parisian elite', but, far more exactly, that the would-be magistrate Justinian has received a large loan from the merchant Chronos, or that Marcus entirely depends for his cropland on the landlord Septimus, or that Theodor sells nearly all his cattle through the trader Paulus.²

Conversely, the further human life moves away from such face-to-face contexts, the more people's knowledge of the economic and social world has to rely on categorical abstractions rather than direct experience. In fact it is impossible to

live in the modern world without what Walter Lippmann pioneeringly termed ‘stereotypes’³ – without words and phrases like ‘Wall Street’, ‘the trade unions’, ‘Parisian elite’ – simply because no individual citizen can have personal knowledge even of a tiny fraction of the people who actually work in Wall Street, or lead trade unions, or constitute ‘the elite’ (financial, commercial, intellectual) of ‘Paris’. (Indeed used in this way, ‘Paris’ itself is a stereotype.)

But more than this, the entire vocabulary of modern social science, including its popular forms found in the mass media, consists of stereotypes in Lippmann’s sense. ‘Capitalism’, ‘market’ and ‘markets’, ‘finance’, ‘multinational corporations’, ‘investment’, ‘growth’, ‘income’, ‘wealth’, ‘inequality’, ‘power’, ‘poverty’, ‘privilege’, ‘country’, ‘nation’ – these and many other terms are all stereotypes.⁴ They all act to ‘bundle up’ into more or less abstract categories the lives and activities of millions, indeed billions, of people, people whom we will never see, let alone meet or know, but the results or consequences of whose activities can affect us deeply. Whether those effects are positive (so we need to make the most of them) or negative (so we need to protect ourselves from them or counteract them) we are told that we must understand them properly if we are to act as informed citizens and voters.

Thus we must understand that this ‘nation’ is our friend, and that one our adversary, that this ‘corporation’ has ‘moved jobs offshore’, while that one is ‘investing’ here, that those ‘bankers’ are manipulating interest rates, while those ‘immigrants’ are taking our jobs, that ‘1 per cent’ of ‘the population’ has all the ‘wealth’ and ‘power’, while the other 99 per cent suffers ‘injustice’ and ‘stagnant standards of living’.

But even when we do understand these things, we understand them ‘generally’, ‘vaguely’, ‘through a glass darkly’. We do not understand them as we understand that Aunt Violet has a bad temper, or that daughter Helen really isn’t putting in as much effort at school as she pretends, or that James next door has a multiple hernia, or that Florence, the office manager, has a thing about being overweight.

Plato

At bottom then the central problem that modern democracies confront is one long familiar to philosophers. In fact, it is central to all of Plato’s writings and thus to the very beginnings of western philosophy. It is the difference between knowledge derived from experience and that derived from intellectual reflection. Walter Lippmann was at one with many other thinkers about democracy in believing that it works best when the decisions that citizens have to make require them only to know what they can know from everyday life. In the economic terms of this book, it works best in communities with relatively unelaborated patterns of economic interdependence, patterns which can be perceived by everybody using their eyes and ears and the least abstract areas of their language. And since it is with these kinds of simple relations that governments of those

communities also deal, most political decisions too are within the capacity of everybody – of every citizen – to understand and evaluate.⁵

But quite obviously, this is not the world in which the citizens of modern democracies live, and it is not the one in which they have lived for a long time. As Lippmann puts it elegantly:

In putting together our public opinions, not only do we have to picture more space than we can see with our eyes, and more time than we can feel, but we have to describe and judge more people, more actions, more things than we can ever count, or vividly imagine. We have to summarise and generalise. We have to pick out samples, treat them as typical.⁶

But since this quotation comes from a book published in 1922 it hardly identifies something new. It is true that to be informed citizens now, people are required to know things they can only know through intellectual abstraction on the one hand and familiarity with a mass of facts they cannot personally validate on the other. But that has been true, at least in the West, for more than 200 years.

What is unique to the last 30 or 40 years however, is that the citizens of western democracies are now required to understand global economic phenomena *which are doing many of them harm*, which are producing problems in their lives, rather than benefitting them or materially enriching them.⁷ For up until the last two decades of the twentieth century the global economy tended to operate in ways which benefitted the vast majority of western citizens. Therefore, they did not really need to understand it. The logic here is the same as in many other areas of life. When my computer is working okay I can be indifferent to how or why. When it isn't working though, or is seriously malfunctioning, I am immediately interested in how or why. (Even if I am rather ill-equipped to assess whatever technical explanation I am given!)

Similarly, if economic interdependencies are working broadly okay for me, I can afford a fundamental indifference to how or why. But if they are working badly for me, I will immediately want an explanation of why and of what alternative arrangements might work better. (Even if I am rather ill-equipped to assess any but the simplest explanations or suggestions!)

In short then, the very limited knowledge that western citizens have possessed of the complex economic world in which they have lived since at least the nineteenth century, has not, up to now, mattered much, because that world operated broadly in their favour. But it matters now, because now they must decide what policies will best reduce or minimise the harm that is being done to them, or, at the very least, not increase that harm.

To make such judgements they need to know about such matters as: how globalised manufacturing sectors operate, how globalised financial sectors operate, where the demand for the goods or services they produce comes from, where the

supply of the goods and services they consume comes from, and, above all, how a particular government policy, or set of policies, will affect one or more of these patterns of interdependence. And the vast majority of the citizens of all western democracies have little or no knowledge of any of these things.

Social survey evidence from a range of western democracies demonstrates unequivocally that the majority of their citizens not only know very little economics, they have very little political and policy knowledge of any kind. Such surveys invariably report widespread ignorance of fundamental laws and constitutional provisions, inability to name major political figures or their roles and responsibilities (including, often, respondents' own parliamentary representatives) as well as a poor grasp of the most basic economic concepts and social facts. The latter include, among other things, chronic underestimations of the degree of income and wealth inequality, equally chronic overestimations of the amount and types of crime, and wild overestimations of levels of immigration and overseas aid.⁸

It is important to say that, like Lippmann, I do not think that this reflects badly upon the citizen-voters of democracies as individuals. Many people work hard and long at their jobs and simply do not have much mental and physical energy for anything else. When work is over they want to relax and be entertained. Moreover, one expression of an ever more competitive world economy is the lengthening of many people's working hours and days, ever more demanding 'performance' pressures when at work, and an increased amount of multi-occupational working, i.e. people deriving their income from more than one job, a particular hallmark of the so-called 'gig economy'. As a result, at the beginning of the twenty-first century, many citizens of western democracies probably have less free time and energy to devote to public affairs than they did 40 years ago. Moreover, on one popular political science account at least, in democracies composed of tens or hundreds of millions of citizens, it is simply not rational for any individual to spend a great deal of time and energy becoming better informed. For the statistical chance that his/her vote will make any difference, either to the government chosen or the policies it pursues, is miniscule.⁹

The 'Political Ignorance' Debate

People who have studied voter ignorance tend to divide into two camps, those who believe it is not a serious problem, and those who do but have little idea what to do about it. Walter Lippmann was in the latter camp, Joseph Schumpeter in the former. Schumpeter's view was that nothing fundamental had changed as between ancient and modern democracies. Modern citizens too only vote experientially – on the basis of whether their lives are satisfactory or unsatisfactory – not by judging government policies. And if enough of them are dissatisfied an incumbent government is voted out. This, in itself, thought Schumpeter,

ensured that governments would, most of the time, pursue policies that benefitted most citizens.¹⁰

But this sanguine view only works if governments can indeed, effectively, pursue policies that benefit most citizens, and it is precisely that assumption that is now problematic.

Among the majority of scholars and pundits who, unlike Schumpeter, think that modern voter ignorance is a problem and can severely undermine policy-making, there is no agreement about what can or should be done about it. Some lament the trivia and political irresponsibility of the mass media and wish to see it reformed or 'lift its game'. (Though why it should is unclear.) Others place their faith in education, despite the well-established fact that the level of voter knowledge does not correlate very strongly with level of formal education, and that citizen knowledge of politics and economics does not seem to be any greater now than it was 50 years ago when education levels were much lower.¹¹ Economists and political scientists of a neo-liberal bent tend to use the data on citizen ignorance to argue that government should be minimised, and citizens supplied with virtually all goods and services through the market. The rationale for this is supposedly that people are better informed when acting as paying consumers than as 'irresponsible' voters.¹² Yet others, despairing of all alternatives, have gone so far as to suggest political knowledge tests for voting.¹³

Having surveyed these debates, I have no more idea than anybody else what might be done about voter ignorance. There is clear evidence that ignorance of economics in particular can lead voters to support policies (and the politicians who advocate them) which will have no effect on their problems at best and exacerbate them at worst.¹⁴ But I see no way of doing anything effective about this except through measures, such as voting tests, which would be rightly condemned as undemocratic, and which, in any case, have no chance of being adopted in any contemporary democracy.

That being so I am driven back to the view that if they cannot and should not be forced to improve their level of knowledge, citizens can at least be encouraged to do so. And the best way for this to happen is for the leaders of democracy to set a good example. By 'leaders' here, I do not just mean politicians, but leaders of opinion generally – journalists, broadcasters and public figures of all kinds.

Politics as Conversation

The American philosopher Stanley Cavell – like Plato and Hannah Arendt among others – conceptualised politics as a 'conversation', a conversation whose central distinguishing feature was the use of the first-person-plural. In political conversation, he suggested, participants make claims about who 'we' are, the values for which 'we' stand, and the courses of action which 'we' should undertake on the basis of those values. But these claims are always persuasive, which means that they are always open to counter-claims that 'that is not who we are,

or not who I am'; that 'we' should prioritise other values; that a course of action is not supported by 'many of us', etc. And for Cavell the central point about such conversations is that they are part of the continuous (and ever-shifting-because-ever-contested) process of *making* a 'we', of creating what he calls 'communities'. These communities can be nations, but they need not be.

Rather, a 'community', in Cavell's sense, is created whenever a significant group of people identify with it – which means when they come to see themselves as the kind of people of which the community consists, who share the values it represents and support the courses of action it advocates and undertakes. In political conversation people articulate such 'community-making' claims and seek support for them. Quite clearly such communities can consist of people of more than one nation, ethnicity, gender, class or religion. Cavell's communities are communities of *values and belief*, in which members derive their identity from shared thoughts, feelings and convictions rather than any fatality of birth (including gender or nationality).¹⁵

The obvious problem however is that conversations cannot occur among a citizenry of 400 million people, 40 million people, or even 10 million people, and they certainly cannot occur among a planetary population of nearly 8 billion people. We generally think of conversations as occurring 'face-to-face' and even in these days of Skype and other electronic conferencing tools (which allow conversations among people divided by long distances), those people are still numbered in their tens at most.

But if modern democracies, because of their sheer scale, cannot have conversations and the human race most certainly cannot, its/their leaders can. And the citizens of all nations can be listeners to and evaluators of those conversations.

The term 'conversation' has other connotations. These include:

1. They take *time*. Conversations, especially good and productive ones, require a lot of words.
2. They involve *nuance*. The best conversations (as against arguments or rows) involve agreement as well as disagreement. Facts are acknowledged but their meaning disputed, motives are attributed tentatively since the difficulties of doing so are recognised by all parties. Virtues and aspirations are praised, but their feasibility questioned or alternative ways of realising them suggested. Above all, the worthiness and sincerity of fellow contributors to a conversation are never questioned, though their goals, values or objectives may be.
3. They occur among *adults*. In fact, one of the pleasures of growing up is coming to have 'adult conversations' with one's parents and peers.

Political Infantilism

These three characteristics of conversations, and especially the last, have important political implications. Most notably they allow us to distinguish politically adult from politically infantile behaviour.

In a complex world there are no economic states of affairs consisting entirely of benefits and no costs. Indeed, there are no economic states of affairs that can even be brought about costlessly.¹⁶ Always it is a question of weighing benefits against costs but also the benefits of one policy against another and the costs of one policy against another. This is always an intellectually difficult matter involving a person's own values (what they value the most) and the facts of a complex, interdependent world.

There are adult ways of coming to terms with this difficulty and complexity. They include having long and sustained face-to-face conversations about it, and also reading lengthy and sustained arguments about it. Sometimes conversations and written argument and disputation will result in agreement, sometimes they will only result in a decision to 'agree to disagree'. But if either conversation or written argument works as it should, it will result in all parties feeling they know more about a complex issue at its end than they did at its beginning.

There are also psychologically infantile ways of avoiding – not coming to terms with – this complexity. These too have invariant linguistic concomitants or symptoms. They include:

1. heavy use of unqualified statements – 'freedom is all we need', 'equality has to be our number one goal', 'human rights are inviolable';
2. mesmerisation by heavily loaded abstract nouns – 'freedom', 'equality', 'democracy', 'liberty', 'choice', 'rights', 'socialism' – and above all,
3. preference for memorable, sloganised brevity over complex, qualified, length of argument.

People have the best chance of coming to terms with complexity, and with the humanity of their adversaries, in long, face-to-face conversations with each other about politics and policy. They have a reasonable chance of coming to terms with policy complexity, but less chance of coming to terms with the humanity of adversaries, in lengthy written arguments or exchanges. They have little chance of coming to terms with either in brief, face-to-face verbal exchanges of dogmatically abstract brevities. They have no chance of coming to terms with either in written exchanges of such brevities.

So we can rank, in descending order of political infantilism:

1. *Twitter*, and all similar 'length constrained' or 'character-constrained' forms of online communication. Also, the 'comments' sections of online newspaper sites and other political websites.
2. *Prime Minister's Question Time*, heckling of politicians' speeches (and many of the speeches themselves), exchange of insults at demos and counter-demos.
3. *Op-ed articles* in the serious press and on serious political websites. Also, political or politically-related 'debates' in academic journals.

4. *Well-conducted 'policy seminars'* or 'policy roundtables', well-conducted radio, podcast and television discussion fora, good-tempered 'face-to-face' political debate with friends and acquaintances via Skype or similar platforms and in the pub, club or at home.

Ceteris paribus then, the more political debate in liberal democracies is dominated by modes (1) and (2) the more politically infantile they are likely to be and become. Conversely the more it is dominated by modes (3) and (4) the more politically adult they are likely to be and become. It follows that if democracies wish to be more politically adult they should try to marginalise or eliminate debate modes (1) and (2) and maximise – or make actual monopolies of – modes (3) and (4).¹⁷

All this raises further issues about reforming political life and debate in modern liberal democracies to make more space for conversation and less for sloganising. One such concerns the role of political parties. Because it could certainly be argued that, in Cavell's terms, many contemporary parties have ceased to be communities of value or belief, while their compulsively adversarial approach to politics severely restricts the public space for adult political conversation.

This Book and Others

However, such considerations belong in another place. So I will end this chapter by making some related comments on the 'performative contradiction' (as philosophers call it) embodied in this book and many similar books.

Authors often say that their book is 'a contribution' to some 'conversation' or other. But strictly this cannot be true. Books have readers but no conversational partners or interlocutors. They may contain conversations, as most novels and some works of philosophy do (including Wittgenstein's *Investigations*), but these are always 'rigged' in that the author determines what all participants say.

But in any event most serious non-fiction books are monologues, more like sermons or lectures than conversations. Perhaps for that reason their readers are usually people who already agree with all, or most, of what they say – certainly who are already interested in what they say. Probably for the same reason the people who would learn most from reading them hardly ever do. This is their performative contradiction.

Nonetheless, there is something about the transmission of ideas in societies that remains mysterious, and therein lies a reason – perhaps the only reason – for hope. This book will not alter the conversation 'we' are having about 'our' economic future. But in conjunction with many other books and articles saying similar things, and the odd, limping diffusion of its (and their) ideas to ever larger numbers of people, it might make a tiny contribution to doing so.

But whatever the possibilities – however compromised – for an informed, adult political conversation about 'our' economic future in present-day liberal democracies, they are what they are and will have to suffice, as will this book.

So, what should our economic future be? Or to be more precise, what future would I like 'us' (in the largest possible sense of 'us') to create?

Notes

- 1 For Pericles's oration, Thucydides, *History of the Peloponnesian War*, London: Penguin Classics Edition, 1972, Book II, pp. 143–5. For de Toqueville's observations on local democracy in eighteenth and nineteenth-century America, Alexis de Toqueville, *Democracy in America*, New York: Mentor Books, 1956, Part I, pp. 58–72. For Jefferson's views, see his letters to John Adams of 1813 and to Samuel Kercheval of 1816 in Merrill D. Peterson (ed.) *The Portable Thomas Jefferson*, Harmondsworth: Penguin 1976, pp. 537 and 557. See also the remarks on Jefferson in Walter Lippmann, *Public Opinion*, New York: Macmillan, 1922, pp. 319–20, and *The Phantom Public*, New York: Harcourt and Brace, 1925, pp. 174–86. For Arendt on democracy, ancient and modern, Hannah Arendt, *The Human Condition*, New York: Doubleday, 1959, chapter 2.
- 2 Both ancient Athens and ancient Pompei were too large, even as citizen bodies, to be 'face-to-face' communities. But they were small enough that a citizen who did not know another citizen personally, had no difficulty finding someone who did, especially because citizen assemblies operated at smaller-scale locality levels, as well as at the 'all-Athens' or 'all-Pompei' level. For Athens, see, for example M.I. Finlay, *Democracy Ancient and Modern*, New Brunswick, N.J.: Rutgers University Press, 1973, pp. 18–37. For Pompei see Mary Beard, *Pompei: The Life of a Roman Town*, London: Profile Books, 2010, chapter 6, especially pp. 190 and 194–5.
- 3 Lippmann, *Public Opinion*, op. cit., chapter 6.
- 4 Since Lippmann introduced the term it has acquired a pejorative meaning it did not have for him. For Lippmann a stereotype was simply an abstract or general category, today it tends to mean an abstract category that misleads, usually through over-simplification. It is easy to see why this has happened, because Lippmann himself stressed that the knowledge stereotypes provide is defective because their generality comes at the cost of specificity and nuance. However, in deference to his pioneering use of the term I have chosen to keep it, and to use it simply as a synonym for 'abstract or general category'.
- 5 'The democratic tradition is ... always trying to see a world where people are exclusively concerned with affairs of which the causes and effects all operate within the region they inhabit ... And although democrats recognise that they are in contact with external affairs, they see quite surely that every contact outside that self-contained group is a threat to democracy as originally conceived ... That is a wise fear. If democracy is to be spontaneous, the interests of democracy must remain simple, intelligible and easily managed. Conditions must approximate those of the isolated rural township ... The environment must be confined within the range of every man's direct and certain knowledge.' And he adds, 'The most successful democracies ... Switzerland, Denmark, Australia, New Zealand and America until recently, have had no foreign policy in the European sense of that phrase'. Lippmann, *Public Opinion*, op. cit., pp. 269–71.
- 6 *Ibid.*, p.9
- 7 As I hope was made clear in Chapter 5, this does not simply mean those who have directly lost jobs as a result of increased global competition. It also refers to the large, and ever-growing, proportion of citizens in western democracies who experience economic and psychological insecurity through their dependence on service employment. This includes those earning median to low incomes in full-time service work or in multiple ('gig') service occupations, and those earning higher, but equally stressing and insecure, incomes at the higher end of 'the Precariat'.
- 8 There is a vast literature on this matter, but for good overviews of the American data see Delli Carpini, Michael X. and Keeter, Scott, *What Americans Know about Politics and*

- Why It Matters*, New Haven, Conn.: Yale University Press, 1996, and Ilya Somin, *Democracy and Political Ignorance: Why Smaller Government Is Smarter*, Stanford, Calif.: Stanford University Press, 2013. The US Pew Research Center conducts regular national and international surveys of political and social knowledge. For one overview of its voluminous findings, see 'Public Knowledge of Current Affairs Little Changed by News and Information Revolutions' at www.people-press.org/2007. For public economic knowledge specifically see Carpinì and Keeter, pp. 71–2 and 80–1 and the Kaiser Foundation Economic Survey Project (1996) reported at www.kff.org/kaiserpolls/1199. For public underestimations of economic inequality, see Michael I. Norton and Dan Ariely, 'Building a Better America – One Wealth Quintile at a Time' in *Perspectives on Psychology and Science*, Vol. 6, No. 1, 2009, pp. 9–12, and for continual overestimates of foreign aid see 'American Public Vastly Overestimates Amount of US Foreign Aid' at www.worldpublicopinion.org. For distorted public knowledge of crime trends see Mike Hough and Julian W. Roberts, 'Sentencing Trends in Britain: Public Knowledge and Public Opinion', *Punishment and Society*, Vol. 1, No. 1, 1997, pp. 11–28. Systematic international comparisons of citizen knowledge are rarer, but here the work of James Curran and his collaborators is significant. See, for example, James Curran, Shanto Iyengar, Anker Brink Lund and Inka Salovaara-Moring, 'Media Systems, Public Knowledge and Democracy' in *European Journal of Communication*, Vol. 24, No. 3, 2009, pp. 5–21; and Toril Aalberg and James Curran (eds) *How Media Inform Democracy: A Comparative Approach*, London: Routledge, 2011. Curran et al. emphasise the strong and persistent correlation between public knowledge of an issue and the quality of media coverage of that issue, a point also emphasised by Delli Carpinì and Keeter. In western Europe (including Scandinavia) and Japan, citizen political knowledge is generally superior to that in the US, a difference which Curran et al. attribute to the mass media in Western Europe (including the UK) being less commercialised than in the US, and the greater weight of state-owned media in most European countries. See Delli Carpinì and Keeter, op. cit., pp. 89–91 and Aalberg and Curran (eds), chapters 1, 9 and conclusion.
- 9 This is the so-called 'rational-ignorance-of-voters' hypothesis, strongly favoured by economists and political scientists of a rational choice persuasion. See, for example, Anthony Downs, *An Economic Theory of Democracy*, New York: Harper, 1957; Somin, op. cit., and most especially the work of Bryan Caplan (*The Myth of the Rational Voter: Why Democracies Choose Bad Policies*, Princeton, N.J.: Princeton University Press, 2007, and his reply to critics in 'The Myth of the Rational Voter and Political Theory', chapter 13 of Helen Landemore and Jon Elster (eds) *Collective Wisdom: Principles and Mechanisms*, Cambridge: Cambridge University Press, 2012). There is a lot to be said in criticism of the 'rational ignorance' literature, and particularly of the concept of 'rationality' it employs, but this is not the place to do so.
- 10 Schumpeter op. cit., chapter 22. Javier Lopez has recently produced an argument that, in effect, assumes that Schumpeter is right. He suggests that, across the world, many citizens are turning viscerally (rather than intellectually) against democracy because they see their lives as unsatisfactory and/or the fear that their children will have lives worse than their own. Javier Lopez, 'Electoral Authoritarianism, Elective Dictatorship', chapter 10 of *The Crisis of Globalisation*, op. cit.
- 11 For the failure of rises in education levels in the US to have any significant effect on voter knowledge, see Somin, op. cit., pp. 171–77; and Delli Carpinì and Keeter, op. cit., chapter 3. For lack of change in voter knowledge in the UK despite massive rises in formal educational levels, see for example Will Jennings, Nick Clarke, Gerry Stoker and Jonathan Moss, 'Popular Understandings of Politics in Britain 1937–2014', Paper for the UK Political Studies Association Annual Conference, Sheffield 2015, at www.psa.ac.uk/sites/default/files/conference/papers/2015/PSA2015%20Popu

- 12 As its sub-title indicates, Somin, *op. cit.*, is a classical text of this type, as is Caplan (2007), *op. cit.* The problem though is that so-called 'information asymmetries' between producers and retailers on the one hand and consumers on the other, tend to mean that citizens are often as poorly-informed as consumers as they are as voters. In fact, the idea that citizens will invariably expend their money more wisely than their votes seems to owe more to *a priori* rationalism than it does to the facts. For an argument to this effect, see Gerry Mackie, 'Rational Ignorance and Beyond', chapter 12 of Landemore and Elster (eds), *op. cit.*
- 13 See for example David Harsanyi 'We Must Weed Out Ignorant Americans from the Electorate' at <https://www.washingtonpost.com/opinions/we-must-weed-out-ignorant-americans-from-the-electorate/2016/05/20/f66b3e18-1c7a-11e6-8139-11ea8bb76b95>. Also Dambisa Moyo 'Across the World, Democracy Is in Crisis. Here's My Plan to Save It' at <https://www.theguardian.com/commentisfree/2018/may/02/democracy-crisis-plan-trump-brex-it-system-politicians-voters>
- 14 In this I agree with Bryan Caplan. See Caplan (2007), *op. cit.* But in Caplan's eyes the economic irrationality of American voters consists primarily in their not understanding the principles of free trade. And this is indeed a problem, as the appeal of Donald Trump's kind of protectionism – and the likelihood that it will damage at least some of the people it is supposed to help – indicates. But it is not true that if voters grasped the logic of free trade, and substituted it for their popular mercantilism, they would thereby become economically rational. One can only believe this if one thinks that global markets work 'rationally', or would work rationally if only freed from the 'interference' of governments pandering to ignorant prejudices. Since I do not believe that, I equally do not believe that grasping the principles of free trade or comparative advantage is enough to make someone an economically literate citizen now. See below, Part III.
- 15 For Cavell on conversation and community, Stanley Cavell, *The Claim of Reason: Wittgenstein, Skepticism, Morality and Tragedy*, New York: Oxford University Press, 1979, especially chapter 1 'Criteria and Judgement'.
- 16 As I write this an article in today's *Guardian* describes Brexit as 'the sheer nightmare of translating an essentially emotional decision into a practical, commercial, institutional and diplomatic arrangement'. But the Brexit referendum vote was not merely emotional, it was a vote taken in total ignorance of its commercial, institutional and diplomatic implications. And this ignorance was probably as great among those voting Remain as those voting Leave (although it mattered less in the former case). Matthew d'Ancona, 'Theresa May Is Teetering, But Her Fall Will Not End the Crisis' at <https://www.theguardian.com/commentisfree/2018/jul/15/theresa-may-crisis-prime-minister>
- 17 To be clear, there is nothing wrong with using Twitter or similar platforms for non-political forms of communication. Also, there is nothing wrong with leavening lengthy, complex arguments with sloganised sentences or invocations of emotive political abstractions (positive or negative). What is wrong is *substituting* slogans or emotive abstractions for complex argument.



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PART III

Making the Future



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9

ECONOMIC GROWTH

Dangers and Possibilities

There follows an outline sketch of my desired future for humanity. It consists of three elements. In this chapter I analyse capitalism's most sustained and lasting legacy to human beings – an accelerated rate of economic growth – and the futures (both desirable and undesirable) that it makes possible. In the following chapter, I outline a possible global governance structure for capitalism, the problems it could solve and the difficulties its creation and functioning would confront. A major objective of that governance structure is for all the planet's human population and the planet itself to benefit from, rather than suffer from, economic growth. Finally, in Chapter 11, I briefly consider the practical feasibility of all these suggestions given where the human race 'is currently at', both politically and psychologically. I try, in other words, to weigh the *likelihood* of my desired future being realised. I conclude that this is less a matter of knowledge (mine, or anyone else's) than of will.

Economic Growth

It is a commonplace of all histories of capitalism that it has produced more economic growth in the last 250 years than the human species managed in the previous 3,000. Therefore, if we are 'looking out' to the future from our capitalist present it is along the sight-lines of economic growth that we must look. In a capitalist world it is economic growth that, for good or ill, will 'get us' from the present to the future, just as it 'got us' from the past to the present. To put that more exactly, in a capitalist world, it is certain that the future, just like the last 250 or so years, will be filled by human activities producing, among other things, economic growth. That being the case, a chapter on growth is the most appropriate starting point for the concluding part of this book.

But ‘for good or ill’ is of course the issue and the question. Because as we shall see, its economic growth achievements are not only centre-stage in most recommendations of capitalism, they are centre-stage in the most profound criticisms of it. In fact, economic growth is yet another aspect of capitalism’s deep philosophical ambiguity. And the aim of the chapter is to explore that ambiguity by considering the different futures which economic growth may create. More precisely it means – to echo the concerns of Chapter 1 – exploring the futures which I, and other people, *hope* or *fear* it will create.

Having said all that, I should emphasise that this chapter will not be a blanket tirade against economic growth. It will not be arguing that the pursuit of growth is at the root of the global environmental crisis, or that it is the ultimate expression of the greed and materialism at the corrupt heart of capitalism.

My reasons for not endorsing these conventional critiques are mixed. In the case of the environment, there is no necessary connection between growth rates *per se*, and environmental damage. High economic growth rates can be environmentally destructive *or* enhancing, and so can low or even negative growth rates. As one well-known author on this subject put it, ‘it all depends on *what* is growing and not growing’.¹ In fact the substantively empty way growth is measured makes it compatible with total environmental destruction of planet Earth, complete ‘Green’ conservation of it, and everything in between. I am more sympathetic to the ‘greed and materialism’ critique of growth, but, as will be seen, not in the form in which it is usually put.

Rather than condemning growth in conventional ‘radical’ or ‘environmental’ ways, I want to emphasise that economic growth, just like environmental damage or financial crises, is an unintended consequence of mass human action and interaction. Because the most profound critique of it follows from this point.

Economic growth happens because people go to work, invest money, produce and trade goods and services. But why do people go to work, invest money, produce and trade goods and services? The answers to this question are as varied as people themselves. But the crucial point is that no society in the world, rich or poor, is ‘producing economic growth’ or ‘being economically efficient’ one of them. People go to work to feed their families, pay their rents or mortgages, get money to spend on fun and relaxation. People invest money to get rich, secure their future or old age, have assets to hand on to their children. People produce and trade goods and services to feed their families, pay their rents or mortgages, get rich, get money to spend on fun and relaxation, have assets to hand on to their children, etc. Insofar as these motivations lead people to work hard, invest shrewdly, and trade efficiently, economic growth will occur. But the pursuit of economic growth itself never motivated anybody to do anything. Indeed the only people for whom the pursuit of economic growth is a motive are politicians and other policy-makers – the people who politically superintend growth, not the people who actually produce it.

While economic growth is not a motive for any individual economic actor, including firms and corporations, it has become a major objective of public policy in almost every country in the world. Economic growth has a very odd logical status in fact. Any rate of economic growth is a retrospective measure of the unintended outcomes of economic activities. Thus, in a market economy it cannot be a policy target. But if ‘this year’s’ or ‘this quarter’s’ economic growth is higher than ‘last year’s’ or ‘last quarter’s’, policy-makers will not only take credit for that, they will hail it as a collective (usually national) ‘success’. In a great deal of public debate and discourse, maintaining or raising the rate of economic growth is treated both as a policy triumph in itself and as the essential means of achieving virtually all other policy objectives, including social ones: improved health care or education, improved leisure or cultural facilities, etc.

Growth and Human Well-Being

What this logic occludes is that any rate of economic growth is only a ‘success’ if it is compatible with individuals actually achieving the objectives that motivate them as economic actors. In other words, if the major objective of 34 per cent of economic actors is to provide a better life for their families, then a 2 per cent, or 5 per cent, or 10 per cent rate of growth is only a success for that 34 per cent if their families do actually attain a better life. If the primary economic motive of 12 per cent of economic actors is to get rich, then a 7 per cent rate of economic growth is only a ‘success’ for that 12 per cent if they do actually get rich. If the primary economic motive of 14 per cent of economic actors is to have the time and money to pursue their favourite hobby, then an 8 per cent growth rate is only a success for that 14 per cent if they actually attain the time and money to pursue their favourite hobby. And note that this logical point holds true in all countries and societies of the world, rich or poor, agricultural or industrial, ‘northern’ or ‘southern’.

The above examples imply that people’s economic motives are often both broad and vague. ‘A better life for my family’ can mean a lot of things, not all of them compatible with each other. ‘Getting rich’ might seem more precise, but ‘rich’ is a relative notion – one person’s untold riches may be another person’s minimally decent standard of living. How much time and money a person needs to pursue their favourite hobby depends on what the hobby is. Ocean yacht racing requires quite a bit of time and a lot of money, gardening takes a fair bit of time but (in comparison with yacht racing) rather little money.

Time

However, there is one general point we can make in regard to all economic motives, whether varied, vague, multi-dimensional, or changeable over an individual’s life. All of them require *time* as well as money. A ‘better life for my family’ can mean many things, but one of the things it certainly means is time for

that family to be together and to enjoy their possessions or shared activities. There is nothing wrong with defining 'getting rich' as having a lot of money but having huge amounts of money will not strike even the most avaricious person as worthwhile if they do not have time to enjoy spending it. Most hobbies and pastimes require some money, but all of them require some time free from work.

Human beings work, invest, and trade for a whole variety of reasons, but none of them work, invest and trade in order to work, invest and trade! There are, it is true, some people described as 'workaholics'. They work for virtually all their waking hours, and they are at a total loss when required to stop working – through illness say, or because they are ordered to take a holiday. But even workaholics, when asked why they work, will generally point to some motive or motives beyond the work itself – 'being secure', or 'being a success in life'.²

But workaholics are a small minority of human beings. Indeed their extreme oddness is signalled in the pathological label attached to them. But that is just the point. Taking economic growth to be a measure of collective economic success, (so that a 4 per cent rate of growth is always superior to a 3 per cent or 2 per cent rate), is to treat all economic actors as though they *were* workaholics. It is to say that, if the monetary value of the total goods and services produced by a given human population has increased, then this is a good thing irrespective of whether any of those individuals obtained any of the objectives that economically motivated them to achieve that rate of growth in the first place.

Now the way this weird logic is usually defended is to say that, while, if an economy has increased its rate of growth we cannot know whether any or all individual economic actors have obtained their objectives, if there is more monetary income and wealth around, this will surely have increased the chances that at least some of them have. But the plausibility of that assumption depends heavily on how important time away from work is in attaining any of those objectives. Because if the increase of economic growth has been brought about by means which generally or universally reduce the amount of a population's free time, it may well be perfectly compatible with ever fewer people actually achieving their 'growth-inducing' economic objectives.

Rich and Poor

This then leads us to a very interesting conclusion. All things being equal, economic growth brought about by means which reduce hours of work will be more compatible with more people achieving their 'growth-inducing' objectives (whatever they may be). However, that obstreperous little phrase 'all things being equal' (*ceteris paribus*) is as crucial here as it is in most other economic arguments. For all things are not equal as between materially poorer and materially richer societies on this planet. In the former individuals are often willing to sacrifice all other economic objectives (including many 'free time dependent' objectives) simply in order to increase their money and real incomes. They are willing to

work very long working days and weeks because increasing their income from a very low level is their overwhelmingly dominant motive. This also implies (and the implication is generally validated historically) that as their incomes rise people will begin to value an increase of free time more than they value a further increase in income.

The fact that we live in a world where billions of people are still too poor to have much interest in any economic objective beyond raising their monetary income (and are willing to act accordingly) is perhaps the single factor that bedevils all attempts at regulating the global economy. The willingness of many of the world's poorest people to 'work all the hours God sends' puts pressure on all the world's less poor people either (a) to work just as hard (in order to compete), or (b) to engage in occupations which the world's poorest people cannot or do not pursue, and so avoid their competition, or (c) to have their labour replaced by machines (which can 'outmatch' labour-based productivity by 'tireless' machine productivity).

Thus, finding forms of regulation which can allow the poorest countries of the world to pursue 'labour-expending' forms of growth while protecting the ability of the less poor to pursue 'labour-saving' and 'life-enhancing' forms of growth without mass unemployment, is at the heart of any effective regulation of the global economy. As I suggest in the next chapter, it is not impossible to do this, but it requires a minimum set of economic rules for all states to follow and an additional set of regulations that apply only to richer countries. So long as states remain poor only the minimum bundle of regulations applies to them. But as they develop they become subject to the additional regulations. The general idea, in fact, is to move states as quickly as possible from poverty to prosperity, so that eventually the same set of rules applies to all.

Economic Growth as a Cultural Problem: Marx and Keynes

Undoubtedly the main reason for the mainstream 'policy resilience' of economic growth in the face of multiple critiques is the conviction among policy-making elites that economic growth is the essential means by which citizens can achieve their other objectives in life *whatever* these are. Indeed, as I have already said, in mainstream economics growth is always treated as a means to other ends. Through economic growth societies produce ever more wealth and then people use that wealth for whatever they, not economists, deem important. This is the official position of mainstream economics, and that position has extra weight so long as the human population is growing at above replacement levels. Because it is just a statistical truism that, if there are more people on the planet every year, there has to be at least as much economic growth as population growth just to keep the amount of income and wealth per head steady.

However, long before the modern environmentalist critique, there was a distinguished tradition in economics – to which both Karl Marx and John Maynard

Keynes belonged – which was critical of this mainstream position. This tradition saw economic growth as desirable only if it culminated in very particular ‘non-materialistic’ outcomes for human beings. Marx, for example imagined a highly automated form of communist society in which:

labour in the direct form has ceased to be the great well spring of wealth, [and thus] labour time ceases and must cease to be its measure ... The surplus labour of the mass has ceased to be a condition for the development of general wealth, just as the non-labour of the few [has ceased to be the condition] of the general powers of the human head. With that, production based on exchange value breaks down, and the ... material production process is stripped of the form of penury and antithesis. The free development of individualities, and hence not the reduction of necessary labour so as to posit surplus labour, but rather the general reduction of the necessary labour of society to a minimum, which then corresponds to the artistic, scientific etc. development of the individuals in the time set free, and with the means created, for all of them.³

While Keynes envisaged a capitalism developed to a point at which:

for the first time since his creation man will be faced with his real ... problem – how to use his freedom from pressing economic cares, how to occupy the leisure, which science and compound interest will have won for him, to live wisely and agreeably and well.

... When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of morals ... The love of money as a possession distinguished from the love of money as a means to the enjoyments and realities of life – will be recognised for what it is, a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease. All kinds of social customs and economic practices, affecting the distribution of wealth and of economic rewards and penalties, which we now maintain at all costs ... because they are tremendously useful in promoting the accumulation of capital, we shall then be free, at last, to discard ... We shall once more value ends above means and prefer the good to the useful. We shall honour those who can teach us how to pluck the hour and the day virtuously and well, the delightful people who are capable of taking direct enjoyment in things, the lilies of the field who toil not, neither do they spin.⁴

Karl Marx, despite his radical views, was in many ways a conventional *haut bourgeois* intellectual, omnivorously well read, and as appreciative of literature and drama as he was of Hegel, Ricardo or Darwin. Predictably all his three daughters

inherited both his high intellectual tastes and his radical politics. The youngest and most remarkable of the three, Eleanor Marx, combined a life time of trade union activism with being an enthusiastic amateur actress, one of the founders of the British Shakespeare Society, and an early enthusiast for the ‘scandalous’ plays of Henrik Ibsen.⁵

John Maynard Keynes was perhaps an even rarer combination, a brilliant economist who was also a hedonistic aesthete.⁶ It is unsurprising, therefore, that when Marx and Keynes allowed themselves to envisage their desired futures, they both postulate economic abundance liberating humanity, not only from the narrowing and amoral requirements of specialised work and continuous capital accumulation, but from the ‘banal’ popular pastimes and entertainments that figured large in the societies they knew. In a word, economic abundance, when it came, was to set humanity free from crass materialism to pursue high intellectual, aesthetic and artisanal pursuits.

As one of those strange left-liberal intellectuals with a quite strong aesthetic (and ascetic) streak I am personally very sympathetic to all this and would be happy in a world in which people used the fruits of economic growth in these ways. I have to acknowledge though, that the conventional economist’s critique of this prescription – that it involves imposing the elitist preferences and values of a very particular section of humanity on humanity as a whole – has considerable moral and political force. Marx and Keynes might have preferred to use *their* free time and money to pursue ‘cultural’ pursuits they found personally enriching. But it is difficult to see how either of them could justify outlawing, or even discouraging, their fellow citizens from burning around on high-powered motor bikes, or sailing dinghies or luxury yachts, or watching endless TV reality shows, or spending every weekend following their football team, or shopping for high fashion clothing. In the end people’s preferences are what they are and so long as, in J.S. Mill’s famous phrase, they cause ‘no palpable harm to others’,⁷ any liberal democratic society must surely let them be.

However, economic growth that turns ever more time into work time, is a form of economic growth which threatens all citizen life-preferences whatever they are. At the extreme it produces a kind of miserable absurdity in which, by the conventional economic measures a society is getting ever richer, but the vast majority of people who are producing these riches have less and less time to do any of the things that motivated them to produce the riches in the first place.⁸ If this is happening, then, just like environmental destruction, it actually defeats the logic of the mainstream ‘economic-growth-is-just-a-means-to-variously-desired-ends’ defence. Because in this case too the means become perversely self-defeating. Economic growth becomes a collective activity that actually destroys or imperils the individual ends to which it was supposed to be the means.

Even that may not be the worst of it. If Thomas Piketty and others are correct, the future of most western economies could be one in which there are ever-longer hours of work for the majority of their service-employed workforces

combined with much lower rates of growth than those economies experienced over the twentieth century. A future of enforced workaholism in short, but without the rate of increase of material rewards that once accompanied it.

A society combining ever more time-consuming forms of economic growth with consistently low rates of such growth, must surely be regarded as being as even more collectively pathological than the workaholic is individually pathological. While the harm done by an individual's workaholism extends to their own family and friends primarily, the harm done by continually work-maximising forms of growth extends to almost everyone. Moreover, if the growth occurring in the world as a whole also produces severe environmental damage (through burning hydrocarbons for example), then that harm extends not only to all human beings but to the planet earth and all its other fauna and flora.

Jobless Growth

The above argument assumes that low rates of growth in labour-intensive, service-dominated economies will remain the norm for western democracies as the twenty-first century advances. But if the more alarmist speculations of some economists are justified,⁹ intense national and global competition could force the adoption of ever more labour-displacing productivity increases in many service industries – retail and wholesale, banking and financial services, transport and education. In such a case large-scale structural unemployment might become the norm, even as growth continued at (perhaps) a somewhat faster rate. That ominous phenomenon, 'jobless growth' would replace 'workaholic growth' across all western economies.¹⁰ If that were to happen, but human beings were still the predominant *consumers* of goods and services, some form or another of a guaranteed minimum income would become essential.¹¹ For without something like this economic growth would lose its anomalous status. It would cease to be the only economic outcome of mass human interaction not regarded as a problem, and come to be regarded as a *massive* problem. Because growth would now be driven by forces of production – robotics-dominated manufacturing, AI-dominated services – that increased output and productivity while simultaneously undermining the capacity for human beings to consume that output. This could occur even if the forms of economic growth involved were environmentally conserving or positive – i.e. even if the robots, and computers, and 'human-light' forms of transport, were powered in sustainable ways which did not increase global warming or pollution.

We must conclude therefore that the only way to prevent economic growth becoming such a problem is to subordinate it firmly to other objectives. If it is not to threaten our planet's ecological viability, or turn us into workaholics, or relegate us to the role of unproductive consumers, economic growth must be made, in reality as well as in rhetoric, just a means to attaining other ends. These ends should be, in order of importance:

1. to create an environmentally healthy and sustainable planet in which our remote descendants can inherit at least the quality of environment that we enjoy, and
2. to provide as many human beings as possible with ‘enough’ money *and time* to do the things they find fulfilling and life-enhancing.

Subordinating the pursuit of economic growth firmly to both these objectives obviously has implications for the kinds of technology to be used. But, as will be seen in the next chapter, it also has implications for the structure of global taxes on income and capital, and for the distribution of the income and wealth generated by growth. I therefore argue that subordinating growth to these two objectives must now be the primary goal of the collective regulation of the global economy by a reformed G20.

Notes

- 1 Michael Jacobs, *The Green Economy: Sustainable Development and the Politics of the Future*, Vancouver: University of British Columbia Press, 1993, especially chapter 5. See also Robert and Edward Skidelsky, *How Much Is Enough? Money and the Good Life*, London: Penguin, 2013, chapter 5. However, though there is no necessary connection between growth rates and environmental damage, there is no doubt that the *type* of economic growth pursued up to now in all capitalist societies has been environmentally damaging. It is the type of growth that needs to be changed now.
- 2 The professional psychological literature on workaholism falls well outside my sphere of competence, but for an overview see Bryan E. Robinson, *Chained to the Desk: A Guidebook for Workaholics, Their Partners and Children and the Clinicians Who Treat Them*, New York: New York University Press, 2001. For a brief introduction to some of the typical personality traits of the workaholic, Timothy A. Pynchl, ‘The Personality of the Workaholic and the Issue of “Self”’, *Psychology Today*, 20 March 2010.
- 3 Karl Marx, *Grundrisse: Foundations of the Critique of Political Economy (Rough Draft)*, Harmondsworth: Penguin, 1973, Notebook VII, p. 705. Marx’s *German Ideology* vision of communism, in which ‘society regulates the general production and thus makes it possible for me to ... hunt in the morning, fish in the afternoon, rear cattle in the evening, criticise after dinner, just as I have a mind’ has long been thought the most irredeemably utopian part of his thought. But at the beginning of the twenty-first century, with notions of a work-independent citizens’ income increasingly canvassed, it is possible to think that, just like Babbage’s ridiculously impractical ‘engine’, this vision of Marx’s might yet be realised in some modified form. Judgements of what is or isn’t ‘utopian’, just like judgements of what is and isn’t ‘of lasting significance’, should always be made with caution. Karl Marx, *The German Ideology* (Part One), London: Lawrence and Wishart, 1970, p. 53. See note 11 below for more comments on this.
- 4 J.M. Keynes, ‘Economic Possibilities for our Grandchildren’ (1930) in his *Collected Works*, Vol. IX, London: Macmillan, 1972, pp. 321–32. Quotation is from pp. 329–31. Robert and Edward Skidelsky, *op. cit.*, argue that Keynes’s (and Marx’s) wishes failed to come true because, since World War II, capitalist societies, rather than reducing hours of work, increased them in the name of ever-rising incomes and ‘standards of living’. They also turned leisure itself into a form of passive consumption and paid employment, rather than an active, self-realising use of free time. See especially their chapter 1 (‘Keynes’s Mistake’), but also chapters 2, 6 and 7.

- 5 On this see the wonderful biography by Yvonne Kapp, *Eleanor Marx*, New York: Pantheon, 1976, especially Volume 2, Parts II and III.
- 6 On this, see for example Robert Skidelsky, *John Maynard Keynes*: Vol 2, op. cit., pp. 423–24 and 427.
- 7 ‘The sole end for which mankind are warranted, individually and collectively, in interfering with the liberty of action of any of their number is self-protection ... the only purpose for which power can be rightfully exercised over any member of a civilised community, against his will, is to prevent harm to others. *His own good, either physical or moral, is not sufficient warrant.*’ J.S. Mill, *On Liberty*, chapter I (‘Introductory’), emphasis added.

As has been repeatedly observed, the ‘prevention of harm to others’ criterion is not, in practice, as unambiguous or (therefore) as excluding as Mill thought, particularly in societies where the negative externalities of individual behaviour are ‘socialised’ in various ways. At first glance, behaviour such as smoking, or refusing to wear a crash helmet, might seem to be endorsed by the Millian principle since it ‘only’ affects the person doing it. But if such behaviour has external costs and consequences (forcing passive smoking on others or increasing their taxes or health premiums to cover the costs of treating avoidable injuries and illnesses) then such behaviour does cause ‘harm to others’ and can be forbidden or interfered with under the principle. However, whatever its limitations, nobody has ever come up with a better formulation. And the ‘harm to others’ principle does, as it should, put the onus of proof on those who wish to forbid or outlaw behaviour. Indeed, its explicit aim was to philosophically validate the English common law principle that what is not explicitly forbidden is allowed.

- 8 I am endemically sceptical of the ever-growing literature on happiness and economic growth on the grounds that so much of it is based on the exceedingly dubious hypothesis that happiness is a ‘thing’ (albeit a mental or emotional ‘thing’) that can be measured, and even measured cross-culturally. However, the best of the writers on the subject do show some awareness of these conceptual issues, and, at the very least, the literature does seem to have established that, within individual capitalist societies, there is no discernible increase in the sense of well-being once real income passes a certain threshold. Indeed beyond that threshold broader social factors seem far more important than any economic variable in determining well-being. For an influential foundational text see Fred Hirsch, *Social Limits to Growth*, London: Routledge & Kegan Paul, 1977. For a profound critique of the philosophical shallowness of the happiness literature, see Robert and Edward Skidelsky, *How Much Is Enough?* op. cit., chapter 4. For two sensible empirical discussions (albeit within that shallowness), Richard A. Easterlin, ‘Does Economic Growth Improve the Human Lot?’ in P. David and M. Reder (eds) *Nations and Households in Economic Growth*, New York: Academic Press, 1974, pp. 89–125; and Charles Kenny, ‘Does Growth Cause Happiness or Does Happiness Cause Growth?’ *Kyklos*, Vol. 52, 1999, pp. 3–36 and especially pp. 14–21.
- 9 See above, pp. 43–4.
- 10 To be fair, fears that this may happen have arisen periodically in all capitalist societies since the Industrial Revolution. It may be, therefore, that they will prove as unfounded this time as they have previously. However, a reflection should give one pause. To date human beings have been irreplaceable in all forms of production – of manufactures, services, crops and animals – because of their physical dexterity and/or their cognitive abilities. But if robots can be developed to match humans in dexterity, and if computers can be developed to match humans in routine forms of cognition and data-processing, then they would no longer be irreplaceable, in agriculture, manufacturing or services. If this happened, then some other economically ‘sub-optimal’ characteristics of human beings – their getting tired; their getting bored and careless because bored; their resentment of authority whether fairly or unfairly exercised – from being human weaknesses that employers simply have to put up with, would become further

reasons for replacing them with machines. A small elite of human beings – those with the skills and abilities to design and develop such machines – would remain irreplaceable. But they would be a tiny minority of the present-day labour force. The potentialities and dangers of robotics and automation are the subject of a mass of speculation. But there is simply no way of knowing what their ‘ultimate’ implications will be. Everything depends on the way these technologies are developed and deployed, and we simply do not know enough about that yet.

- 11 Were this to happen, one assumes that both Marx and Keynes would spin joyfully in their graves – their culturally-enriching nirvana would be upon us. But that it would be a nirvana depends on it being the case that the majority of human beings, on being ‘liberated’ from paid work, would find personally and culturally enriching uses for their time. I am a little sceptical about that. But there is no way of knowing until it happens. For a passionate argument that it *could* happen, see Robert and Edward Skidelsky, op. cit., especially chapters 6 and 7.

10

REGULATING A GLOBALISED CAPITALISM

A regulatory regime for globalised capitalism has to meet four objectives. It must:

1. impose a universal set of conditions within which all trans-national economic activity is conducted and have some effective enforcement mechanism to ensure that those conditions are imposed equally on all actors in the globalised economy;
2. recognise and allow for the significant structural differences within the globalised economy, and in particular the different imperatives of 'developed' versus 'developing' countries and regions;
3. recognise that now, and for the foreseeable future, national states will remain important policy actors in the globalised economy, and that no regulatory regime can be effective which does not allow individual states significant 'room for manoeuvre' in economic and social policy-making;
4. develop some mechanisms to ensure that its regulatory regime cannot be rendered ineffective by the opposition or obstruction of a small minority of recalcitrant states.

There are likely to be significant tensions among these four objectives, between (1) and (2), between (3) and (4), and indeed between (1) and the other three. Moreover, these tensions will not be removable or resolvable, at least in the foreseeable future, so would have to be accommodated and attenuated by negotiation and compromise. It is vital however that the longer-term aim of such negotiations should be to slowly strengthen objectives (1) and (4) at the expense of objectives (2) and (3). That longer term aim must be (a) to reduce the differences between developed and developing countries and regions as quickly as

possible (so that fewer and fewer regulatory exceptions have to be made for the latter), and (b) to move gradually to a situation in which regulations can be adopted and imposed by a weighted majority of states, rather than by unanimity.

It would be impracticable to found such a regulatory regime on all the world's 195 nation-states of the UN. It would be as unwieldy and ineffective a regime as the UN itself. One must begin with a much smaller sub-group of states, and since an economic regulatory body is envisaged, this sub-group should contain all the world's most economically powerful states. The G20 therefore seems the obvious choice, as it contains all the world's conventionally-defined 'developed' economies, and all of its major developing economies, including the dynamic 'BRIC' group (Brazil, Russia, India and China). It follows from this that any regulations adopted by this sub-group would apply, as a matter of course, only to its members. Other states could choose to comply with them if they wished, but this would be entirely at their discretion.

I envisage turning a radically reformed IMF into a permanent standing commission of the G20, a commission charged with formulating regulatory proposals for the latter. Such proposals would initially have to be adopted unanimously, but from day one a timetable would be put in place by which unanimity would be gradually superseded by weighted majority voting.

A Reformed G20: 'Maximum' and 'Minimum' Regulation

The G20 would institutionalise itself as something more than a talking shop by adopting a minimum and maximum package of regulations. All current members of the G20 would have to adhere to the minimum package if they were to retain G20 status. The maximum package would be compulsory for all G20 members having a *per capita* income above a certain threshold, but optional for all members falling below that threshold.

The minimum package would consist of:

1. agreement to adhere to all regulations adopted by the G20 (initially by unanimous vote, later by weighted majority vote);
2. a minimum level of income tax to be imposed on all individuals in receipt of a gross income above a level set in US\$PPP terms. Member states would collect this tax, and could impose additional income taxes above this agreed minimum if they wished;
3. a minimum level of profits tax on all enterprises operating within more than one G20 state. This tax would be collected *directly* by a 'reformed' IMF acting as a Global Economic Commission (see below). Its proceeds would be distributed among states in proportion to the contribution made by branch or sub-contracted enterprises within those states to an enterprises' global profits. Individual states could impose profits taxes on multinational enterprises above this minimum if they wished.

The maximum package would consist of the above measures, *plus*

1. agreement to spend a minimum proportion of GDP on environmental amelioration and improvement;
2. agreement to spend a minimum proportion of GDP on education and health care.

A Reformed IMF: the 'Global Economic Commission'

The G20 would elect, from among its members, an Executive Council. The current International Monetary Fund would be reformed on a 'one-member-one-vote' principle to become a Global Economic Commission (GEC). The Commission would act as a standing advisory and executive body to the G20. In its advisory role it would present policy proposals to the Executive Council for adoption by the full G20. In its executive role it would oversee the implementation of existing regulations, and report infractions of those regulations. To the latter end it would have subsidiary bodies in every member state with guaranteed access to all taxation and budgeting data. In its role as collector of multinational profits taxes it would also have powers to examine all enterprise accounts, and to levy fines on enterprises for tax evasion. States found to have infringed regulations would be subject to a range of sanctions, ranging from fines to trade and financial sanctions. Sanctions on states would be imposed by unanimous vote of the Executive Council (with states accused of infractions recused from voting). Fines on enterprises would be levied directly by the Executive Board of the GEC with the majority agreement of the G20 Executive Council.

The present financial role of the IMF would either be delegated to a specific section of the GEC, with voting powers weighted as at present, or (as I would prefer) with contribution and voting powers reformed to more accurately reflect the current balance of economic power in the world. In line with Keynes's original conception of an International Clearing Union, this 'Financial Resource Flows' (FRF) section of the GEC *would eventually have regulatory powers over surplus as well as deficit G20 countries*. It would be able to require countries with balance of payments surpluses above a set maximum of GDP to revalue their currencies, increase public expenditure and/or lower taxes.¹ The FRF section would retain broadly the same 'conditionality' powers *vis-à-vis* deficit countries as the present IMF. However, as already stated, its contribution and voting rules should be amended to make it far more representative of the G20 as a whole. In the longer run, in fact, voting rules for the FRF should simply be elided with those of the GEC Executive Board as a whole. That is, the emergency funding of deficit economies and the regulation of surplus economies would simply be one function of a managerially-unified GEC. However in the shorter term a dualistic transitional arrangement would probably be necessary.

Evolution of the G20: Qualitative and Quantitative

I envisage that, over time, the G20 would evolve in at least three different dimensions. These would be:

1. *'External' membership expansion.* All states with a GDP *per capita* above an agreed minimum would be eligible to join the organisation automatically. (For example, oil rich Gulf states of the Middle East, not currently members of the G20, would qualify for membership now by the GDP *per capita* measure.) Other states not above the economic threshold might also be invited to join if their doing so was thought to be strategically important for some reason.
2. *'Internal' membership deepening.* As poorer countries within the G20 passed the *per capita* income threshold, they would automatically become subject to the maximum regulatory package.
3. *'Internal' regulatory development.* A crucial function of the GEC would be to recommend new regulations to be added to the minimum or maximum packages. Initially adoption of new regulations would require a unanimous vote of all G20 members, but as the organisation expanded, weighted majority voting, both in its full assembly and in its Executive Council, would become a functional necessity. At some time in the not too distant future, planetary economic development might reach the point where all, or nearly all, countries were members of the 'G200' (or whatever it would be called by then). At this point some kind of hierarchical 'general assembly' and 'executive council' structure would be necessary. However, in such a world I can see no reason why – unlike in the case of the UN – each and every 'general assembly' state could not have a representative serve on the Executive Council at some point.

Advantages, Objections and Complexities

Any suggestion for an institutional innovation of the difficulty and complexity of the above will elicit a mass of objections. They will concern everything from the legal status of such an organisation and its implications for legal and substantive state sovereignty, to its practical capacity to carry out its postulated functions in a supposedly 'anarchic' world of nation-states. I do not intend even to attempt to meet all possible objections here. That is partly because I do not feel qualified to do so (I am not an international lawyer), but mainly because I think that, as in the case of all institutional innovations of this type, progress will be made in overcoming difficulties if there is the political will to do so. Moreover, were such an organisation to be set up, its detailed evolution would undoubtedly be impacted by a mass of events occurring over decades and centuries, events about which it is pointless to speculate now.

That said however, there are some obvious advantages, foreseeable now, to the creation of such an organisation and there are some equally obvious objections, also foreseeable now, to its creation. I shall therefore say something about both.

Advantages

1. Multinational economic enterprises, and the individuals who work for them, would operate in a globally uniform 'minimum' tax environment whose impact and costs would be predictable for them all.
2. If the minimum regulatory package could be supplemented by subsequent measures to close the world's tax havens, all states in the G20 (and its successors) would have a reliable and predictable fiscal environment within which they could plan revenues and expenditures.
3. In the case of both multinational enterprises and globally mobile individuals, the current regulatory nightmare deriving from the need to avoid 'double taxing' of individuals and companies (as a result of multiple states seeking to raise revenue in a globalised economy) would be much reduced.
4. Conversely, the 'space' for globally mobile capital and individuals to minimise tax obligations by such devices as 'transfer pricing', inter-subsidiary loans and interest payments and manipulation of state residency, would be much reduced.

Objections

(1) *'Global' tax minima might in practice become global tax maxima, with dire consequences for those states which currently operate with personal and business taxes well above the agreed global level.* I agree that this would be a danger. But I believe that prosperous states – states that provide buoyant demand for businesses and attractive working and living conditions for individuals – *would* be able to raise taxes above the minima without significant economic damage. Conversely, the point of restricting the minimum regulatory package to the G20 countries (or similar) is precisely to exclude the most underdeveloped economies, whose adoption, even of the minimum package, might be damaging to their development prospects.

(2) *In a world of 'sovereign states' there is no mechanism by which to make countries accept either the minimum or the maximum package, and indeed no mechanism by which countries that reach a GDP per capita threshold can be made to adopt the maximum package or join an expanding G20 at all. In particular, rapidly developing economies outside the rich club, might fear having their development slowed down or hobbled once they had passed the 'triggering' per capita income level.* These are indeed serious problems, but not, I think, fatal ones. An institutionalised and reformed G20/IMF could not legally impose its will on its sovereign members, any more than the IMF or the WTO can, but it could provide a powerful mix of incentives and sanctions to obtain assent in practice. The incentives are the ones adduced under 'Advantages'

above. The sanctions could include everything from fines (currently levied quite successfully by the WTO) to various forms of trade and financial sanctions. Moreover, reaching the GDP *per capita* level requisite for G20 membership, and the level within this 'club of the rich' where the maximum regulatory package applied, would be marks of developmental success and embraced by states for just that reason. To join the ever-expanding 'G20', and to rise within it, would be a sign that a state had 'made it' in the world, and that is just what is intended.

(3) *Under these arrangements states within the G20 would be at a competitive disadvantage with respect to states outside, because the latter would not be bound by either the maximum or minimum package and could therefore attract mobile capital and labour by exempting them from these regulations.* This is true and also intended. The point of creating such a dual structure is precisely to give the poorest countries this competitive advantage and to remove it from them as soon as they have passed a certain threshold.² This makes it all the more important that once states pass the threshold the minimum regulatory package *is* imposed on them. This is likely to be the most perennially contentious issue. But for the reasons given above, I do not believe that it will be so intractable as to threaten the whole process.

(4) *Just as in the case of the EU, or in the cases of the IMF, WTO, World Bank, etc., this reformed IMF and G20 would have a massive 'democratic deficit'. Important decisions, with significant implications for human welfare, would be taken by a group of politicians and technocrats entirely removed from any process of democratic accountability.* This is at best a half-truth. To begin with, most members of the G20 as a whole, and of its Executive Board, would be elected politicians, at least in the case of democratic states (which are, in fact, a large majority in the current G20). But, more importantly, the whole point of creating a properly institutionalised 'rich club' of nations, with a technocratic GEC to advise and support it, is to create an institutional focus for a genuinely global politics. I would expect the GEC in particular to be the perennial target of lobbying – by national governments, multinational companies, professional organisations, and international organisations both governmental and non-governmental. Indeed, I would hope and expect that every significant meeting of the GEC or the G20 would be a target for popular demonstrations and demands of all types.

(5) *Both the minimum and maximum initial regulatory packages proposed here are very narrow in scope. They do not, for example, incorporate any measures to regulate global finance, nor do they mandate or require any specific environmental policies.* Both these assertions are true but, again, the omissions are deliberate. To have any hope of being acceptable to the present G20 the initial scope of global regulation must be narrow and focused on matters that are relatively uncontroversial. Also, in a world of endemic nationalism any realistic reform proposal must leave large scope for national economic policy-making.³ However, one of the primary roles of the GEC would be to bring forward proposals for expanding the regulatory package. I would also expect that there would be pressure for such expansion from a range

of pressure and interest groups. For example, as soon as the GEC was set up, it would, I am sure, face such demands as:

- the imposition of a financial transactions tax as part of the ‘maximum’ regulatory package;
- the ‘IMF-become-FRF’ to be given powers over surplus as well as deficit states; and
- the creation of a large compensation fund for the gradual shutting down of all tax havens.

Indeed, in line with these and (doubtless) many other demands I would expect both the minimum and maximum packages to expand through time as this ‘club of the rich’ grows and develops. For the richer the members of the club become, and the larger the proportion of the global economy for which they account, the easier it becomes for them to embrace a broader and broader agenda of environmental and welfare measures without fear of competitive disadvantage.

Complexities

Those who have a distaste for bureaucracy and regulatory complexity (the former being required to police the latter and growing ineluctably with the latter), those who always equate it with enterprise and freedom-threatening ‘red tape’, will already be sniffing the air disapprovingly. And they will have reason. Creating a uniform tax environment for multinational capital and labour is likely to generate a *mass* of regulation and complex case law. Moreover, clauses which sound simple – ‘a minimum proportion of GDP to be spent on environmental amelioration and improvement’, ‘a minimum proportion of GDP to be spent on education and health care’ – can generate enormous complications in practice when each of their component terms can be defined differently and measured differently. Imagine all the politicking and technical fuss that is likely to attend actually setting the minimum income and profit tax levels, or the minimum environmental spend levels, or the income *per capita* figures for rich club entry and promotion! We must also expect that states will use all these technical issues and complexities as ways of avoiding or minimising obligations. In trying to deal with all this, the GEC, just like the European Commission by which it is inspired,⁴ would be a massive generator of technocratic definitions, measurements, enforcement codes, white papers, green papers, scenarios, surveys, paragraphs, clauses, sub-clauses, sub-sub-clauses. Companies, states and individuals trying to deal with all this regulatory complexity would, in their turn, create a positive bean feast for ‘global’ lawyers and consultants of all kinds.

But all this bothers me not one whit. I am a follower of Max Weber in this matter. Bureaucracy and modernity, bureaucracy and procedural impartiality, bureaucracy and the pursuit of at least some types of equality, are simply

inseparable.⁵ Give up on the former and you give up on the latter too. That is as true at the global level as it is at the national. The trick, however, is to ensure that the activities of any bureaucracy are continually buffeted by, and subject to, *political* demands and activities. The bureaucrats in their offices, like the politicians in theirs, must always hear the demonstrators in the streets, the thunderous commentaries in the press and media, and the quieter, subtler blandishments of the rich and powerful. For as long as all that is the case there is really nothing to fear from bureaucracy in itself. To imagine otherwise is another form of political infantilism.

Capitalism and Moral Order

Despite its merits in other respects, Weber's analysis of 'modern bureaucracy' failed to consider the problems bureaucracy faces in a specifically capitalist context. Weber held that by paying public officials a generous salary and pension and making their continuing employment and promotion dependent on rules of performance, they could be insulated from popular political demands and from the arbitrary *diktats* of political masters. (In this respect they were unlike elected officials.) The problem in a capitalist context, however, is that there is no level of salary payable to a public official comparable to the income that can accrue to him or her, corruptly, for doing favours to the monied. More importantly, there is no level of salary payable to such officials comparable to the amounts that they may earn (non-corruptly, or at any rate legally) through activities as private sector 'consultants', 'advisers', or *ex officio* company directors, after their period of service. The fear therefore is that the latter fact can secure 'non-corruptly' the same results as the former without the attendant risk. The official is not bribed to make 'pro-business' decisions or interpret rules or legislation in a 'pro-business' way, rather s/he is minded to do that anyway because s/he has regard to the monetary rewards which will accrue from consultancies and directorships, after state service.

Virtually all those who have given attention to this problem after Weber have come to much the same conclusion. The only even partially effective way of solving it is by inculcating in all state officials, high and low, *an ethic of public service*. As well as being appointed, promoted and rewarded in ways that insulate them from the need to curry favours either with the *demos* or their political masters, bureaucrats must also possess some conception of a general interest to which they owe a primary loyalty. And they must see this interest as transcendent of, and morally superior to, any particular or sectional interest (including that of business).

When considering how such an ethic might work globally however, we immediately encounter a massive four-fold problem.

1. The *national interest embodied in the state* has been the transcendent interest that public officials around the world have been taught to serve. But obviously there is no global ethnic or civic 'nation' to play this affective role for global bureaucrats.

2. Historically the effectivity of such an ethic has varied considerably between different cultures and nation-states. Even where it has been most powerful (in nineteenth and early twentieth-century Britain and some of its former colonies – notably India – and in the Confucian-dominated states of East Asia, especially China, Korea and Japan) it has certainly not ended all forms of corruption, nor has it always been economically efficient.
3. With the exception of the European Commission, all existing trans-national bureaucracies second their officials from national states. The general effect of this, especially when such secondment is very short term, is to inhibit the development of any collective *esprit de corps*. In fact, such officials are often more focused on the material perks of their jobs than on their outcomes. This is partly because many trans-national bureaucracies (e.g. many UN agencies) have no important decision-making powers anyway, so those outcomes do not matter much. But even where this is not so, as with the European Commission, no strong sense of loyalty to a common ‘European’ interest transcendent of national and/or sectional ones seems to have emerged to date.
4. One of the most damaging effects of the ‘neo-liberal moment’ in the Anglo-Saxon democracies has been a serious *undermining* of an ethic of public service among state officials.⁶ Indeed a hallmark of neo-liberalism has been the systematic weakening and displacement of the bureaucratic employment of officials by less rule-bound, supposedly more ‘flexible’, forms of state organisation. All these have less secure terms of employment than classical bureaucracies and render officials far more vulnerable both to political demands (elite or popular) and to monetary pressures. This is especially the case where state functions are privatised. But even where they are not, attempts to link terms of employment (for teachers, doctors and other health professionals, regional or local government officials) to ‘demand’ or other ‘economic efficiency’ measures, have much the same effect. They force a focus on the short term or immediate – what will reduce costs now? What will increase monetary demand for the service now? – at the expense of the longer-term interests of clients and citizens.

Effective political regulation of a global capitalism will require nothing less than the creation of a trans-national bureaucratic elite whose felt loyalty is to humanity-as-a-whole, rather than to any section of it. Is the creation of such an elite even possible given these initial conditions? I think it may be, provided that:

1. Officials of the Global Economic Commission are, from the first, employed on a long-term basis, rather than being seconded from national bureaucracies.
2. The GEC creates a specialist, dedicated, high level, training institution for its staff, to which candidates are recruited, world-wide and on individual merit

- (i.e. *not* through the application of national quotas) upon graduation from their national universities and other tertiary institutions.
3. Service in the GEC becomes a form of life-time employment designed to produce an intense institutional loyalty and a strong *esprit de corps*. All officials retiring from the GEC would receive generous pensions, but their contract of employment would forbid all private sector employment post-retirement and would do so irrespective of when they retire.
 4. The GEC follows the East Asian (and not the Western) model in seconding its officials to multi-national corporations and other private sector institutions, and in also recruiting some officials from private sector management. (Once recruited, however, such individuals would be required to undergo specialist training and to serve the GEC for life.)

The point of following the Asian bureaucratic model is to avoid creating a bureaucratic elite with an anti-capitalist, rather than prudently pro-capitalist, ethic. The British civil service model had many merits, and even proved to be cross-culturally transplantable (to India in particular). But it embodied an anti-commercial, ‘gentlemanly’ or ‘aristocratic’ ethic which proved seriously weakening of the British state’s economic management capacity in the longer run.⁷ Indeed it was in good part its failures in economic management that rendered Britain vulnerable to the disastrous neo-liberal experiment.

However, neo-liberalism has had much less impact on bureaucratic functioning in mainland Europe, and even less in the East Asian economies that are likely to form the hub of global capitalism in the twenty-first century. In France, Germany and Scandinavia, as well as in Japan, Korea, China and India, the idea that the state should be the guardian of the general interest, and should restrain sectional interests in the name of that interest, is still strongly entrenched, albeit expressed in different ways in these different states and cultures.⁸ All these countries also have long experience in training and recruiting intellectually outstanding state officials with a strong public service ethic.

The real question therefore, is not whether such traditions could be transferred to the global level, for formally they could. The question is whether a global bureaucratic cadre could be created whose primary loyalty was to a global interest rather than to the differing interests of the national states and cultures from which it was drawn. I believe this could be done, if, over time, the GEC became a powerful social, cultural and indeed emotional context – a powerful human world of its own. A real felt commitment to global welfare could emerge among GEC officials, irrespective of the states and cultures from which they came, if the GEC itself became a social context embodying a globalist ethic. Universalism could cease to be an intellectual abstraction, could become existentially real for the people involved, if the GEC itself became a social, inter-personal (and thus emotive) embodiment of it.⁹

However, even if this were to happen over the longer run, in the short to medium term the powers of the GEC would be quite limited, and its main role would be as an advisory body to an Executive Council of the G20. For the immediate future therefore, a global economic interest (or environmental interest, or social interest) would have to emerge from the time-honoured processes of negotiation and horse-trading between sovereign states and economic blocs. Initially at least, the role of the GEC would be restricted to factually and normatively ‘framing’ those negotiations in certain ways. Nonetheless, the process of recruiting and training a global bureaucratic cadre for the GEC should not await an expansion of its powers. It should begin immediately. Because only when such a cadre exists and has a high level of mutual trust and *esprit de corps* among its members, will it be able to exert effective moral and human pressures on national negotiators.

In this context it is important to understand what would be historically unique about such a cadre. Its members would be possessed of the linguistic and cultural resources to communicate effortlessly, and from a position of some trust, with the G20 members from ‘their’ countries and states (in Chinese, in Arabic, in Brazilian Portuguese, in Bengali or Hindi, in American ‘Ivy League’ English or Parisian French). But they would do so from primary loyalty to an entity that was not China, not India, not Saudi Arabia, not the USA, not Brazil, not France, not the EU. The GEC would not merely be a new type of global institution, it would be staffed by a new type of human being, in fact by the first ever group of subjectively *human* beings. And out of the ‘horse-trading’ interaction between this small group of new ‘global’ human beings and the mass of old, national, ‘sectionally-cultural’ human beings a great deal may be learnt – by both sides!

Conclusions

It will be seen that I have been advocating a sort of ‘second Bretton Woods’ above, and that is hardly a cheering reflection. For the first Bretton Woods conference occurred at the end of the bloodiest war in history, a war which devastated a large part of Western Europe, effectively destroyed the German and Japanese economies, rendered Britain more or less bankrupt, and (though this is less often noted) brought Stalin’s USSR to the brink of economic collapse. In such desperate times radical reform schemes that would normally not get a hearing will be considered and even implemented, albeit partially (as were Keynes’s ideas at Bretton Woods). This is especially true when there is a widespread fear among the powerful for the future of capitalism and democracy itself, as there was in 1944.

As often noted, the post-war ‘long boom’ of the world economy which transformed mass standards of living in the US, Western Europe and Japan, was the very last thing anyone at Bretton Woods expected. On the contrary, their almost universally-shared fear was that post-Second-World-War history would be a re-run of post-First-World-War history. That is, after a brief post-war

reconstruction boom, the world economy would once again plunge into a 1930s-style depression, with all the dangers of anti-democratic and anti-liberal extremism to which the 1930s had been witness.

We know that none of that happened. But that does not alter the fact that a deal of the reformist zeal at Bretton Woods was based on the fear that it would,¹⁰ and on the contemplation of a great deal of recent (inter-war) history that seemed to justify that fear. Fear in fact swept away conservative inhibition about regulating the post-war world economy a lot more effectively than any form of utopian dreaming or economic theorising could have done.

But that must surely make one gloomy about the prospects for a second attempt at such regulation at the beginning of the twenty-first century. Because there seems to be nothing in the world now to make the powerful fearful in the way they were in the immediate post-war period. The ‘communist menace’ has to all intents and purposes disappeared. And even the most apocalyptic conservative surely does not imagine that Islamism, or any other of the present-day terrorist movements, are a *systemic* threat to capitalism and democracy as communism and fascism were. It is true that a lot of us fear a planetary environmental catastrophe, and ever more severe economic crises, if some form of effective governance of the global economy is not put in place. But what makes both these threats so insidious and intractable is that there is no unambiguous, day-to-day, experiential evidence that they are real. And by the time there is it may be too late.

So, all this being the case, we must face the fact that at the beginning of the third millennium the world not only confronts massive economic problems that can only be *comprehended* intellectually, it also requires institutional solutions to those problems that can only be constructed through *intellectually-driven* political activism. Humanity’s most pressing problems now are such that solutions to them are very unlikely to be forced on policy-makers by their own fears, or not soon enough. Somehow or other the powerful in the world now – in the US, China, Western Europe, India, Brazil, the Gulf, etc. – have to be convinced, and very soon, that their economic and political well-being depends on constructing new forms of global governance for capitalism, and that it is in their (enlightened) self-interest to do so. Such a conviction may come partly from their own reflections on the world. But it will also have to come from political pressure exerted by those already convinced of the kind of ideas advocated in this book, or at least very similar ideas.

That is why this book is dedicated to the late Eric Hobsbawm. All of Professor Hobsbawm’s work was informed by a conviction that the ungenerous, unimaginative, stultifyingly-narrow sensibility that lies at the heart of every nationalism is the greatest obstacle to the full realisation of human potential.¹¹ But it is not enough to express such exalted sentiments. The real task is to yoke them to a feasible program of economic and political reform. This program must be grounded, initially, in an ‘enlightened’ nationalism, but its ultimate aim must be

to lead human beings out of our myopic, bickering, backward-facing slide into catastrophe, toward a confident, expansive embrace of a cosmopolitan future, a future in which we at last mobilise *all* the talent of our species to make our planet a better place. And a better place not just for us, but for all living things.

Notes

- 1 In the International Clearing Union envisaged by Keynes in 1941, 'all capital flows would be channelled through ... [the ICU] ... and their destabilizing potential ... excluded ... A surplus country hoarding its surpluses in reserves rather than lending them abroad would not be able to deprive deficit countries of their use, since the latter would receive corresponding credit balances in the bank up to the level of their quotas, which ... [would be] ... determined by their share of world trade'. Further, 'Creditor (i.e. surplus) countries would be allowed or required to revalue their currencies ... and be charged rising rates of interest (up to 10%) on balances running above a quarter of their quota ... Debtor countries would be allowed or required to depreciate their currencies ... They would also be charged interest (at lower rates than creditors) on excessive debits. A persistently profligate member could be expelled from the Union.' Robert Skildelsky, *Keynes: The Return of the Master*, London: Penguin, 2009, pp. 180–81. The US rejected these proposals at Bretton Woods, and substituted for them its scheme for an IMF with regulatory powers over deficit but *not* over surplus countries. (Unsurprising, given that the US was the world's largest surplus and creditor economy at the time.) However, what goes around comes around, and the US, now the world's largest deficit and debtor economy, finds its own competitive position continually eroded by its inability to get present-day surplus/creditor economies (most notably China) either to revalue their currencies sufficiently or to recycle their surpluses in ways that maintain global demand. There could not be a better example of the policy difference between enlightened and unenlightened national self-interest and of the longer term tendency of the latter to 'backfire' on its perpetrators.

The Bretton Woods arrangements of 1944 were the product of long and tortuous negotiations between the UK and the USA going back to 1941. Britain was endeavouring to get a post-war organisation of the world economy in which its large debts to, and massive balance of payments deficits with, the USA, would not cripple its post-war recovery, and the US was endeavouring to prevent Britain and Europe from resorting to currency devaluations and protectionism as a way of dealing with their debt and balance of payments problems. In short, Bretton Woods' 'internationalism' (the fixed exchange rate regime, the IMF, World Bank, etc.) was itself a product of old-style 'nationalist' haggling. The British got much less influence over the size and disposal of US surpluses than originally envisaged in Keynes's ICU scheme, but the US agreed to use those surpluses to stabilise a global exchange regime, invest in war-ravaged Europe, and generate the effective demand for capital and consumer goods which would produce the post-war 'long boom'. For the full story see Robert Skildelsky, *John Maynard Keynes: Vol 3, Fighting For Britain 1937–1946*, London: Macmillan, 2000, especially chapters 6, 7 and 9.

- 2 Interestingly, the post-war General Agreement on Tariffs and Trade (GATT) worked on a similar basis. It focused entirely on reducing tariffs and other trade barriers among advanced or industrialised countries and allowed 'Third World' economies to 'free ride' on the process. Poor countries kept their own tariff barriers high, while benefiting from increased access to rich country markets through the 'most favoured nation' principle. However, since the 1980s many 'emerging market' economies (as they are now called) have started cutting tariff and other barriers themselves, hoping to attract capital investment by doing so. See Baldwin, *op. cit.*, pp. 67–76 and 98–108.

- 3 Thus, my proposal only incorporates proposals for minimum global direct taxation of incomes and profits. It does not include indirect taxes, despite the fact that these are the largest sources of government revenue in many states. Again, this is deliberate. I do not advocate globalising indirect taxes precisely because they are so important to national governments.
- 4 Given the current problems of the EU, a scheme for global governance which postulates an organisation even partly modelled on the European Commission provides large hostage to critical fortune. However, in my view the EU's current problems derive partly from the decision to have a unified currency without a unified fiscal policy (a decision that owed far less to the Commission than to particular French and German politicians), and partly from an ill-advised expansion of membership. In any event, I am not advocating a global currency union either now or in any foreseeable future!
- 5 For an accessible discussion of Weber's views on bureaucracy see Reinhard Bendix, *Max Weber: An Intellectual Portrait*, London: Methuen, 1959, chapter XIII, Part B. Weber's six 'governing principles' (as Bendix calls them) of modern bureaucracy were: (1) official business is conducted continuously, (2) it is conducted according to rules, (3) each official's role is part of a hierarchy of authority, (4) officials do not own the resources they use but are accountable for their use, (5) offices cannot be appropriated as private property or bought and sold, and (6) business is conducted on the basis of written documents. *Ibid.*, p. 424.
- 6 By 'both high and low' I mean that privatisation and casualisation has been as damaging to the level and quality of service provided by 'ordinary' postal, railway, water, or telecommunications workers as it has been to that provided by executive officials in central or local government, education or health. However in the former case the damage derives primarily from the effects of insecurity and overwork on the morale of staff, while in the latter it derives from the tendency to view one's activity as a personally enriching 'business' or 'management' function rather than a public service.
- 7 Interestingly, Keynes himself was the almost perfect embodiment of such an ethic, and indeed of a patrician elitism – an elitism that blinded him even to the possibility that state officials might be captured or corrupted by the economic interests they were supposed to be superintending. Keynesian economics just silently assumes that the state apparatus will be both technically competent and personally incorruptible, an assumption which proved disastrous for Keynesian-oriented development economics in many 'Third World' settings. It is extremely difficult to produce a technically competent and personally honest state bureaucracy when acquisition of state office is a principal means to upward social mobility for poor men and women, rather than (as Keynes assumed) a high-minded occupation for the bright, well-educated scions of an established bourgeoisie. This problem is not entirely insoluble, as the experience of India and East Asia shows. However, its solution seems to require very particular cultural preconditions not present in many materially poor societies. Keynes also assumed that state officials would be superintending an economy in which there was no shortage of capital or of technical, scientific or managerial expertise. Thus the state was only required to manipulate aggregate demand and engineer stable growth, full employment, etc. This too is a very restrictive cultural/historical assumption, as many Keynesian development economists soon discovered. But their response was to advocate expanding the economic role of states in the Third World well beyond what Keynes envisaged (to compensate for a local lack of entrepreneurs or for a poorly developed financial infrastructure, for example). But this just increased the vulnerability of such economies to political and official venality. It must also be said that, as the twentieth century wore on, Keynes' assumptions concerning the wealth-producing competence of the private sector also proved over-optimistic, especially in his native Britain!
- 8 Most importantly only some of these states are 'welfare states' in the western sense. The East Asian 'Confucian' states particularly see welfare in the western sense as a

family rather than state responsibility. However this difference among bureaucratic 'market interventionist' states is less important here than their shared 'prudent' or 'cautious' attitude to free market capitalism and rejection of neo-liberalism. Such cultural differences over welfare might however lead to interesting/enriching policy debates within the GEC!

- 9 Martin Jacques observes that, for millennia, the Chinese imperial bureaucracy saw itself universalistically, i.e. as doing what was morally best, not just for China, but for the whole world (were 'barbarians' and others outside the 'Middle Kingdom' just up to adopting it). But as he also emphasises, the Chinese cannot believe that of their civilisation now, given the cultural and political multi-polarity of the world. The interesting question though is whether, through the G20 and GEC, ancient Chinese universalism could be recruited to a modern, multi-cultural and trans-national universalism. Perhaps it could, if freed from widespread Chinese prejudices re. cultural, even 'racial', superiority. See Martin Jacques, *When China Rules the World: The End of the Western World and the Birth of a New Global Order*, London: Penguin, 2012, chapter 8.
- 10 This does not mean, as is sometimes asserted, that the Bretton Woods negotiations themselves were dominated by fear of communism. Rather the reverse. The principal American architect of the Bretton Woods agreement, and of the IMF in particular – Harry Dexter White – was strongly pro-Soviet, envisaged the post-war world as one in which economic and political hegemony would be shared by the US and USSR, and saw both the IMF and the World Bank playing important roles in aiding Soviet post-war recovery. It is true that, with the onset of the Cold War in 1946–7, the 'Bretton Woods institutions', as they came to be known, were used in strongly anti-communist ways for almost 50 years. But these were later developments. The primary political fear at Bretton Woods itself was the recrudescence of fascism and Nazism in Europe following another 1930s-style depression. For a detailed account, see Robert Skidelsky, *John Maynard Keynes: Vol 3*, op. cit., especially chapters 6, 7, 9 and 10.
- 11 See especially his wonderful essays 'Outside and Inside History' and 'Identity History Is Not Enough' in *On History*, op. cit.

11

CONCLUSIONS

A Human Future

I could end this book by saying that what makes our present, our ‘now’, so ‘world historical’, so unique and fatal, is that certain goals that have long been categorised as ‘hopelessly idealistic’ or as ‘pious impossibilities’ – a global regulatory agency for capitalism; a sense of trans-national and trans-cultural human solidarity; an informed citizenry which understands that ‘the free development of each is a prerequisite of the free development of all’ (and understands that principle universally) – have now become practical exigencies. They are now the practical prerequisites of creating a moderately equitable, stable, and environmentally-sustainable global capitalism and a decent future for humanity.

It is tempting to conclude in that way because such a conclusion is rather optimistic. For if there is one thing that evolutionary theory teaches us it is that human beings will act when motivated by practical exigencies, rather than by ideals, theories or utopian visions¹ They will certainly act to meet such exigencies when *not* doing so threatens their very existence.

However, I cannot end in this way, because doing so involves a subtle but crucial abuse of the term ‘practical exigency’. The point about a practical exigency – a real one – is that it *is* validated in day-to-day experience. My washing machine has broken down and I cannot wash my clothes. Therefore, I must get it fixed, get a new one, wash my clothes by hand, or go to the laundrette. That is a practical exigency. I suffer from increasing back pain, arthritis in my sacroiliac joint is diagnosed and a range of treatment options are proffered. All are unpleasant but I must either try some/all of them or put up with the pain. That is a practical exigency. My son is being bullied at school. He is deeply unhappy and his work is suffering. I must either find a way of ending the bullying or change his school. That is a practical exigency.

By contrast, the institution of a global Keynesianism, or a weakening of nationalist sensibilities and a strengthening of globalist ones, are *not* responses to practical exigencies. They are not, because the reasons for them have no experiential, existential force for any individual human being. That is really just a way of saying that if they are practical exigencies at all, they are so *for the human species as a whole*, and by definition, that is something that an individual can only know intellectually, not experientially.

This contradiction – which is the central contradiction of our time – can only be resolved if, somehow or other, a way can be found of making species-directed intellectual conviction stronger than individual existential awareness. Can that be done?

Perhaps the major impediment to its being done is the ubiquity, in some of the world's major capitalist societies, of a narcissistic, asocial individualism. This kind of individualism does not so much advocate capitalism, or 'the market economy', as a moral or even amoral system, as prevent people from seeing it *as a system at all*. It does so by conceptualising the world (the economic world, the social world) as a kind of featureless open plain on which an individual is 'free' to do anything s/he wants just so long as s/he is motivated 'enough', determined 'enough' or talented 'enough'. I believe that such a view is logically empty and humanly destructive.² It is also a major impediment to the creation of a managed globalisation and an environmentally sustainable world.

Having said that, it is also true that this kind of individualism is not hegemonic in all, or even most, capitalist societies today. Caution and prudence toward capitalism was the politically dominant attitude in all western European societies in the 25 or so years after the second world war, and, after a period of retreat in the face of neo-liberalism in the 1980s and 1990s, has re-emerged again in the wake of the global financial crisis. Also the neo-liberal faith in unfettered market forces has never had much following in Japan or Korea,³ and has little or no influence in post-communist China.⁴ After a brief period of fashionability in the immediate aftermath of the collapse of communism, neo-liberalism is generally in retreat in Eastern Europe, as it is in Latin America, though for rather different reasons. Moreover, a cautious attitude toward capitalism can be socially and politically dominant even when there is increasing individualism in many other areas of life. It is incompatible, not with individualism as such, but with asocial, narcissistic individualism. This kind of individualism disavows Aristotle's hallowed observation – that human beings are *zoon politikon*, 'political animals', group-dwelling creatures who best obtain their security, their material prosperity, and a rich cultural life, in such groups. Those in thrall to the kind of individualism that disavows that ancient truth, see nothing wrong with capitalism. But they see nothing wrong with capitalism only because they do not see capitalism!

Also, too many people in capitalist societies have had traumatic and repeated experiences of the misfiring of capitalism – of 'market forces' – for neo-liberalism and its accompanying asocial individualism to have a continuous and long-lasting dominance. In fact, the principle impediment to the lasting hegemony of neo-

liberalism is capitalism itself! A cautious attitude to capitalism ought to be hegemonic in all democratic societies because some types of capitalist malfunction (especially mass unemployment and very unequal distributions of income and wealth) are threatening to democracy itself. There is a mass of historical and contemporary evidence that this is so. It cannot plausibly be denied. Therefore, defending democracy is the most important reason to try and control or mitigate such malfunctions by political means. It is more important than abstract debates around social justice, more important even (for me) than preventing environmental destruction. Liberal democracy is the most precious jewel of human social life and defending and spreading it the most important single political objective one can have. Anyone who embraces this objective must (in my view) also embrace the above ‘cautious’ or ‘prudent’ attitude to capitalism.

So, if we can make this cautious or prudent, – but pro-capitalist – attitude to public policy globally hegemonic and do so fairly quickly (in the next 20–30 years) we may just ‘get through’. By this I mean we may minimise the amount of climate fall-out from capitalism (especially if the earth’s eco-system turns out to be a little more adaptable to our destructive ways than we have any right to expect) and we may manage to create a broadly workable institutional apparatus for its global regulation. Such regulation, even if it does not keep the system completely stable, may yet minimise the number and duration of crises and their social repercussions. If we can do that, we can preserve and strengthen democracy where it exists and provide a propitious environment for its further spread, while also maintaining the best features of capitalism (its dynamism, technological inventiveness, freedom for personal initiative and enterprise).

It Has Been Done Before

In case this all should seem just a pseudo-sophisticated argument for the triumph of hope over experience, it should be noted that a certain proportion of humanity has already done this – succeeded in getting what it needed at a later moment in time, despite what it wanted, and preferred, at an earlier moment. Writing about the United States in its first decade of independence Lippmann says:

In the decade before 1789 most men [*sic*], it seems, felt that their state and their community were real, but the confederation of states was unreal. The idea of the state, its flag, its most conspicuous leaders, or whatever it was that represented Massachusetts or Virginia were ... fed by actual experiences from childhood, occupation, residence and the like. The span of men’s experiences had rarely traversed the imaginary boundaries of their states. The word Virginian was related to pretty nearly everything that most Virginians had ever known or felt. It was the most extensive political idea which had genuine contact with their experience.

Their experience not their needs. For their needs arose out of their real environment, which in those days was at least as large as the thirteen colonies. They needed a common defence. They needed a financial and economic regime as extensive as the Confederation. But as long as the pseudo-environment of the state encompassed them, the state symbols exhausted their political interest. An inter-state idea like the Confederation, represented a powerless abstraction ...

Yet the need of unity existed ... in the sense that affairs were askew unless the need of unity was taken into account. Gradually certain classes in each colony began to break through the state experience. Their personal interests led across the state lines to interstate experiences, and gradually there was constructed in their minds a picture of the American environment which was truly national in scope. For them the idea of federation became a true symbol and ceased to be an omnibus.⁵

Still, it may seem that, whatever the difficulties in turning Virginians into Americans, or Sumatrans and Balinese into Indonesians, they were slight in comparison with those that will attend turning Russians or Americans or Indonesians into self-identifying 'human beings'. But perhaps not. For just as being an American does not preclude being a Texan or a New Yorker; just as being a Kenyan does not preclude being a Gikuyu or a Luo; just as being an Indian does not preclude being a Bengali or a Sikh; so being self-consciously a human being does not preclude being Scots or German or Indian (or a Muslim or a Buddhist or an atheist, for that matter.)

So there is reason to hope that this transition could be made on a global scale too, and that our most universal – our human – needs could triumph over our sectional wants and our narrower nationalist feelings and identities. To be sure the short-term obstacles to this happening are formidable, and the main economic one is the one noted earlier. In a world of competing nation-states, it will always be tempting for a state or group of states to benefit by *not* abiding by the rules (whether on taxation, labour standards, or environmental regulation) trans-nationally agreed. Moreover, while it is true that all *states* lose revenue if other states continue (openly or clandestinely) to act as tax havens, the corrupt *leaders* of such states may not lose. On the contrary, they may gain, and massively, from the existence of such havens.

This reflection points up another, still deeper, paradox about the relationship between nationalism and globalism in the twenty-first century. To make abundant use of tax havens and other tax avoidance measures while trumpeting one's 'nationalist' zeal (a familiar enough pattern) is, in nationalist terms, nothing less than treachery to the state and 'the People' whom one purports to represent. But that this is so, suggests that a consistent nationalist of the twenty-first century will have to be a globalist as well. And, as the century progresses, I believe that more and more citizens of the world's nation-states will discover – probably 'the hard

way' – that this is so. Citizens everywhere will discover that nationalism and globalism not only *can* coexist but that they *must* coexist if all of them, or even most of them, are to benefit from global economic growth. And they will simultaneously discover that it is only the most dishonest of their fellow nationals who deny that fact or claim that a global regulation of capitalism is 'impossible' or 'unnecessary'. For the same reason I believe that the most feasible 'first step' in getting humanity from where it currently is to where it needs to be is to demand effective global action against mass tax evasion and avoidance by companies and individuals. For not only is such a demand crucial to the continued effectiveness of national policy-making, it is one which no national political elite, no matter how corrupt, can openly oppose.⁶

But, even if all this be so, and even if its being so make the future developments I want to see possible as well as desirable, will they actually happen? I do not know, but that does not matter. For it will not be decided by what anybody *knows*. It will be decided by how people *act* in the light of what they know and by the determination and perseverance with which they act. I can only hope that many of us will prove to have enough of both.

I end with one last quotation from Lippmann. Once again, he says what I want to say far more eloquently than I ever could:

Men [*sic*] pursue their interest. But how they pursue it is not fatally determined, and therefore, within whatever limits of time this planet will continue to support human life, man can set no term upon the creative energies of men. He can issue no doom of automatism ... He can say, if he must, that for his life there will be no changes which he can recognize as good. But in saying that he will be confining his life to what he can see with his eye, rejecting what he might see with his mind; he will be taking as the measure of good a measure which is the only one he happens to possess. He can find no ground for abandoning his highest hopes and relaxing his conscious effort unless he chooses to regard the unknown as the unknowable, unless he elects to believe that what no one knows no one will know, and that what someone has not yet learned no one will ever be able to teach.⁷

Notes

- 1 Richard Dawkins, *The Selfish Gene*, Oxford: Oxford University Press, 1989, especially chapters 1–3.
- 2 It is worth saying why. It is logically empty because it is circular. Shirley has been in a low-paid job for the last ten years. Why? Because she is 'not trying hard enough' to improve herself. What is the evidence that she is not trying hard enough to improve herself? The fact that she has been in a low-paid job for the last ten years! It is humanly destructive because it simply ignores the fact that different genetic endowments can produce different pay-offs from the same level of effort, as can the social setting into which any human being is born. But if either or both of these things are ignored then many/most individuals are left with a conception of themselves as losers in a world of

- equal competition, and losers, moreover, who have ‘only themselves to blame’. It hardly needs saying how ‘ego-destructive’ this can be. Michael Young (*The Rise of the Meritocracy*, Harmondsworth: Penguin, 1958) expressed his anxieties about the ego-destructive effects of a ‘pure meritocracy’ many years ago. His anxieties were probably over-done, because most people in all capitalist societies remain aware that they are not living in pure meritocracies (and unless human genetic engineering occurs on a gargantuan scale, they never will be). But this awareness exists despite the fatuous efforts of a mass of management gurus, motivational experts, etc.
- 3 For a notable anti-neoliberal conception of capitalism from an explicitly Korean perspective, see Ha-Joon Chang, *23 Things They Don't Tell you about Capitalism*, London: Penguin, 2010.
 - 4 Indeed if Martin Jacques’s compelling analysis is right, China’s rejection of the neoliberal forms of capitalism – like the Japanese and Korean rejections – rests on a culturally deep rejection of western individualism generally. Indeed Jacques predicts that the twenty-first century will be a century of ‘contested modernity’ in which a broadly similar form of capitalist economy will coexist with a variety of societies and polities, with liberal democracy being only one and perhaps not the most successful. Jacques’s analysis of China (and Japan) certainly suggests that the Asian Confucian tradition could provide powerful support to the forms of capitalist governance for which I argue in this book. However, it also raises profound questions about that compatibility of that tradition with any form of individualism. In fact Jacques argues that the effectiveness of East Asian state paternalism derives from an authoritarian *subordination* of the individual to the collective. See Martin Jacques, *When China Rules the World*, op. cit., especially chapter 5.
 - 5 Lippmann, *Public Opinion*, op. cit., pp. 217–18, emphasis added. Americans are not the only ones to have made this transition – from what they wanted to what they needed, from what they could only dimly postulate, to what they could experience as a new reality. It was a feature of *all* anti-colonial nationalist struggles. It is what turned Bengalis, Gujaratis, Sikhs and Tamils into ‘Indians’; Javanese, Sumatrans and Balinese into ‘Indonesians’; Gikuyu, Luo and Kamba peoples into ‘Kenyans’. For an excellent general account, see Anderson, *Imagined Communities*, op. cit., chapter 7.
 - 6 They can of course oppose it clandestinely, and I am sure that some/many will. But arguably clandestine opposition to any policy always proves politically weak in the longer term, not least because it tends to get rumbled: c.f. the ‘Panama Papers’, the ‘Paradise Papers’, etc.
 - 7 *Public Opinion*, op. cit., pp. 189–90. In this case, as in many others, the sexist expression jars. But I don’t approve of messing with the words of the dead for contemporary political effect. It gives far too large a hostage to fortune. Who knows what twenty-second or twenty-third-century people will make of our words?

PART IV

Appendices

For Marx (and Hegel)

These appendices contain reflections on issues which have mattered to me, emotionally and intellectually, since I first encountered the writings of Marx, Engels and Hegel as a young man. Once the book has been read their relevance to its leading themes will be obvious. Equally, the book can be perfectly understood and appreciated without reading them at all, which is why they are appendices!



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MARX AND THE CONTEMPORARY LEFT

The negligible influence of Marx on the contemporary Left is understandable but lamentable. It is understandable because, for all but a handful of specialist scholars, Marx's reputation became inextricably intertwined with twentieth-century state communism, so that when the latter collapsed the former's reputation went with it. It is lamentable, however, because from Marx (not from him alone, but certainly from him) one can obtain something of which all twenty-first-century left-wing movements are desperately in need – *an historical perspective*, and in particular an historical perspective on their own activity.

In an old book of mine¹ I observed that perhaps the single most fascinating and certainly the most optimistic sentence in the whole of Karl Marx's work is to be found in the so-called '1859 Preface'. It is not, however, the one most frequently quoted from this source. ('In the social production of their existence men inevitable enter into ... relations of production ... which are independent of their will', etc.) It is one found a few lines later which reads:

Therefore, mankind always sets itself only such problems as it can solve, since, on closer examination, it will always be found that the problem itself only arises when the material conditions necessary for its solution already exist or are at least in the process of formation.²

This sentence shows the profound influence of Hegel on Marx. Because Marx is not simply saying here that certain problems cannot be solved until the material conditions necessary for their solution exist. He is saying that one cannot so much as think of certain things as 'problems' until certain material conditions exist. And

if this is true it follows not only that there are historical preconditions of certain thoughts and actions occurring, but that there are historical conditions which make certain thoughts and actions impossible.

On this conception then the existence of slavery is a necessary but not sufficient, condition of thinking slavery wrong; the oppression of women by men (the existence of ‘patriarchy’) is a necessary but not sufficient condition of thinking patriarchy wrong; the existence of Empire is a necessary but not sufficient condition of thinking imperialism wrong; the existence of homophobia is a necessary but not sufficient condition of thinking homophobia wrong. And when I say ‘thinking’ here, I mean *by anybody* – including slaves, women, imperial subjects and gay men and women.

But if being oppressed is a necessary but not sufficient condition of thinking oneself oppressed, what is? The answer appears to be ‘being oppressed and thinking that one need not be, that things could be otherwise’. In other words, one must think of one’s situation as humanly created and thus humanly alterable, not as the product of ‘divine will’ or ‘fate’, or as part of an unalterable ‘natural order’. In fact, that second clause of the sentence above (‘and thinking that one need not be’) is redundant, since to describe any state of affairs as oppressive *is* to describe it as humanly alterable.

Moreover, being oppressed is not only an insufficient condition of thinking oneself oppressed, resenting and even opposing, a particular situation of oppression is an insufficient condition of thinking such oppression universally wrong – wrong in principle. In other words, one could take part in a slave rebellion without believing that slavery, as such, is wrong. (It is just that the wrong people – ‘us’ – have been enslaved, rather than those ‘natural slaves’ over there.) One can take part in an armed struggle against an imperial conqueror without thinking that imperialism itself is wrong. (‘We must fight against the Roman occupation of Carthage because Carthage should be the conqueror not the conquered.’) And equally a woman, or group of women, can oppose particular expressions of male power without thinking that male power in general is wrong.

But even suppose one accepts all this, one might still baulk at the idea that it is ‘material conditions’ that make the difference, that allow thinking about oppression to change. And one should baulk if one construes Marx’s sentence causally – i.e. as saying that changed material conditions *cause* changes in thinking. But that is not what he is saying. He is saying that it becomes a lot easier to think of class oppression or gender oppression or colonial oppression as humanly created and alterable if you are living in a world in which lots of other things are regularly being created and altered by human activity. If thousands of men are moving masses of earth and building canals and railway lines over a country or region; if towns and cities are springing up in places where, ten years ago, there were but villages and hamlets; if more houses are being ‘thrown up’ in a year than were previously built in a lifetime; if ways of making things that have remained largely unchanged for generations are being destroyed by new forms of mass production

in factories; then all forms of thinking that stress continuity, tradition, 'immutable' orders of things, seem suddenly less convincing. There is ever-increasing 'cognitive dissonance' between traditionalist forms of thinking and ever more widespread experiences of a rapidly changing world. If human activity can create cities out of villages, make iron machines go on iron tracks at previously unknown speeds, and bring raw materials across the oceans from thousands of miles away, then why cannot human activity produce 'decent' housing for everybody, 'decent' working conditions for everybody and enable women as well as men to vote?

For once political and social rights have been attached to some people simply in virtue of their humanity, then exceptions to this principle always need to be defended. 'All men' should have the right to vote. But if 'all men', why not 'all women'? And why not African-American men as well as white men? Why not indigenous people as well as colonisers? Always the answer has to be that something about such people justifies their exclusion from the universal principle – something that makes them 'less human' or 'lesser humans' than those not excluded. (Women are not 'rational' like men, certain human 'races' are more evolutionarily 'advanced' than others). But making exceptions to universal principles always requires evidential justification. This immediately leaves it open to condemnation as 'hypocritical' by those who do not accept the evidence.

That is why nineteenth-century European imperialism was ideologically vulnerable in a way that Roman imperialism, or any other imperialism of the ancient or medieval world, was not. Roman imperialism could be forcibly resisted (and it was) but, unlike the nineteenth-century British, the Romans could not be said to be denying the conquered their 'human rights', since the Romans had no conception of 'human rights' (including for Romans!) Therefore, unlike the British or French imperialists, they could not be accused of operating 'dual standards'. Indeed, none of the peoples who resisted Roman conquest did so in the name of the 'human rights' they had been denied, or of a 'right to independence' that had been abrogated. In fact, they did not resist in the name of any universal principle at all. They just objected to particular manifestations of Roman conquest and rule (violent assault and destruction, land seizures, tributes, taxes, etc.).

For exactly the same reasons, slavery in the nineteenth-century USA was ideologically vulnerable in a way in which slavery in the ancient and medieval world was not. Slave owners in the American South probably treated their slaves very similarly to the way slave owners in ancient Rome or Byzantium or in the medieval Ottoman Empire treated theirs. But the former were citizens of a polity the preamble to whose Constitution claimed that 'all men are created equal and endowed by their maker with certain inalienable rights'. The slave owners of the ancient and medieval world, by contrast, were usually not citizens of any polity. But even when they were (in ancient Greece or Republican Rome) their constitutions did not say that 'all men were created equal', since nobody at that time believed that 'all men' (even men) were created equal in any respect at all.

And that ‘nobody’ included the slaves of the ancient and medieval world as well as their masters. Hence slaves of that world could rebel, even violently rebel, against their treatment, but because they resented being slaves not because they thought the institution of slavery was wrong. To think slavery is wrong one must think that no human being should be the slave of any other human being, and to think that you first have to think that ‘all men are created equal and are endowed ...’, etc.

But note: although certain ‘material preconditions’ make it possible to think certain thoughts and to form certain aspirations (and the absence of such preconditions makes it impossible to do so) it is nonetheless vital that (a) these ‘preconditions’ are themselves historical creations (people had to build the railways, open the mines, develop the slums, move the goods in ships across the world), and (b) people still have to think the new thoughts, acquire the new aspirations and act politically upon them. They have to actively make possibility into actuality. To repeat and to emphasise, we are not concerned here with causality. Human history is not a causal but a creative (and therefore a destructive) process.

But even supposing all this is true, why is it important for the politics of the Left today? For two reasons. First, if there are historical preconditions (not causes!) of human beings having certain thoughts and feelings and acting in certain ways, it is always problematic to go looking for such thoughts and feelings in contexts where such preconditions are not met. There were undoubtedly lots of gay men and women in ancient and medieval China, but it does not follow from this that there could have been a Gay Rights movement in ancient or medieval China. There were women political and military leaders in various parts of the ancient and medieval world, but one would be ill-advised to see such women as feminists or even proto-feminists. There are powerful female characters in Shakespeare’s plays, but it is highly dubious to see them as proto-feminist figures of any type. (Not least because doing so involves explicitly or implicitly denying the patriarchal assumptions that informed the Bard’s very creation of them.)

Marx and Engels regularly condemned this type of historical anachronism – illegitimately ‘reading back’ contemporary assumptions and conceptions on to historical periods where they do not belong. They were particularly contemptuous of attempts to view the activities of medieval or early modern artisans and traders through the prism of ‘modern’ (which meant for them ‘classical’) economic theory.³ It could be argued, though, that they themselves did not always avoid this pitfall. For example, it was probably historically anachronistic of Marx to claim that ‘all history is the history of class struggle’. It is true that most (not all) human societies past and present have been class-*divided*. But it is only under certain preconditions that class division becomes class struggle. Probably the most important of these is that class divisions become socially visible in certain ways, so that they can no longer be seen just as localised forms of hierarchy (‘our’ lord, ‘our’ landlord, ‘our’ bishop or priest) but precisely as social or mass

phenomena which divide a large number of 'them' from an even larger number of 'us'.

But second, Marx was consistent in believing, not merely that there had been material preconditions for what had happened in the past, but that there were such preconditions for things happening in the future. It was this conviction which drove his continual hostility to all forms of what he called 'utopian socialism'. That hostility was not to the conceptions of a future socialism found in the thinkers he condemned. Indeed, as many people have shown, Marx's own conceptions of socialism were deeply indebted to 'utopian' thinkers like Henri de Saint-Simon, Robert Owen and Charles Fourier.⁴ It was rather that, for Marx, a state of affairs being seen as desirable by some thinker or other was a necessary but not sufficient condition of its coming about. For any counter-factual state of affairs to actually come about, it has not merely to be desirable but feasible.

According to that extraordinary sentence from the 1859 Preface, that some people can even postulate or imagine a social state of affairs different from the present one is, in itself, evidence that the material preconditions of such a change 'already exist or are at least in the process of formation'. Thus, aspiration is *a priori* evidence of feasibility. But equally, actively *making* something that is now 'abstractly' conceivable and desirable into something practically feasible requires respecting and taking proper account of the 'material preconditions' that shape what is and is not possible.

An example may make this clearer. I believe that capitalism can only be made compatible with civilised forms of society by resisting its insistent pressure to commoditise all social relations. In particular certain human needs cannot be supplied entirely as commodities without producing politically unsustainable forms of inequality and injustice. Such a view is hardly novel. It has been central to socialism and social democracy since those movements began in the nineteenth century. However, now, in a world of globalising capitalism, it is probably utopian to think that individual states can any longer effectively control, let alone roll back, this commoditisation pressure (keep it out of housing, or health care, or education, or the provision of essential utilities for example.)

There are many reasons for thinking this, but the most important is the one mentioned often in previous chapters. In a world of increasingly intense capitalist competition, states that once levied taxes to fund non-commodity provision of needs now feel that capitalist enterprises on their territories will be competitively disadvantaged if such taxes are maintained (let alone increased) on those enterprises *or* their employees. If this perception has some empirical justification (as I believe it does)⁵ then it follows, not that socialist opposition to the commoditisation of needs should be abandoned, but that such opposition cannot now be pursued purely at the nation-state level. It now needs to be pursued at the regional and global level in order to be successfully pursued at the national level.

In short, it is a tragedy, not just for contemporary intellectual life but for all radical political movements, that they are no longer informed by what I would

call a 'Marxist sensibility'. By this I not mean a slavish adherence to Karl Marx's every idea (let alone to the properly discredited policies of 'state communism' which were pursued in his name for the first three-quarters of the twentieth century). I mean that radical politics needs to be informed by a continual analytical interest in *capitalism* (to identify the emergence of the material preconditions for a feasible socialism) and by a deep interest in *history* as a process in which political and social possibilities are continually opened and foreclosed. For this kind of sensibility is both the best inoculation against abstract or decontextualised moralising about the past and the present (to which much contemporary radical thought is far too prone) and the best basis on which to construct feasible political strategies in the present to *make* the future.

Notes

- 1 *Karl Marx and the Philosophy of Praxis*, London: Routledge 1988, especially chapter 2.
- 2 Karl Marx, 'Preface to a Contribution to the Critique of Political Economy' (1859) in K. Marx and F. Engels, *Selected Works*, op. cit., p. 182.
- 3 See in particular Marx's *The Poverty of Philosophy*, New York: International Publishers, 1969.
- 4 For a popular account, Vincent Geoghegan, *Utopianism and Marxism*, London: Methuen, 1967. I have argued elsewhere that in attempting to combine Fourierist 'communalism' with Saint-Simonian rationalistic planning, Marx's own vision of socialism became politically incoherent. See my *Karl Marx and the Philosophy of Praxis*, op. cit., chapter 5.
- 5 This phrase is carefully chosen. I want to emphasise that the perception has a factual basis, that we are not dealing here *simply* with right-wing or 'neo-liberal' ideology. But it only has 'some' empirical justification, because how much of a constraint competitive pressures place on tax rises will vary both between different capitalist economies, and between different sectors and enterprises within a single economy. Certainly, increased capitalist competition provides no impediment to much increased taxation of wealth, and most especially of inherited wealth.

WORKERS OF THE WORLD UNITE!

In Teatralnaya Square in Moscow, almost directly opposite the Bolshoi Theatre, is the last (apparently) surviving statue of Karl Marx in Russia. It was erected in 1961, features the same shaggy bearded head found on his Highgate Cemetery tomb, and rests on a plinth inscribed: *Пролетарии всех стран, соединяйтесь!* – ‘Proletarians of All Countries, Unify!’ Or in its popular English translation, ‘Workers of the World Unite!’¹

This slogan, which ends the *Communist Manifesto*, being an appeal or admonition rather than a statement of fact, is immune to falsification. Logically, the workers of the world *could* get around to heeding Marx’s advice at some point in the future, even if they have shown no signs of doing so in the 172 years since he and Engels proffered it.

In that respect the slogan differs from the assertion which immediately precedes it, ‘The proletarians have nothing to lose but their chains.’ Because that is certainly falsifiable and has indeed been falsified. In 2019 a considerable majority of the world’s workers have far more to lose than their chains. Even 172 years ago, some more prosperous workers – Engels’ ‘labour aristocrats’ – were in possession of significantly more than their chains. In fact it is the enormous *inequalities* amongst the world’s workers which are, and always have been, the main impediment to their unification.

To see why that is, let us imagine ‘the workers of the world’, or a mass of delegates representing them, meeting at a Congress in ... somewhere-in-the-world ... in the year 2150 to formulate their demands. What could these be?

‘WE DEMAND ...

1. that capitalist enterprises operating anywhere in the world pay the same level of tax;
2. that all workers, irrespective of age, gender, ethnic background or sexual orientation, be paid the same wage for the same work wherever in the world that work is carried out;
3. that all workers anywhere in the world, when made unemployed or technologically redundant, receive the same level of welfare payments for as long as they shall be unemployed;
4. that no workers anywhere in the world should be required, or even requested, to undertake work for lower remuneration than that received by workers elsewhere in the world for that work;
5. that all workers anywhere in the world shall pay the same level of direct tax on their earnings and the same levels of indirect tax on all items of their consumption;
6. that all workers anywhere in the world shall be entitled to withdraw their labour under a set of circumstances to be specified in an 'all-world' body of labour law, and that no worker anywhere in the world should be required, or even requested, to undertake work which may interfere with, or in any undermine, the effect of that labour withdrawal;
7. that all workers, when contracting with financial institutions for loans or credit shall do so on identical terms, wherever in the world they may reside;
8. that all workers anywhere in the world shall pay identical prices for all their essential items of consumption,² and that prices of production, distribution and transport of such items should be cross-subsidised in ways, and to the extent required, to ensure this is so.'

One could go on, but these eight items are enough to bring out an essential point – i.e. that for there even to be a logical possibility of the workers of the world uniting in their demands they would already have to enjoy broadly similar real wages and standards of living. (So that they could then demand the relatively marginal changes necessary to turn 'similar' into 'identical'.) So long as they do not – so long as some workers in the world have real standards of living significantly below others – the demand for 'world equality' of wages and standards of living would significantly disadvantage the world's poorest workers. Because from the moment such a demand was met capitalist enterprises would have no interest in employing them.

But even that is a radically misleading way of putting it. For in a world of significantly different real standards of living *such demands for global equality among workers could not be met without economic catastrophe*. Why? Because 'workers' (people) who have low material standards of living usually also have low levels of economic productivity. Thus, if the real wages of such workers were suddenly (say) quadrupled, without anything being done to increase that productivity, the enterprises employing them – all of them – would immediately become massively

loss-making. So, if we imagine that (say) half the world's workers whose standards of living had been significantly laggard were immediately awarded massive wage rises to close the gap, we must also imagine all the economic enterprises employing them going simultaneously bust. And if we further imagine that this world was at least as institutionally and financially unified as our current one, this massive dive into loss-making in half the world could not occur without major 'knock-on' effects to the rest of it.

In other words, for the workers of the world to 'unify' in their demands they either all have to be about equally impoverished (which is, perhaps, what Marx and Engels assumed³) or they all have to be about equally prosperous. And once some of the world's workers become prosperous then even the formal conditions of unity cannot coexist until the rest of them attain that level or get reasonably near it. This in turn means that the economic productivity of workers has to be about the same across the world.

But while we are dwelling purely in the realm of economic logic we should also note that there is one circumstance which would alter it significantly. This would be if there was *no demand for workers' labour anywhere in the world*. For obviously, if the labour of workers everywhere was to be replaced by robots and other machines then their real wages would be equal across the world – i.e. they would all equal zero. Marx and Engels' (perhaps) presumed universal impoverishment of workers would be realised with knobs on.

But this too is just a misleading way of stating what the logic tells us – which is, again, that under such circumstances *the entire capitalist system would collapse*. For obviously, if real wages everywhere were zero there would be zero effective demand for all consumption goods – no market for firms manufacturing such goods and thus, and very quickly, no demand for firms that produce the energy, raw materials and other inputs for such firms. In fact, there would be no effective demand for anything.⁴ This would indeed be the collapse of capitalism for which some Marxists have yearned, but it would be indistinguishable from the collapse of the global working class into destitution and death – hardly the scenario any Marxist has had in mind.

In reality of course such a day will never come. That capitalism has always depended on the tight nexus between work and consumption – people filling their role as workers in order to fill their role as consumers – is something that almost everyone recognises, irrespective of their political views. So even the beginnings of computerisation and roboticisation in some capitalist economies in the world has been met by speculations about, and even some limited experiments with, the idea of a citizens' basic income – the allocation of a quantum of consumption power to every citizen as a legal right. For if the demand for human labour drops significantly across the world (which seems to be at least a technological possibility now) then, unless the connection between monetary income and consumption is severed entirely, something like a citizens' basic income simply becomes a functional necessity of capitalism's continuance.

What may we conclude from all this? The following:

1. If mass human labour continues to be a functional requirement of capitalism such unity cannot come until that labour is remunerated at broadly the same levels across the world – which means until the productivity of human labour is broadly the same across the world.
2. If mass human labour does not remain a functional requirement of capitalism such unity may come about somewhat earlier to make a universal demand for a basic citizens income. But,
3. although these points are true of seven of the eight demands, the first of them (all enterprises paying the same level of tax) could be won to the benefit of all workers now, even in a situation where their real wages and conditions are very unequal. This is an enormously interesting point to which I shall return.

Let us now leave behind abstract economic logic and consider the politics of all this. The best place to begin is with that postulated Global Workers' Congress of 2150. As a result of their deliberations the Congress formulates its eight demands. But to whom are these demands addressed?

If we suppose that the world of 2150 is politically organised like our own the answer would be 'effectively to nobody'. For there currently exists no body – no institutional grouping or entity – possessed of the power either to concede or deny such demands. There is no entity that sets wages of all the world's workers, sets welfare payments for all of them, sets the direct or indirect taxes that all of them pay, that legislates labour law for all of them, that regulates the global financial sector to equalise loan or credit terms for all of them, etc. Indeed, as we are all too well aware, currently there does not even exist a body able to set a single global rate of tax on all capitalist enterprises.

And that this is true is more analytically significant than one might at first suppose. Because it points up the fact that, in the history of capitalism to date, 'working-class' political activity has nearly always been reactive rather than proactive.⁵ Governments and firms in capitalist societies act in certain ways and in response working-class organisations (trade unions, labour or social democratic parties) formulate their demands. Indeed, the very grammar of the term 'demand' shows this. To make a demand there must first be someone, or something, of whom to make it. This being so, then logically no global working-class demands can be made until (a) there is a world government, (b) there are capitalist firms operating at a global level, and (c) those firms are themselves politically institutionalised in some way – in a 'World Confederation of Industry' or some such.

But note; although two of these three preconditions (a and c) do not exist in 2019 and there seems zero prospect of their existing in any foreseeable future, one of them (b) *is already satisfied*. And this discrepancy points up a major problem already confronted by the workers of the world, that they are employed by, and

consume the products of, global or trans-national capital but have no global means of responding to this shared dependence. On the contrary, the only responses politically available to them are national or (at best) regional. They can demand improvements in the wages and conditions of employment offered by some local branch or branches of a TNC in 'their' country. They can demand the tighter regulation of the financial activities of some local branch of a global bank or other financial institution in 'their' country. They can demand improvements in the goods and services offered to them in 'their' country by such firms. But (a) the capacity of each national government to act effectively on any of these demands (even if it/they are disposed to) may be limited, and (b) if transnational capitalist firms, banks, etc., find such demands unacceptable or onerous in some way they may respond simply by withdrawing from that 'national' space or restricting their activities in that space.

To put it in classical Marxist terms then, there is no prospect of the workers of the world uniting unless and until 'the bourgeoisie' of the world unites, which means unless and until global capital is institutionalised politically. And that is a conclusion that Marx himself might have endorsed.

But while the workers of the world cannot now unify without the prior unification of the bourgeoisie, any more than they could have done for the last 172 years, it is now a massive economic and political problem for them (even a 'practical problem') that they cannot. But if it is a practical problem, then, if Marx and Hegel are right, it must be the case that 'the material conditions necessary for its solution already exist or are at least in the process of formation.' But what could this possibly mean? The following is what it might mean.

As things stand the global bourgeoisie has absolutely no reason to unify politically or institutionally. For the present coexistence of globalised forms of capital and economics with national forms of politics has massive advantages for the owners of capital. As long as that coexistence continues, not only have the workers of the world no means of uniting, but the various states of the world have no effective means of regulating global movements of capital and finance, or the terms and conditions of work or consumption of 'their' citizens. But this in itself may be significant, may provide some hope that the current disconnect between global economics and national politics may not last.

Because, if those states are not just national but *democratic* – if they are so organised that politicians are effectively responsible to the popular will – their ever-growing policy ineffectiveness threatens the very existence of liberal democracy itself. Continuous policy failure may produce levels of popular frustration with democratic politics so intense that collapse into various forms of authoritarianism or dictatorship is threatened.

Under such circumstances moderate or mainstream politicians in democratic states may recognise that it is only by moving some forms of economic decision-making 'up' from the national to the regional or even global level that their political legitimacy can survive. There are the beginnings of such recognition in

the case of global tax evasion and avoidance by trans-national corporations and their shareholders.

But if states move some forms of economic decision-making ‘up’ from the national level, the owners of capital will in turn have to organise globally, or proto-globally, to influence that decision-making.

And if they do that, then their employees and customers may ... etc. etc.

And *this* is the logic of Marx’s (and Hegel’s) extraordinary idea!

But that logic will not be realised automatically. People must act to realise it, *make* the logic real.

Notes

- 1 ‘Workers of the World Unite’, in replacing ‘of all countries’ with ‘of the world’, denationalises both the original German version of the slogan and its standard translations. Marx and Engels originally wrote ‘Proletarier alle Länder, vereinigt euch!’ which, like the Russian, best translates as ‘Proletarians of all countries, unite!’ (And indeed the standard English edition of Marx and Engels’ *Selected Works* also translates the slogan that way.) The technically correct translation probably better reflects their own ‘evolutionary’ view – that national unification would precede and make possible global unification. But perhaps the popular English version recognises a deeper truth – that national unification, in further reinforcing the national *identification* of workers, is as much an impediment to their global unification as a step toward it.
- 2 For an account of why at least some of the workers of the world might want to make that demand now, see Dick Bryan and Mike Rafferty, *Risking Together: How Finance Is Dominating Everyday Life in Australia*, Sydney: Sydney University Press, 2018.
- 3 It is certainly what Rosa Luxemburg seems to have thought Marx was assuming. See her *The Accumulation of Capital* and the critical comments by Joan Robinson in her Introduction to the English translation (London: Routledge & Kegan Paul, 1963).
- 4 Workers with stagnant or declining real wages can of course maintain consumption for a while by borrowing, and indeed this is how personal consumption is currently being maintained in a number of western economies. (For some interesting statistics and reflections on rising private sector debt, see Sergio Focardi, ‘Do Capitalists Still Need Consumers?’ *Social Europe*, 18 September 2018, at <https://www.socialeurope.eu/do-capitalists-still-need-consumers>) But borrowing is unviable in the long run if real wages do not rise and would be a non-starter in a world where paid employment was a rarity.
- 5 There is one famous exception to this generalisation – the attempt of the late nineteenth-century ‘Second International’ to organise a unified strike response by European workers if an ‘imperialist’ war were declared. The attempt was a complete failure, and a disastrous failure for the millions of workers killed and maimed between 1914 and 1918.

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