

## 1. Daniel Bell’s trilemma: capitalism, democracy, culture

“The argument elaborated in this book is that the three realms—the economy, the polity, and the culture—are ruled by contrary axial principles: for the economy, efficiency; for the polity, equality; and for the culture, self-realization (or self-gratification). The resulting disjunctions have framed the tensions and social conflicts of Western society in the past 150 years.” (pp. xxx-xxxii)

“The economic dilemmas confronting Western societies derive from the fact that we have sought to combine bourgeois appetites which resist curbs on acquisitiveness, either morally or by taxation; a democratic polity which, increasingly and understandably, demands more and more social services as entitlements; and an individualist ethos which at best defends the idea of personal liberty, and at worst evades the necessary social responsibilities and social sacrifices which a communal society demands. In sum, we have had no normative commitment to a public household or a public philosophy that would mediate private conflicts.” (pp. 248-49)

“I see the contradictions of capitalism in the antagonistic principles that underlie the technical-economic, political, and cultural structures of the society. Now, the technical-economic realm, which became central in the beginning of capitalism, is, like all industrial society today, based on the axial principle of economizing: the effort to achieve efficiency through the breakdown of all activities into the smallest components of unit cost (...) The axial structure, based on specialization and hierarchy, is one of bureaucratic coordination. Necessarily, individuals are treated not as persons but as ‘things’ (...), as instruments to maximize profit. In short, individuals are dissolved into their function. The political realm, which regulates conflict, is governed by the axial principle of equality: equality before the law, equal civil rights, and, most recently, the claims of equal social and economic rights.”

“Because these claims become translated into entitlements, the political order increasingly intervenes in the economic and social realms (in the affairs of corporations, universities, and hospitals), in order to redress the positions and rewards generated in the society by the economic system. The axial structure of the polity is representation, and, more recently, participation (...) The tensions between bureaucracy and equality frame the social conflicts of the day.”

“Finally, the cultural realm is one of self-expression and self-gratification. It is anti-institutional and antinomian in that the individual is taken to be the measure of satisfaction, and his feelings, sentiments, and judgments, not some objective standard of quality and value, determine the worth of cultural objects.”

## 2. Dimensions of equality

“There are, logically speaking, three dimensions of equality: *equality of conditions*, *equality of means*, and *equality of outcomes*. Equality of conditions, by and large, refers to equalities of public liberties (...) Equality of means has meant, both in the liberal and socialist traditions, equality of opportunity—equality of access to the means of securing the unequal outcomes (...) Equality of opportunity has been the overriding definition of equality in the liberal societies of the West which have established individual, social and geographical *mobility* as a value. By and large, this principle has been unchallenged (...) The outcomes of the competition between individuals are disparate degrees of status, income, and authority. These disparate outcomes have been justified on the ground that they are freely gained and earned by effort. This is the basis of the idea of a ‘just meritocracy’ and, historically, of the striving to realize both liberty *and* equality. But in recent years there has been an outcry that the disparate outcomes are too large and unequal, and that public policy ought to seek greater equality of outcomes—in short to make persons more equal in income, status, or authority. Yet such efforts can be achieved only by restricting other individuals’ access to position or the disposition of their achieved outcomes (e.g., the use of wealth to gain other privileges). In short, the effort to reduce disparities of outcomes means that the liberty of *some* is qualified or sacrificed in order to make *others* more equal to them.” (pp. 262-64)

### 3. Equality/liberty and equity/efficiency

“The issue of equality and liberty is the question of the disparities between persons and the role of the government in reducing these disparities or containing their undue influence. The question of equity and efficiency is the problem of balance between the ‘economizing mode’ of the society—the doctrine of productivity, or the effort to achieve increased output at lesser cost—and the social criteria of non-economic values. In another sense, it is also the question of the balance between present and future: how much does the present generation have to forgo (in consumption) to insure a higher rate of capital stock for future generations? And, conversely, how much of exhaustible resources can the present generation use up at the expense of the next generations?” (p. 269)

“The major dilemma in fiscal sociology arises from the structural imbalance between the technological (industrial and scientific) sector and the human and governmental services sector, in relation to productivity, wage increases, unit costs, and inflation.” (p. 234)

“The sociological dilemma for the modern public household is that it not only has to provide for public needs in the conventional sense, but it has also become, inescapably, the arena for the fulfillment of private and group wants; and here, inevitably, the demands cannot easily be matched by the revenues, or by the sociological knowledge adequate to these demands.” (p. 232)

“... what ultimately provides direction for the economy is the value system of the culture in which the economy is embedded. Economic policy can be efficacious as a means; but it can only be as just as the cultural value system that shapes it. It is for that reason that I am a socialist in economics. For me, socialism is not statism, or the collective ownership of the means of production. It is a judgment on the priorities of economic policy. It is for that reason that I believe that in this realm, the community takes precedence over the individual in the values that legitimate economic policy. The first lie nontheresources of a society therefore should be to establish that ‘social minimum’ which would allow individuals to lead a life of self-respect, to be members of the community.”

“Yet I am a liberal in politics—defining both terms in the Kantian sense. I am a liberal in that, within the polity, I believe the individual should be the primary actor, not the group (be it family or corporation or church, or ethnic or minority group). And the polity, I believe, has to maintain the distinction between the public and the private, so that not all behavior is politicized, as in communist states, or left without restraint, as in the justification of laissez-faire in traditional capitalist societies.”

“I am a conservative in culture because I respect tradition; I believe in reasoned judgments of good and bad about the qualities of a work of art; and I regard as necessary the principle of authority in the judging of the value of experience and art and education (...) The triune positions I hold do have a consistency in that they unite a belief in the inclusion of all people into citizenship through that economic minimum which allows for self-respect, the principle of individual achievement of social position on the basis of merit, and the continuity of the past and present, in order to shape the future, as the necessary conditions of a civilized order.”

**Bell, Daniel (1978): *The cultural contradictions of capitalism*, Basic Books, New York.**

### 4. A trilemma in the management of the economy

“There is a fundamental set of trade-offs—a “trilemma,” or three-way dilemma—in the management of the economy—using resources as efficiently as possible, sharing them fairly between people, and allowing people as much freedom and self-determination as possible—and it is only possible to hit two of these three aims at any one time. Thus tilting toward markets for efficiency and higher growth, and toward greater liberty at the same time, will set back equality. Emphasizing equality as well as efficiency requires downplaying individuality and self-realization; instead of looking out for themselves and their own standard of living, people will need to develop for themselves a sense of self-discipline, much as the ‘Protestant work ethic’ drove the achievements of early capitalism and allowed these to be widely shared.”

“In recent times Western economies have focused on growth and individualism but this has been achieved at the expense of equality. If equality is prioritized instead, as social chasms in some countries would seem to require, then in a diverse society with huge variation in incomes and capabilities it is hard to see how to avoid the kinds of inefficiencies that would reduce growth. If we did want instead to combine an efficient and dynamic economy with greater equality, Bell argues that individualism and self-realization would need to be sacrificed because those who earned the most would have to adopt a self-denying ethic.”

“This triad—community, relationships, environment—has been identified as the victims of economic growth ever since modern capitalism began in the Industrial Revolution.”

## 5. Global inequality

“One of the most neuralgic issues in the debate about globalization in recent years has been whether or not it has been unfair. The “pro” camp argues that the decades since 1980 have brought about the biggest reduction in inequality the world has ever experienced. The “anti” camp argues that globalization has helped a few prosper but left behind the majority, leading to the greatest degree of inequality in history. Both hold some truth, depending on how you look at inequality. In particular, there is a distinction between inequality within countries and inequality between countries. Starting with the latter, and looking at average income per capita nation by nation, countries such as the United States and United Kingdom have pulled much further ahead of the poorest countries such as Zimbabwe and Niger. At the same time, there has been a huge rise in average income per capita in China and India such that they have narrowed the gap with the richest countries. This latter development means global inequality has decreased substantially, but inequality within nations has not.”

## 6. Why inequality increases

“...there are two main possible explanations for the development of greater inequality compared with the previous economic epoch. One is globalization, in effect bringing a large new source of cheap labor into the domestic economy; either through cheap imports or the offshoring of production, domestic workers have to compete with workers elsewhere who work for much lower wages (although they are also less productive). This could explain downward pressure on blue-collar wages or the low pay in basic services such as call centers (...) The other potential explanation is the adoption of new technologies requiring skills that were initially in short supply. Companies that use computers and other new technologies need people with greater cognitive abilities—computers can do the easy, repetitive work, so the humans need to do the more challenging and creative work. This is great news in the sense that a lot of dull jobs have gone and work for many has become more interesting, but it has substantially reduced the demand for workers with only basic qualifications, and swaths of formerly well-paid shop floor jobs have vanished (...) On balance, however, the technical change explanation emerges as the most important driver of increasing income inequality.”

“...structural changes in the economy driven by new technologies are the fundamental driver of greater inequality, in much the same way that the wave of innovation of early capitalism in the nineteenth century led to great inequality until the workforce as a whole developed the new skills that were needed. Technology has interacted with globalization to exacerbate the trend toward greater inequality, contributing to income inequality within countries through the move of low and medium skill jobs overseas, and creating a rich global elite. The failure of some of the poorest countries to participate at all in these economic trends has made greater inequality a global phenomenon.”

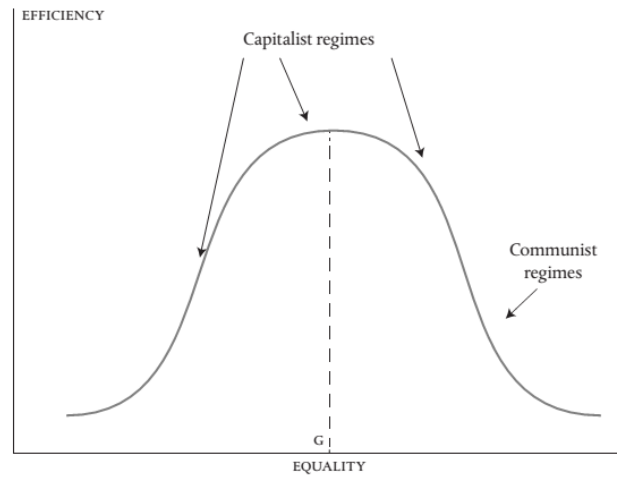
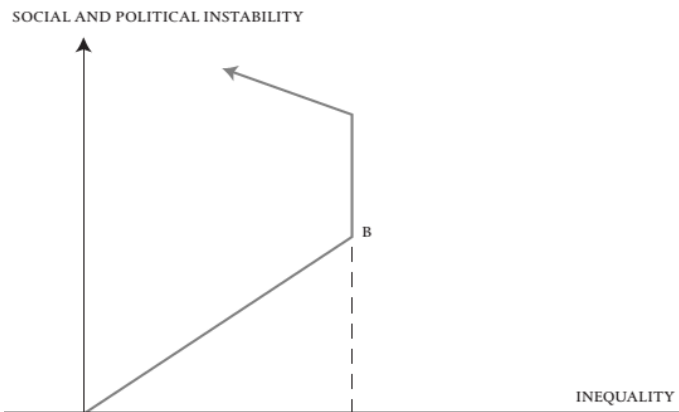
**Coyle, Diane (2011): *The economics of enough. How to run the economy as if the future matters*, Princeton University Press, Princeton, New Jersey.**

## 7. Government vs market: efficiency, equality, stability

The chart below on the right (de Grauwe, 2017, p. 88) shows the presumed link between efficiency and equality. If correct, this link establishes limits to what can be achieved through redistribution policies. “The loss of prosperity can be so great that many people reject the system. This reaction was an important factor

in the implosion of communist regimes, which were no longer capable of guaranteeing minimal material prosperity. They had clearly exceeded their limits and were punished.”

The chart below (de Grauwe, 2017, p. 150) shows the presumed link between instability and inequality. “When inequality increases, so does the degree of political and social instability. At B we have reached a tipping point. Great inequality leads to revolution, violently

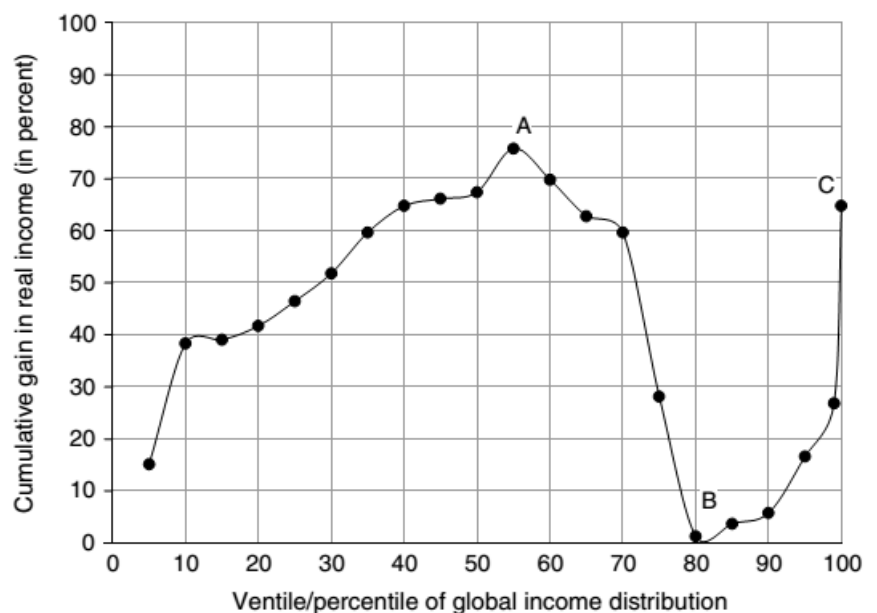


overturning the market system. From that point on the degree of inequality is dramatically reduced. Such revolutions, however, do not always lead to reduced instability; in fact instability may initially rise, because many conflicting groups attempt to grasp power. In time this tends to lead to consolidation of power in the hands of an authoritarian regime. The cycle can begin again.” (de Grauwe, 2017, p. 149)

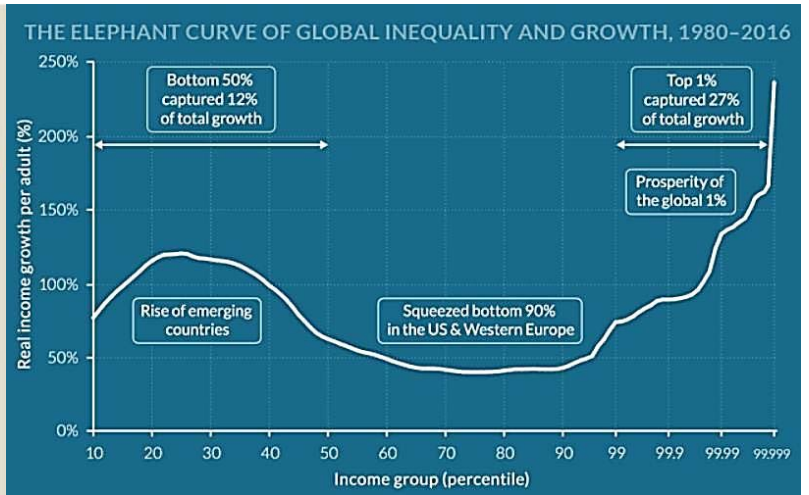
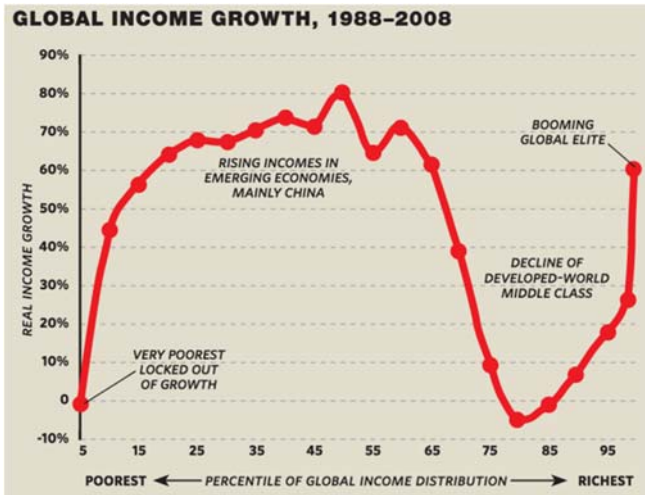
**de Grauwe, Paul (2017): *The limits of the market: The pendulum between government and market*, Oxford University Press, Oxford, UK.**

### 8. The gains from globalization are not evenly distributed: relative gains

The *elephant curve* on the right shows the percentual gain in real per capita income between 1988 and 2008 (the high globalization period). The horizontal axis ranks people in the world from the poorest (extreme left) to the richest (extreme right). The maximum gain (point A) is near the median (people slightly above the 50th percentile of the global income distribution) and for the richest (the top 1%, point C). The minimum gain (point B) corresponds to the global 80th percentile (most of it in the lower middle class of the rich countries).



- **Beneficiaries of globalization (1988-2008).** (1) People between the 40th and the 60th percentile (1/5 of the world population). Most members in this group belong to Asian economies (China, India, Thailand, Vietnam, and Indonesia): the emerging global middle class. Hence, the Asian poor and middle classes define the great winners of globalization. (2) The global very rich (the global plutocrats).
- **The least benefited from globalization (1988-2008).** (1) The global poor (located in the countries that are not rich). (2) The global lower middle classes (most of whom live in the rich countries). Thus, the great losers of globalization are the lower middle classes and the poorer segments of the rich world.

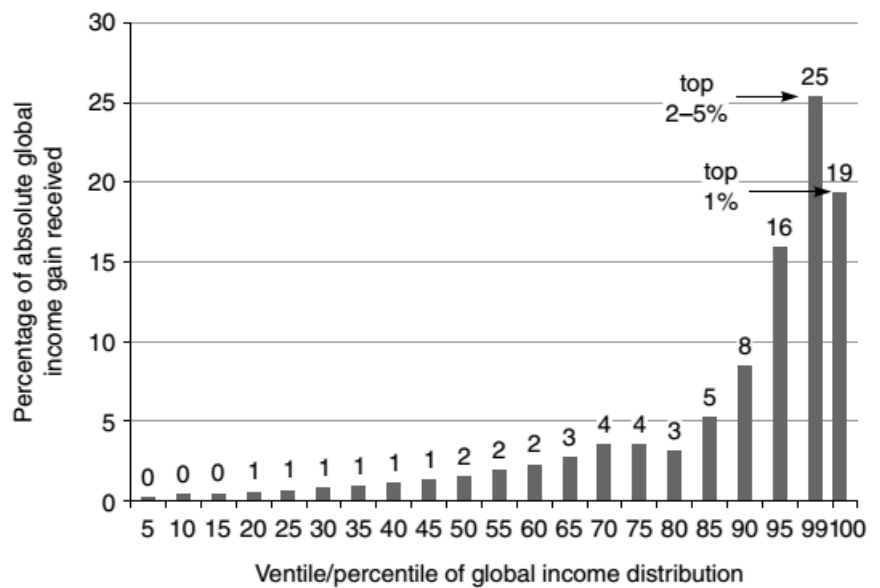


<http://prospect.org/article/worlds-inequality>

[wid.world/wp-content/uploads/2018/01/ElephantCurve.pdf](http://wid.world/wp-content/uploads/2018/01/ElephantCurve.pdf)

### 9. The gains from globalization are not evenly distributed: absolute gains

The chart on the right shows how the total increment in income between 1988 and 2008 has been distributed by global income level. It indicates that around the 44% of all the gains has been received by the richest 5% of the world population (the top 1% receiving 19% of the income rise). The other beneficiaries of globalization (the emerging global middle class) pocketed only between 2 and 4%.



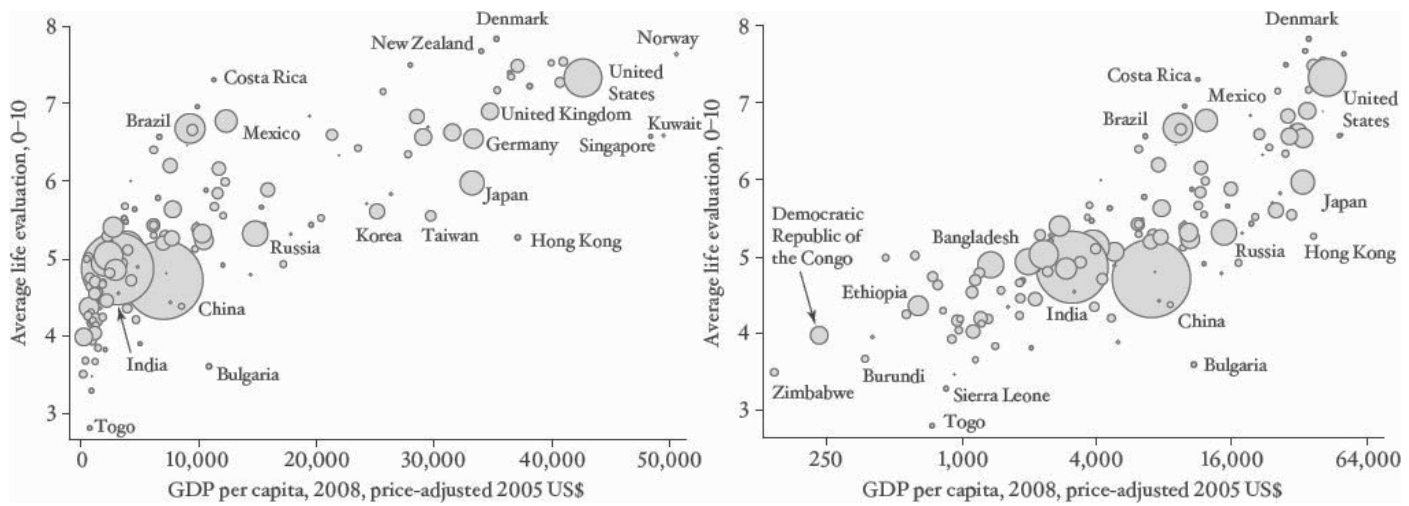
- **Top 1%.** According to Oxfam (16 January 2017), the eight richest men in the world together have the same amount of wealth (\$426 billion = 0.16% of the world's wealth) as the poorest 50% of the world population.
- **\$426 billion.** Spending one dollar per second (\$86,400 per day), it would take more than 13,500 years to exhaust \$426 billion.

[https://www.oxfamamerica.org/static/media/files/170105\\_bn-economy-for-99-percent-160117\\_embargo-en.pdf](https://www.oxfamamerica.org/static/media/files/170105_bn-economy-for-99-percent-160117_embargo-en.pdf)

### 10. The Great Escape (Angus Deaton)

The expression, taken from the movie about prisoners of war in World War II (directed by John Sturges, 1960), refers to the fact that, thanks to the material progress initiated in the Industrial Revolution, large parts of humanity have escaped from poverty, disease and deprivation. Despite this, episodes of progress are simultaneously episodes of growing inequality. "The greatest escape in human history is the escape from poverty and death."

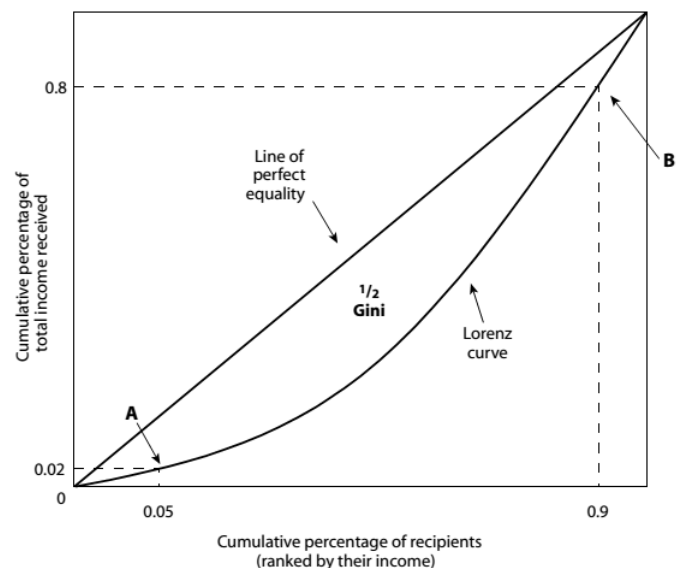
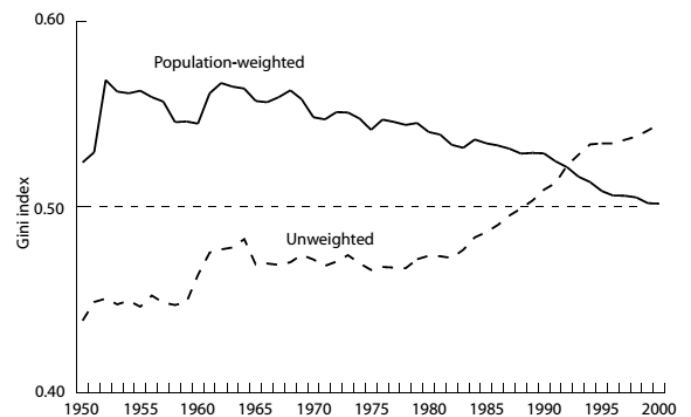
• **Life evaluation and GDP per capita.** The two charts next shows average life evaluation against GDP per capita (average income). The left chart shows the positive correlation between life satisfaction and income levels. It may give the wrong impression that, after around \$10,000, additional income does not help to improve much one's life. The same information is presented on the right chart on a log scale for GDP per capita (each tick on the horizontal axis multiplies income by four: equal distances are not equal amount increases in income but equal percentage increases in income). Now it appears that income always matters: equal percentage differences in income are correlated with equal absolute changes in life evaluation.

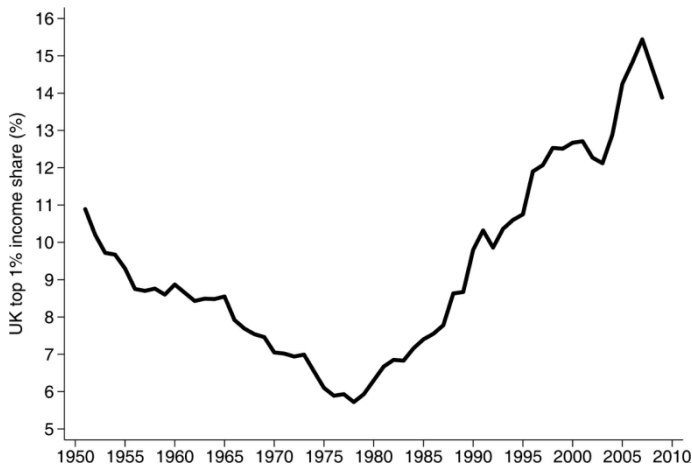


**Deaton, Angus (2013): *The Great Escape: Health, wealth, and the origins of inequality***

## 11. Inequality concepts

- **Concept 1 of inequality: unweighted international inequality.** Concept 1 associates with each country a representative individual, who is assigned the country's GDP per capita. Concept 1 actually compares countries, with all of them given the same weight.
- **Concept 2 of inequality: population-weighted international inequality.** As Concept 1, it is assumed that every person in a country receives the same income (the country's GDP per capita), but now the number of representative individuals attributed to each country depends on the country's size. Concept 2 ignores inequality within countries.
- **Concept 3 of inequality: individual international inequality.** In Concept 3 inequality measures are determined directly on individuals, all individuals in the world, with each individual counting the same.
- **Divergent measures of inequality.** The chart above shows two interpretations of the same reality: according to Concept 1, international inequality has increased (upward trend) in the last decades; whereas Concept 2 suggests a fall (downward trend). The difference: the behaviour of China and India (reduction in inequality essentially limited to a few big countries).
- **Gini coefficient (Corrado Gini).** It is a measure of inequality (and income distribution) going from 0 (maximum equality) to 1 (maximum inequality: a single individual receives all the income). The Gini index is the coefficient in percentages. Graphically, it is (twice) the area between the line of perfect equality (the main diagonal) and the Lorenz curve (which charts the proportion of total income received by the cumulative proportion of recipients ranked by their per capita income from poorer to richer; in the graph on the right, point A means that the poorer 5% of individuals receive the 2% of total income).





**Milanović, Branko (2007): *Worlds apart: Measuring International and Global Inequality*, Princeton University Press, Princeton, NJ.**

The rise of the super-rich in the UK (McQuaig, Linda; Neil Brooks (2013): *The trouble with billionaires: How the super-rich hijacked the world (and how we can take it back)*)

## 12. Yates' dilemma (Michael Yates, 2016, p. 47)

"It is impossible to create a society that is both just and capitalist." According to Yates, in a capitalist economy, capital rules: the system works by creating a few winners and many losers, poles of wealth and poverty, periods of expansion and recession, overworked employees, alienating workplaces, exploitation by the powerful, despoiled environments... "Losses are always socialized, and gains are always privatized."

**Yates, Michael (2016): *The great inequality*, Routledge, New York.**

## 13. Inequality myths

- **Myth 1:** Inequality is a necessary counterpart of economic dynamism and competitiveness. According to this myth, rising inequality is an inevitable consequence of rapid economic growth (or a necessary condition for competitiveness). Policies that lower inequality, it is claimed, reduce the incentives to work hard and innovate.
- **Myth 2:** The best way to help the poor is to help the rich ("Equity needs growth").
- **Myth 3:** Inequality is actually not a problem as long as extreme poverty is avoided and incomes are all rising ("the rising tide lifts all boats").
- **Myth 4:** As pay is related to ability, rising inequality is just the result of increasing differences in people's ability (I am paid more because I am worth it).

**Sudhir Thomas Vadaketh; Donald Low (2014): *Challenging the Singapore Consensus*.**

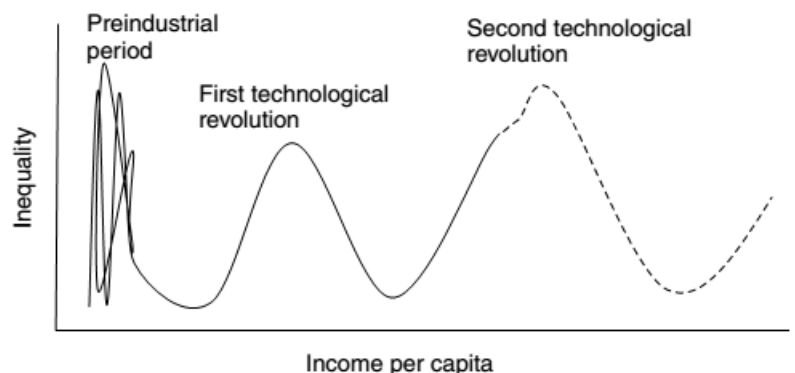
## 14. The Kuznets curve (or hypothesis)

The Kuznets curve is the conjecture (by Simon Kuznets) relating the level of economic inequality with the level of real income. Graphically, it takes the form an inverted U: for low income levels, inequality is low; as income grows, inequality increases; and, from some sufficiently high income level on, inequality decreases. However, the recent experience of the advanced economies shows that inequality need not decrease with development.

## 15. The Kuznets wave (or cycle)

The Kuznets wave is the conjecture (Branko Milanović) that there are waves of alternating increases and decreases in inequality in time (as income increases).

- Before the Industrial Revolution inequality undulated around a fixed average income level (in a Malthusian cycle the source of the fluctuation in inequality is demographic: an income rise lower inequality and triggers a population increase among the poor; in the presence of a decreasing marginal productivity of labour, a larger population leads to a



reduction in productivity and a fall in income, which increases inequality and moderates population growth).

- The Industrial Revolution made possible a sustained growth of income and also an increase in inequality. First, because higher incomes create the potential for more inequality. Second, because structural changes in the economy (urbanization, rising importance of the industrial sector) drove up inequality. Inequality eventually decreased when the supply of more educated workers increased and economic policies responded to pressures to correct the unevenness of the distribution of income (the welfare state). Military conflicts and political revolutions (themselves often consequences of excessive inequality) also contributed to the reduction in inequality. The 'Great Leveling' refers to the reduction in inequality in the richer countries between 1945 and 1980.
- A new technological revolution affected the rich countries in the 1980s (digital revolution) by widening income disparities. The new technologies rewarded the more skilled workers, pushed up the return to capital and made the less skilled worker suffer the strong competition from China and India. The service sector increased in importance, with many of the new jobs not requiring much qualification and being badly paid. Moreover, pro-rich economic policies tended to be universally adopted.

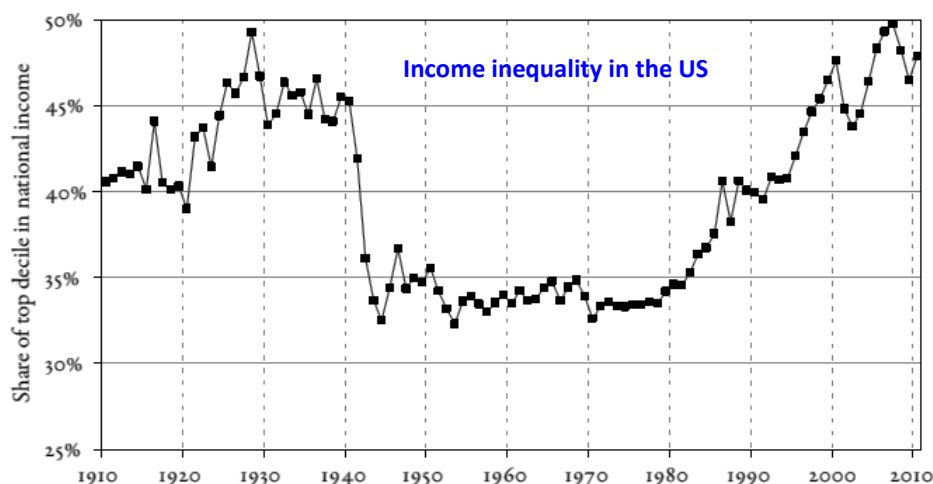
**Milanović, Branko (2016): *Global inequality: A new approach for the age of globalization*, Harvard University Press, Cambridge, MA.**

## 16. How to reduce inequality

Extreme inequality can be solved through the tax system. The mechanisms involved in the first reduction were increased taxation, social transfers, hyperinflation, nationalization of property and wars. Globalization makes more difficult to raise taxation on capital income: it is harder to tax a mobile capital. The rich are also resistant to the application of redistributive measures (neoliberalism and trickle-down economics). And one of the characteristics of globalization is that the winner takes all.

## 17. Piketty's $r > g$ theory of inequality: the fundamental force of divergence

The symbol  $r$  stands for an average rate of return on holdings of wealth over long periods (average return of stocks, corporate bonds, savings accounts, government bonds, real estate, other financial assets...). The symbol  $g$  is the GDP growth rate and can be interpreted as the average speed at which incomes in a economy grow. Piketty's theory (the fundamental inequality of capitalism) is that inequality increases when  $r$  grows faster than  $g$ . With  $r > g$ , wealth grows more than income; and as wealth is distributed more unequally than income, a faster growth of wealth with respect to the growth of income contributes to an increase in inequality: the rewards to the owners of wealth are larger than the income that, on average, generates the economy.



$$Y = W + P$$

aggregate income = salaries + profits

$$r = \frac{P}{K}$$

rate of return = profits / capital

$$K' = K + I$$

capital tomorrow = capital today + investment

$$I = s \cdot Y$$

investment = savings rate · income

$$Y' = (1 + g) \cdot Y$$

income tomorrow = (1 + income growth rate) · income today



Let  $\alpha = \frac{P}{Y}$ ,  $\beta = \frac{K}{Y}$  and  $Y = \frac{Y}{L} \cdot L$ , where  $L$  is population and  $\frac{Y}{L}$  is average productivity. Therefore,  $g \approx \lambda + n$ : income growth is approximately equal to productivity growth plus population growth. As  $= \frac{P}{Y} \cdot \frac{Y}{K}$ , it follows that  $r = \alpha/\beta$  or, equivalently,

$$\alpha = r \cdot \beta$$

which Piketty calls “the first fundamental law of capitalism”. Moreover,

$$\frac{K'}{Y'} = \frac{K + I}{Y'} = \frac{K}{Y'} + \frac{I}{Y'} = \frac{K}{(1 + g) \cdot Y} + \frac{s \cdot Y}{(1 + g) \cdot Y} = \frac{1}{1 + g} \cdot \frac{K}{Y} + \frac{s}{1 + g}.$$

At a stationary state,  $\frac{K'}{Y'} = \frac{K}{Y} = \beta$ . Hence, solving for  $\beta$ , it is obtained Piketty’s “second fundamental law of capitalism” or dynamic law of accumulation:

$$\beta = \frac{s}{g} \approx \frac{s}{\lambda + n}$$

A falling share  $\frac{W}{Y}$  of wages in income can be interpreted as a rise in inequality: capital gets an increasing larger portion of income. From  $Y = W + P$ ,  $1 = \frac{W}{Y} + \frac{P}{Y} = \frac{W}{Y} + \alpha$ . As a result,

$$\frac{W}{Y} = 1 - \alpha = 1 - r \cdot \beta = 1 - \frac{s \cdot r}{g} \approx 1 - \frac{s \cdot r}{\lambda + n}.$$

The above equation indicates that the wage share  $\frac{W}{Y}$  decreases (inequality goes up) when:

- (i) the savings rate  $s$  rises;
- (ii) the rate of return  $r$  rises;
- (iii) the rate of growth  $\lambda$  of labour productivity falls;
- (iv) the rate of growth  $n$  of population falls; or
- (v) the rate of growth  $g$  of the economy declines (this is a combination of (iii) and (iv)).

## 18. Forces of convergence and divergence of market economies

With a constant  $s$ , the dynamics of inequality is explained by the evolution of the private rate of return  $r$  on capital and the rate of growth  $g$  of income. Having  $r > g$  implies that wealth accumulated in the past grows faster than income (and wages). That capital tends to expand itself more rapidly than the economy is the principal force of divergence (inequality). The diffusion of knowledge and skills is a powerful force of convergence (and social stability).

Globalization seems to have favoured so far the forces of divergence: the narrowing of income inequality between countries has been relatively small (look at the Earth at night: light = prosperity; darkness = poverty).

## 19. Piketty’s claims

- The growth (or contraction) of an economy’s wealth-to-annual-income ratio ( $\beta = K/Y$ ) is the quotient  $s/g$  between the net savings (the accumulation rate) and the economy’s growth rate.
- Wealth is eventually concentrated in the hands of a small group: the larger  $\beta$ , the more unequal the distribution of wealth.
- An unequal distribution of income is the consequence of an unequal distribution of wealth: the privileged small group will steer political decisions on their behalf, to prevent the rate of profit from falling.
- The privileges of the small group will be preserved through inheritance.
- When wealth is inherited, the small privileged group will possess great influence (politically, economically, socioculturally) that will most likely be exercised to the detriment of the majority.

“The process by which wealth is accumulated and distributed contains powerful forces pushing toward divergence, or at any rate toward an extremely high level of inequality (...) It is possible to imagine public institutions and policies that would counter the effects of this implacable logic: for instance, a progressive global tax on capital. But establishing such institutions and policies would require a considerable degree of international coordination.” (Piketty, 2014, p. 27)

**Piketty, Thomas (2014): *Capital in the twenty-first century*, Belknap Press, Cambridge, MA.**

**Dickens, Edwin (2015): “Piketty’s Capital in the Twenty-First Century: A review essay,” *Review of Political Economy* 27(2), 230-239.**

**López-Bernardo, Javier; Félix López-Martínez; Engelbert Stockhammer (2016): “A Post-Keynesian Response to Piketty’s ‘Fundamental Contradiction of Capitalism’,” *Review of Political Economy* 28(2), 190-204.**



[https://upload.wikimedia.org/wikipedia/commons/b/ba/The\\_earth\\_at\\_night.jpg](https://upload.wikimedia.org/wikipedia/commons/b/ba/The_earth_at_night.jpg)

## 20. A new country: Richistan

“(In the US) The rich weren’t just getting richer; they were becoming financial foreigners, creating their own country within a country, their own society within a society, and their economy within an economy. They were creating Richistan.” There are four classes in Richistan.

- **Lower Richistan.** Some 7 million households with net worth \$1-10 m. “Most of them are well-educated, work-a-day professionals: corporate executives, doctors, lawyers, bankers, designers, analysts and money managers. More than half their wealth is derived from income, with another third coming from investment returns. In an increasingly global, hightech, finance-oriented economy, Lower Richistanis have benefited from the growing demand for highly educated workers and rising pay at the top.”
- **Middle Richistan.** It includes more than 2 million households, with net worth between \$10 m and \$100 m. “Most Middle Richistanis make their money from salaries, small businesses or investment returns. As you move from Lower to Upper Richistan, however, the number of entrepreneurs and business owners starts to increase. Middle Richistan has twice as many entrepreneurs as Lower Richistan, showing that the surest path to big wealth is starting your own company and selling it.”
- **Upper Richistan.** It includes thousands of households, with net worth at least \$100 m. “Most made their money by starting their own companies and selling them, although CEOs and money managers (especially hedge funders) are rapidly joining the ranks. The lives of Upper Richistanis have become incredibly complicated. To run them, they’re creating ‘family offices’—large companies dedicated entirely to serving a family’s day-to-day needs, from investments and legal work to travel plans and hiring house staff (...) When you live in Upper Richistan, your entire philosophy of money changes. You realize that you can’t possibly spend all of your fortune, or even part of it, in your lifetime and that your money will probably grow over the years even if you spend lavishly. So Upper Richistanis plan their finances for the next hundred years.”

- **Billionaireville.** With 13 inhabitants in 1985, it had more than 400 in 2006. “The personal lives of billionaires are more like companies. Their homes are like hotels—sprawling campuses with their own logos, purchasing budgets and legions of staff. Ask a billionaire for his or her bank statement and you’ll get a five-level flowchart of interlocking subsidiaries, holding companies, investment funds and foundations.”

**Frank, Robert L. (2007): *Richistan: A journey through the American wealth boom and the lives of the new rich*, Crown Publishers, New York.**

## 21. Globalization is an asymmetric process (leading to differentiated outcomes)

Rich countries are in a better disposition to rip the benefits of globalization. The preconditions for the success of globalization are more likely to be more easily satisfied by the rich countries: physical, educational and social infrastructure (transportation networks, human skills, trust, political institutions...). These preconditions are also necessary to produce high-reputation goods (positional goods: trade in services, decommodified goods, currencies), the type of goods that are becoming increasingly important to benefit from globalization. Reputation is the key competitive factor in a globalized economy and is not subject to the traditional analysis based on comparative advantages. There is an entry cost to benefit from globalization that the poorer countries cannot pay. In view of this, globalization seems to bestow its benefits asymmetrically, delivering disproportional trade benefits to the richer countries.

## 22. The new poverty trap of current globalization

This trap is the result of lacking adequate physical infrastructures, capital stock, educational achievement, appropriate institutions, governance skills and ability to control the domestic macroeconomic fundamentals in the presence of free flows of international capital. It also contributes to the trap the enforcement of an institutional international order that favours the rich: transformation of global competition into positional competition (more importance of the trade in services and decommodified goods) and legal architecture that reinforces the leaders in the positional competition (protection to intellectual property rights and to the free mobility of capital).

## 23. Two views on the benefits and costs of globalization

Critics: globalization has exploited people in developing countries, caused massive disruptions to their lives and produced few benefits in return. Supporters: reductions in poverty achieved by countries which have embraced integration with the world economy, with China and India being the current poster-countries of such success.

**Yotopoulos, Pan A.; Donato Romano (eds.) (2007): *The asymmetries of globalization*, Routledge, London and New York (especially chapter 10: “What have we learned about globalization?”).**

## 24. The globalization slowdown thesis (Antimo Verde, 2017)

Presuming that the middle and lower classes are capable of affecting the future of globalization, Verde (2017) claims that globalization will inevitably slow down if the middle classes manage to protect their interests politically. This conclusion follows from the analysis of three questions.

- Which actors would be more interested in limiting the expansion of globalization because they are worse off under globalization? His answer is that middle and lower-middle classes of developed countries (and of some developing countries) are the main losers of globalization. He lists some structural causes for this: skill-biased technological changes; aging; predominance of the financial sector; unfair competition from the developing countries; unfair free trade; delocalization of production activities; diminished role of trade unions; detrimental distributional effects caused by the adoption of national policies forced by the globalization process; globalization itself...
- Which factors would justify an anti-globalization reaction? Immigration, terrorism and rising inequality are presented as non-temporary reasons or problems that would lead the middle classes to oppose and react against globalization.
- How would the losing actors organize an effective reaction against the globalization process? By using their votes to protect their interests: middle and lower classes will elect political parties that propose to

adopt anti-globalization national policies. If, as usual, such classes constitute the majority of the electorate, then the political change that will put brakes on globalization seems guaranteed.

**Verde, Antimo (2017): *Is globalisation doomed? The economic and political threats to the future of globalisation*, Palgrave Macmillan, Cham, Switzerland.**

## 25. Globalization is 'the great event of our time' (Martin Wolf, 2004, p. ix) and works

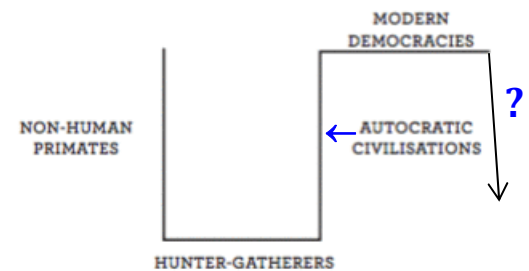
Wolf (2004) offers the conventional arguments in support of liberal market economies: they contribute to prosperity, democracy and personal freedom. He contends that, despite some not so favourable consequences, the world would be worse under alternative economic systems (or at least the systems supported by the critics of liberal market economies). Wolf also remarks that, in some aspects, globalization has not advanced as much as in previous episodes. He considers the biggest failure of current globalization the insufficient transfer of capital and knowledge to the developing economies. He adds that there is in fact too little globalization:

"the chief obstacle to making the world work better (...) is not its limited economic integration, as critics of economic globalization argue, but its political fragmentation. It is the deep-seated differences in the institutional quality of states that determine the persistence of inequality among individuals across the globe. The big challenge (...) is to reconcile a world divided into states of hugely unequal capacities with exploitation of the opportunities for convergence offered by international economic integration. In short, if we want a better world, we need not a different economics, but better politics." (pp. 11-12)

**Wolf, Martin (2004): *Why globalization works: The case for the global market economy*, Yale University Press, New Haven and London.**

## 26. U-shaped/saucepan curve of hierarchical/egalitarian societies

The U-shaped curve captures "the puzzling fact that most non-human primate species live in extremely hierarchical groups (a vertical line), whereas early human beings lived in remarkably egalitarian mini-societies (a horizontal line) — and civilised human beings, for the most part, have reverted to extreme hierarchies (another vertical line, and thus a U-shaped curve) (...) The puzzle was not just a U-shaped curve. It was more like the cross-section of a saucepan, and the (horizontal) saucepan handle was what had happened over the past two-and-a-half centuries in the West and was happening all around the planet right now: the re-emergence of egalitarian values in politics and the spread of democratic systems in modern mass societies."



**Dyer, Gwynne (2018): *Growing pains: The future of democracy (and work)*, Scribe, Melbourne and London.**

## 27. The financial sector's rise to power (Michael Hudson, 2015)

- "A nation's destiny is shaped by two sets of economic relationships. Most textbooks and mainstream economists focus on the 'real' economy of production and consumption, based on the employment of labor, tangible means of production and technological potential. This tangible Economy #1 is wrapped in a legal and institutional network of credit and debt, property relations and ownership privileges, while Economy #2 is centered on the Finance, Insurance and Real Estate (FIRE) sector. This 'debt and ownership' economy transforms its economic gains into political control to enforce payment of debts and to preserve property and natural resource or monopoly rent privileges (typically inherited)."
- "Today's banks don't finance tangible investment in factories, new means of production or research and development –the 'productive lending' that is supposed to provide borrowers with the means to pay off their debt. Banks largely lend against collateral already in place, mainly real estate (80 percent of bank loans), stocks and bonds. The effect is to transfer ownership of these assets, not produce more."
- "Borrowers use these loans to bid up prices for the assets they buy on credit: homes and office buildings, entire companies (by debt-leveraged buyouts), and infrastructure in the public domain on which to install tollbooths and charge access rents. Lending against such assets bids up their prices –Asset-Price Inflation."

- “Mainstream policy pretends that economies are able to pay their debts without reducing their living standards or losing property. But debts grow exponentially faster than the economy’s ability to pay as interest accrues and is recycled (while new bank credit is created electronically).”
- “Debts that can’t be paid, won’t be. The question is: how won’t they be paid? There are two ways not to pay. The most drastic and disruptive way (euphemized as “business as usual”) is for individuals, companies or governments to sell off or forfeit their assets. The second way to resolve matters is to write down debts to a level that can be paid. Bankers and bondholders prefer the former option, and insist that all debts can be paid, given the “will to do so’ (...) This is the solution that mainstream monetarist economists, government policy and the mass media popularize as basic morality. But it destroys Economy #1 to enrich the 1 percent who dominate Economy #2.”
- “The financial sector (the One Percent) backs oligarchies.”
- “Every economy is planned. The question is, who will do the planning: banks or elected governments? Will planning and structuring the economy serve short-term financial interests (making asset-price gains and extracting rent) or will it promote the long-term upgrading of industry and living standards?”

**Hudson, Michael (2015): *Killing the host: How financial parasites and debt bondage destroy the global economy*, CounterPunch Books, Petrolia, California.**

## 28. Inequality trends (in the US)

“While US inequality is part of a global trend, the condition is more acute due to the nature of hyperindividualistic capitalism and public policy in this country.”

- “One of the most important trends (...) is the persistent stagnation of wages since the 1980s. After a period of relative shared prosperity, between 1947 and 1977, when real wages doubled for every stratum of US society, we entered a phase of flat or falling paychecks for a majority of US wage earners. Since 1975, there have been extraordinary gains in productivity. But over half of US wage earners have not shared in the fruits of their labors. In 1970, the bottom half of wage earners, roughly 117 million adults, made an average of \$16,000 a year in current dollars. By 2014, earnings for the bottom half of households had remained virtually unchanged, bumping up slightly to \$16,200. Over the same period, the incomes of the top 1 percent tripled, from average annual wages of \$400,000 to \$1.3 million.
- The result is persistent poverty at the bottom, a work treadmill for low-wage workers, and a squeeze on middle-class workers. For more than four decades, poverty rates have remained unchanged. Over 13.5 percent of the population, an estimated 43 million people, live below the poverty line.”
- “Another form of income inequality is the increasing gap between the compensation of CEOs and top corporate executives compared to average- or lowest-paid workers in firms. In the mid-1960s, the ratio between CEO pay and average worker pay was about 20:1. In recent years, the ratio has swollen to more than 300:1. Skyrocketing CEO pay is one of the drivers of increased income concentration.”
- “Another alarming trend has been the updraft of both income and wealth to the very wealthiest households. Between 1980 and 2013, the richest 1 percent saw their average real income increase by 142 percent, with their share of national income doubling from 10 percent to 20 percent. But most economic gains during this period have flowed to the top 0.1 percent – the top one-tenth of 1 percent – whose real income increased by 236 percent. Their share of national income almost tripled, from 3.4 percent to 9.5 percent. Since the economic meltdown of 2008, an estimated \$91 of every \$100 in increased earnings have gone to the top 1 percent (...) Wealth has increasingly concentrated at the top. The wealthiest 1 percent of households now hold roughly 42 percent of private wealth, up from 33 percent in 1983. At the very pinnacle of US wealth is the Forbes 400 (...) with a combined net worth of \$2.3 trillion. Together, this group has more wealth than the bottom 62 percent of the US population combined. The 20 wealthiest billionaires (...) have more wealth than the entire bottom half of the US population.”
- “One reason the wealthy have so much more than the bottom half of US households is that almost 20 percent of US households have zero or negative net worth.”
- “Reflecting the historic inequalities between white, black, and Latino households, the racial wealth divide has grown over the last several decades. In 2013, the median wealth of white households was an alarming 13 times greater than the median wealth of black households —up from 8 times greater in

2010. White households had 10 times more wealth than Latino households. The richest 100 billionaires have more wealth than the entire African American population (...) 42 million people. The wealthiest 186 billionaires have as much wealth as the entire Hispanic population: more than 55 million people.

- “Inequality in America is reversible (...) The policy agenda described in this book —such as eliminating student debt, expanding good jobs through green infrastructure, establishing a universal basic income, and expanding homeownership and wealth-building opportunities— are examples of big interventions that will reverse inequality (...) Reversing inequality is not only possible. It is the only path forward.”

**Collins, Chuck (2018): *Is inequality in America irreversible?*, Polity Press, Malden, MA.**

## 29. Is globalization prone to recurrently generate backlashes and collapses?

- “Globalization is not only a process that occurs somewhere out there—in an objective and measurable world of trade and money. It also happens in our minds, and that part of globalization is often more difficult to manage. To understand both the process and our reactions to it, we need a historical grounding.”
- “The phenomenon of globalization has today become a ubiquitous way of understanding the world, but people who used the concept as a tool of analysis failed to understand its volatility and instability.”
- “Globalization not only involves international movements of goods, people, and capital, but is also associated with transfers of ideas and shifts of technology, which affect and restructure our preferences. In consequence, globalization generates continuous uncertainty about values.”
- “Globalization is vulnerable to periodic financial catastrophes, which involve very sudden alterations of concepts of value. That is, our values themselves are reevaluated during such crises. During a crisis, unexpected and apparently random linkages become apparent. People begin to see in what complex ways the world has become interconnected.”
- “The perception of instability calls into question the sophisticated techniques devised for monetary management (...) In the uncertainty of globalization setbacks, the experience of the past becomes a powerful template for understanding the contemporary predicament (...) Today, we look back to the Great Depression of the late 1920s and 1930s as a model for what can go wrong when globalization breaks apart.”
- “Politics and economics are inextricably and inherently linked, and politics provides an alternative to market mechanisms for the management of globalization crises.”
- “When breakdowns occur, reconstruction is extremely difficult and involves a long and arduous effort for the rebuilding of social trust. Value renewal takes time.”

## 30. Globalization cycles: can the future of globalization be seen in its past?

- “Globalization is not only a process that occurs somewhere out there—in an objective and measurable world of trade and money. It also happens in our minds, and that part of globalization is often more difficult to manage. To understand both the process and our reactions to it, we need a historical grounding.”
- “All of these previous globalization episodes ended, almost always with wars that were accompanied by highly disruptive and contagious financial crises. Globalization is often thought to produce a universalization of peace, since only in a peaceful world can trade and an interchange of ideas really flourish. But in practice, a globalization of goods, capital, and people often leads to a globalization of violence.”
- “It is thus possible to speak of globalization cycles, with long periods of increased interchange of goods, and flows of people and capital. But then something happens. People feel there has been too much interaction; they draw back from the global setting and look instead for protected areas in which they can be safe from global threats and global devastation. The shock or trauma is often connected with financial collapse, especially the profound uncertainty that financial disaster brings.”

**James, Harold (2009): *The creation and destruction of value: The globalization cycle*, Harvard University Press, Cambridge, MA.**

### 31. Global power elites and the transnational capitalist class (Peter Phillips, 2018)

“[In 1956, C. Wright] Mills described the power elite as those ‘who decide whatever is decided’ of major consequence. Sixty-two years later, power elites have globalized and built institutions that facilitate the preservation and protection of capital investments everywhere in the world.”

“The Global Power Elite function as a nongovernmental network of similarly educated wealthy people with common interests of managing, facilitating, and protecting concentrated global wealth and insuring the continued growth of capital. Global Power Elites influence and use international institutions controlled by governmental authorities—namely, the World Bank, International Monetary Fund (IMF), NATO, World Trade Organization (WTO), G7, G20, and many others. These world governmental institutions receive instructions and recommendations for policy determinations from networks of nongovernmental Global Power Elite organizations and associations.”

“We name some 389 individuals in this book as the core of the policy planning nongovernmental networks that manage, facilitate, and protect the continued concentration of global capital. The Global Power Elites are the activist core of the Transnational Capitalist Class—1 percent of the world’s wealthy people—who serve the uniting function of providing ideological justifications for their shared interests and establishing the parameters of needed actions for implementation by transnational governmental organizations.”

“This concentration of protected wealth leads to a crisis of humanity, whereby poverty, war, starvation, mass alienation, media propaganda, and environmental devastation are reaching a species-level threat. We realize that humankind is in danger of possible extinction and recognize that the Global Power Elites are probably the only ones capable of correcting this condition without major civil unrest, war, and chaos. This book is an effort to bring awareness of the importance of systemic change and redistribution of wealth, to readers as well as to the Global Power Elites themselves, in the hope that they can begin the process of saving humanity.”

**Phillips, Peter (2018): *Giants: The global power elite*, Seven Stories Press, New York.**

### 32. Will money ever become obsolete? (*The Orville*, Season 1, Episode 11)

“It [money] became obsolete with the invention of matter synthesis. The predominant currency became reputation (...) Human ambition didn’t vanish. The only thing that changed was how we quantify wealth. People still want to be rich, only now rich means being the best at what you do.”

### 33. Rodrik’s (2018, ch. 10) new rules for the global economy

- ‘Markets must be deeply embedded in systems of governance.’ Markets are not self-regulated institutions: for proper functioning they need the support of other institutions (courts, legal systems, regulators, social insurance, redistributive taxation, infrastructure, public investment in R&D...). This applies to global markets as well as national markets.
- ‘Democratic governance and political communities are organized largely within nation-states, and are likely to remain so for the foreseeable future.’ “The quest for extensive global governance is a fool’s errand, both because national governments are unlikely to cede significant control to transnational institutions and because harmonizing rules would not benefit societies with diverse needs and preferences.’ “When international cooperation does “succeed,” it typically codifies the preferences of the more powerful states or, even more frequently, of international corporations and banks in those states.’
- ‘There is no “one way” to prosperity.’ Since ‘the core institutional infrastructure of the global economy must be built at the national level, it frees up countries to develop the institutions that suit them best.’ Regulations that cover labor markets, corporate governance, antitrust, social protection, and even banking and finance differ considerably in prosperous societies: US, Europe, Japan... “The most successful societies of the future will leave room for experimentation and allow for further evolution of institutions over time. A global economy that recognizes the need for and value of institutional diversity would foster rather than stifle such experimentation and evolution.’ The prosperity game never ends.
- ‘Countries have the right to protect their own regulations and institutions.’ “The recognition of institutional diversity would be meaningless if nations were unable to “protect” domestic institutions.’

- 'Countries do not have the right to impose their institutions on others.' 'The recognition of institutional diversity would be meaningless if nations were unable to "protect" domestic institutions.' 'Nations have a right to difference, not to impose convergence.'
- 'The purpose of international economic arrangements must be to lay down the traffic rules for managing the interface among national institutions.'
- 'Nondemocratic countries cannot count on the same rights and privileges in the international economic order as democracies.' 'What gives the previous principles their appeal and legitimacy is that they highlight democratic deliberation—where it really occurs, within nation-states. When nation-states are not democratic, this scaffolding collapse.' 'These principles support a different model of global governance, one that would be democracy enhancing rather than globalization enhancing.'

**Rodrik, Dani (2018): *Straight talk on trade: Ideas for a sane world economy*, Princeton University Press, Princeton, NJ.**

### 34. Development traps

The existence of development traps is denied by the right: good policies allow any country to escape poverty. The left consider these traps a by-product of global capitalism. Collier (2007) identifies four such traps: the conflict trap (civil war and coups), the natural resources trap, the trap of being landlocked with bad neighbors, and the trap of bad governance in a small country. No trap is inescapable but globalization has made it more difficult to use the global market to escape from them: to take advantage of globalization, an economy should be sufficiently developed ("strong") and the problem of the economies trapped is that they are insufficiently developed ("weak"). There is then a vicious circle: a country is underdeveloped by some trap because it cannot join properly the globalization process, and it cannot join the process because of the country is underdeveloped. In 2006, according to Collier (2007), there were 58 trapped countries, with around 980 million people living there. The typical feature of these countries is being small.

**Collier, Paul (2007): *The bottom billion: Why the poorest countries are failing and what can be done about it*, Oxford University Press, New York.**

**Reinert, Erik S. (2011): "Review of *The bottom billion* by Paul Collier", *Journal of Global History* 6(1), 156-158.**

### 35. Why is not all the world developed?

Easterlin (1981) views the spread of modern economic growth as depending on the diffusion of knowledge of new production techniques, whose acquisition and application of this knowledge has depended on the extent to which the population has acquired the traits and motivations that formal schooling provides. In turn, political conditions and ideological influences seem to have determined in the past the implementation of modern education systems. Easterlin (1988) attributes the insufficient diffusion of technology to the lack of appropriate institutions (social capabilities).

- **Will all the world become developed?** "This, then, is the future to which the epoch of modern economic growth is leading us: a world in which ever-growing abundance is always outpaced by material aspirations, a world of increasing cultural uniformity. (...) The proximate roots of the epoch of modern economic growth lie in the growth of science and diffusion of modern education".

### 36. The Easterlin (happiness-income) paradox

The paradox is that empirical studies indicate that happiness (subjective well-being) increases with income at a point in time but, over time, this relationship disappears: the average level of happiness is unrelated to economic development. Easterlin's (1988) explanation is that happiness is positively related to one's income but negatively related to the income of the rest: you feel better off if your income rises when, for the rest, income remains constant; and you feel worse off if it is your income that remains constant while that of the rest goes up.

**Easterlin, Richard A. (1981): "Why isn't the whole world developed?", *Journal of Economic History* 41(1), 1-19.**



**Easterlin, Richard A. (1988): *Growth triumphant: The twenty-first century in historical perspective*, The University of Michigan Press, Michigan, IL.**

**Stevenson, Betsey; Justin Wolfers (2008): "Economic growth and subjective well-being: Reassessing the Easterlin paradox", *Brookings Papers on Economic Activity* 2008, 1-87.**

### 37. Collapse

"... a NASA-funded group recently created the Human and Nature Dynamics (HANDY) program to model the fall of the Roman, Han, Mauryan, and Gupta Empires, and when they pushed the button, it spit out a disquieting forecast: 'Global industrial civilization could collapse in coming decades due to unsustainable resource exploitation and increasingly unequal wealth distribution.' (...) In this model, by the way, one of the greatest dangers came from elites who argued against structural change on the grounds that 'so far' things were working out. That 'so far' is always the problem, as the man who fell off the skyscraper found out (...)

We've displaced most everything else: if you weigh the earth's terrestrial vertebrates, humans account for 30 percent of their total mass, and our farm animals for another 67 percent, meaning wild animals (...) total just 3 percent. In fact, there are half as many wild animals on the planet as there were in 1970, an awesome and mostly unnoticed silencing. And yet nothing slows us down—just the opposite. By most accounts, we've used more energy and resources during the last thirty-five years than in all of human history that came before (...) On his way to the theoretically groundbreaking Rio environmental summit in 1992, the first President Bush famously declared, 'The American way of life is not up for negotiation' (...)

Why should you take seriously my fear that the game, in fact, may be starting to play itself out? The source of my disquiet can be summed up in a single word, a word that will be repeated regularly in this book: *leverage*. We're simply so big, and moving so fast, that every decision carries enormous risk.

Rome's collapse was, of course, a large-ish deal. But given that there were vast swaths of the world that didn't even know there was a Roman Empire, it wasn't a big deal *everywhere*. Rome fell, and the Mayans didn't tremble, nor the Chinese, nor the Inuit. But an interconnected world is different. It offers a certain kind of stability—everyone in every country can all hear the scientists warning of impending climate change, say—but it removes the defense of distance (...) We are putting the human game at risk, that is, from things going powerfully wrong and powerfully right. As we shall see, humans have now emerged as a destructive geologic force (...) And humans have simultaneously emerged as a massive *creative* force, in ways that threaten the human game not through destruction but through substitution. Robots are not just another technology, and artificial intelligence not just one more improvement like asphalt shingles. They are instead a replacement technology, and the thing's that's going obsolete may well be us (...) The outsize leverage is so crucial because, for the first time, we threaten to cut off our own lines of retreat. When Rome fell, something else was there (...) The human game we've been playing has no rules and no end, but it does come with two logical imperatives. The first is to keep it going, and the second is to keep it human."

**McKibben, Bill (2019): *Falter: Has the human game begun to play itself out?*, Henry Holt and Company, New York.**

### 38. Nonlinearities, resilience, sledgehammer and threshold effects

"The one thing we can rely on about humanity's future trajectory is its nonlinearity. That fact presents us with both humanity's greatest peril and our greatest reason for hope. Our peril arises from the fact that we can't just look at the recent decades of prosperity enjoyed by much of the world and assume it will continue indefinitely; at the same time, we can glean hope from the realization that humanity's unsustainable growth in consumption, inexorable as it appears, will not necessarily continue until our global civilization is doomed."

"Critical transitions can occur for two kinds of reasons: sledgehammer effects and threshold effects. A sledgehammer effect (...) arises when an outside force causes dramatic change in a system (...) A good

example of a sledgehammer effect is the asteroid that is believed to have wiped out the dinosaurs about sixty-five million years ago (...) Threshold effects (...) refer to the critical transition that happens when a system changes from within. One example of a threshold effect (...) is how language emerged from a feedback loop between the cultural and biological evolution of humans (...) In complex systems, critical transitions frequently arise from an interplay between threshold and sledgehammer effects (...) The resilience of a system determines whether it can withstand big shocks or is susceptible to collapse from a small disturbance. Resilience can be understood as the capacity of a system to recover from a disturbance.”

### 39. Change in complex systems: the adaptive cycle model

“This model sees complex systems as passing through four phases of a cycle. The cycle begins with a rapid growth phase, during which innovative strategies can exploit new opportunities. In a capitalist system, this is the period when entrepreneurs thrive, developing new products and targeting new markets. Gradually, the system moves to a more stable conservation phase, when rules and established connections become more important. This phase can last for a long time, during which the future seems quite predictable, but as time goes on, the system becomes increasingly brittle and resistant to change. It becomes less resilient. At a certain point, a small disturbance can cause the entire system to collapse, which is the release phase. This could be the lightning igniting a forest fire or, in financial markets, a sudden loss of confidence leading to panic. Following the system's collapse, a period of chaos ensues, and uncertainty rules. New opportunities emerge for creativity, which is why the final stage in the cycle is called the renewal phase. In this period, small chance events can drastically shape the future. In an ecosystem, new species may emerge that had previously been suppressed (such as the mammals that took over from the dinosaurs). In social systems, this is the time when charismatic individuals might have an inordinate impact on public opinion, either for good or for evil. ‘Early in the renewal phase,’ experts note, ‘the future is up for grabs.’ (...) Which of these four phases best describes our current global system? There's no simple answer, partly because our global system is itself a network of different systems, each of which might be in a different phase of its own adaptive cycle. Those who focus on technology, for example, might argue we're still in a growth phase, with waves of progress resulting from innovation. On the other hand, the earth's natural systems appear to be entering the late stages of a conservation phase, coming precariously close to tipping points that could destabilize our civilization. Could our global civilization itself be in the late stage of a conservation phase and face imminent collapse? (...) The crucial question is how much resilience is built into our global system. Unfortunately, much of it has been designed with short-term efficiencies in mind, which have tended to reduce resilience rather than increase it. In a resilient system, individual nodes—families or communities—need to be self-sufficient enough to survive in an emergency. In our modern civilization, most of us lack self-sufficiency.”

### 40. Global scenarios

“In our current world, two important threshold effects are the exponential progress of technology and the ever-widening global wealth gap. There are also two major sledgehammer effects: climate change and the depletion of the world's natural resources. Under one scenario, the sledgehammer effects overwhelm the threshold effects, and our global civilization collapses (...) In another scenario—let's call it Techno Split—the sledgehammer and threshold effects work together to split apart the human race while maintaining some form of technological civilization. Continued exponential technological progress permits civilization, for the affluent minority, to keep advancing (...) Eventually, they would become—effectively, if not literally—two separate species. One species, genetically and technologically enhanced, exploring entirely new ways of being human; the other species, genetically akin to us, barely surviving within its collapsed infrastructure. Is this what we desire for humanity's future? Those who agree with Kurzweil that humanity's defining feature is the ability to reach beyond the limitations of biology might believe so and celebrate humanity's ultimate triumph: the unfettered progress of humanity's CONQUEST OF NATURE. But there's another view of humanity that permeates the modern world, one based on the “recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family.” These words, from the UN's Universal Declaration of Human Rights, represent a different kind of progress: the progress of humanity's moral scope,

which has expanded beyond tribal groupings to encompass the entire human race (...) From this viewpoint, the Techno Split scenario would be a fundamental betrayal of human values. It would be, as one critic said about Singularity visionaries, akin to 'rich people building a lifeboat and getting off the ship.'"

#### 41. The Great Transformation

"A scenario in which humanity remains resilient requires something greater than even the most compelling political and technological solutions to our current crises, such as a global price on carbon and massive investment in green energy. These are undoubtedly necessary to avert disaster, but, even if they're fully effective, they wouldn't be sufficient to avoid the Techno Split scenario. That would require a more fundamental shift in the underlying values that drive our day-to-day decisions about what we purchase, what we eat, how we earn our money, and how we seek fulfillment (...) Many have come to recognize the need for this fundamental change in values. It's been variously called the Great Transformation, the Great Transition, the Great Turning, and humanity's Great Work. Like the two earlier great transitions of human history, it would encompass a transformation of virtually every aspect of the human experience: our values, our goals, and our collective behavior.

There is a major difference, however, between this Great Transformation and the earlier ones. Both agriculture and the Scientific and Industrial Revolutions were the result of generations of people merely acting in ways that made sense to them at the time, without necessarily holding a vision of where their collective actions were leading humanity. It was only long afterward that people could look back and recognize the transformation. This third great transition, by contrast, will only take place if enough people are conscious of its need and prepared to change their own values and behavior to affect humanity's direction. It would be a unique achievement in humanity's history. A Great Transformation would need to be founded on a worldview that could enable humanity to thrive sustainably on the earth into the future."

"What values would arise from this worldview? Three core values emerge. The first is an emphasis on quality of life rather than material possessions (...) Secondly, we would base political, social, and economic choices on a sense of our shared humanity, emphasizing fairness and dignity for all rather than maximizing for ourselves and our parochially defined social group. Finally, we would build our civilization's future on the basis of environmental sustainability, with the flourishing of the natural world as a foundational principle for humanity's major decisions."

**Lent, Jeremy (2017): *The patterning instinct: A cultural history of humanity's search for meaning*, Prometheus Books.**

#### 42. Fundamental political dilemma (Barry Weingast)

"A government strong enough to protect property rights and enforce contracts is also strong enough to confiscate the wealth of its citizens."

**Weingast, Barry R. (1995): "The economic role of political institutions: Market-preserving federalism and economic development", *Journal of Law, Economics & Organization* 11(1), 1-31.**

**Hanson, Jonathan K. (2014): "Forging then taming Leviathan: State capacity, constraints on rulers, and development", *International Studies Quarterly* Volume 58(2), 380-392.**

#### 43. Three responses by the world's political leaders to global warming political dilemma

**Plan A:** business as usual indefinitely, until the Earth becomes hell and civilization extinguishes (the plan currently followed). **Plan B:** the equivalent to a wartime mobilization to cut carbon emissions rapidly and restructure the world energy economy: "if Plan B is carried out, living in our world will be, while unpleasant, not hell – physicist Joe Romm has called it 'Planetary Purgatory.'" **Plan C:** "the present political leaders of the United States – along with those of China, the other chief emitter of CO<sub>2</sub>– will delay. Thinking that the scientists' predictions might be wrong, they take a wait-and-see approach."

“It is possible that, although Plan C would result in a hellish existence, it might allow us, if we are lucky, to avoid extinction. More likely, however, the results would ultimately be no different from those of Plan A. The only rational option, therefore, is Plan B.”

**Griffin, David Ray (2015): *Unprecedented: Can civilization survive the CO<sub>2</sub> crisis?*, Clarity Press**

**Jaans S. Islam, M.R. Islam, Meltem Islam, M.A.H. Mughal (2018): *Economics of sustainable energy*, Wiley.**

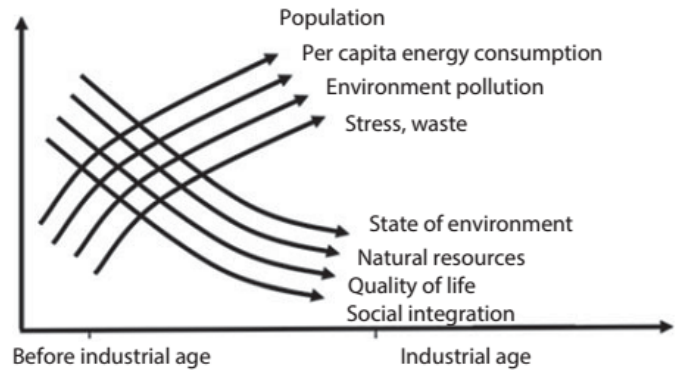
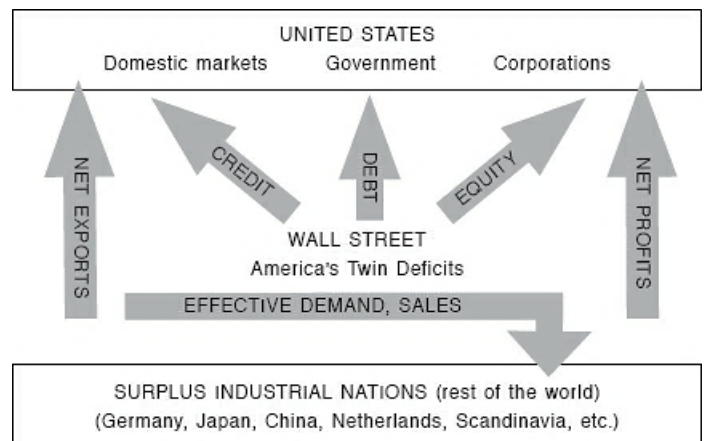


Figure 3.8 Our current epoch is an epic failure of intangible values.

#### 44. Varoufakis’s global minotaur hypothesis

“I might have called this book *The Global Vacuum Cleaner*, a term that captures quite well the main feature of the second post-war phase that began in 1971 with an audacious strategic decision by the US authorities: instead of reducing the twin deficits that had been building up in the late 1960s (the budget deficit of the US government and the trade deficit of the American economy), America’s top policy makers decided to increase both deficits liberally and intentionally. And who would pay for the red ink? Simple: the rest of the world! How? By means of a permanent tsunami of capital that rushed ceaselessly across the two great oceans to finance America’s twin deficits. The twin deficits of the US economy thus operated for decades like a giant vacuum cleaner, absorbing other people’s surplus goods and capital (...) it did give rise to something resembling global balance: an international system of rapidly accelerating asymmetrical financial and trade flows capable of creating a semblance of stability and steady growth. Powered by America’s twin deficits, the world’s leading surplus economies (e.g. Germany, Japan and, later, China) kept churning out goods that Americans gobbled up. Almost 70 per cent of the profits made globally by these countries were then transferred back to the United States, in the form of capital flows to Wall Street. And what did Wall Street do with them? It instantly turned these capital inflows into direct investments, shares, new financial instruments, new and old forms of loans and, last but not least, a ‘nice little earner’ for the bankers themselves. Through this prism, everything seems to make more sense: the rise of financialization, the triumph of greed, the retreat of regulators, the domination of the Anglo-Celtic growth model (...) The role of the beast was played by America’s twin deficits, and the tribute took the form of incoming goods and capital.”



“Central to this global surplus recycling mechanism (GSRM), which I have likened to a Global Minotaur, were the two gargantuan deficits of the United States: the *trade deficit* and the federal government *budget deficit*. Without them, the book argues, the global circular flow of goods and capital (see diagram below) would not have ‘closed’, destabilizing the global economy. This recycling system broke down because Wall Street took advantage of its central position in it to build colossal pyramids of private money on the back of the net profits flowing into the United States from the rest of the world. The process of *private money* minting by Wall Street’s banks, also known as *financialisation*, added much energy to the recycling scheme, as it oozed oodles of new financial vitality, thus fuelling an ever-accelerating level of demand within the United States, in Europe (whose banks soon jumped onto the private money-minting bandwagon) and Asia. Alas, it also brought about its demise.”

“In conclusion, a crystal clear picture is emerging: the Crisis did not alter the deficit position of the United States. The federal budget deficit more or less doubled while America’s trade deficit, after an initial fall, stabilised at the same level. *However, the US deficits are no longer capable of maintaining the mechanism that keeps the global flows of goods and profits balanced at a planetary level*. Whereas until 2008 America was able to draw into the country mountains of net imports of goods, and a similar volume of capital flows (so that the two balanced out), this is no longer happening post-2008. American markets are sucking 24 per cent fewer net imports (thus generating only 66 per cent of the demand that the rest of the world was used to before the Crash) and are attracting into the American private sector 57% less capital than they would have had Wall Street not collapsed in 2008.

In short, of the mighty Global Minotaur, the only reminder that remains is the still accelerating flow of foreign capital into America’s public debt (...), evidence that the world is in disarray and money is desperately seeking safe haven in the bosom of the reserve currency in this age of tumult. But as long as the Rest of the World is reducing its injection of capital into America’s corporate sector and real estate, while America is reducing its imports of their net exports, we can be certain that the beast is dead and nothing has taken its place with a capacity to re-start the essential process of surplus recycling.”

*“Europe is disintegrating because its architecture was simply not sound enough to sustain the shockwaves caused by our Minotaur’s death throes (...)* For two years now, the German public has become convinced that Germany has escaped the worst of the Crisis because of the German people’s virtuous embracing of thriftiness and hard work; in contrast to the spendthrift Southerners, who, like the fickle grasshopper, made no provision for when the winds of finance would turn cold and nasty. This mindset goes hand in hand with a moral righteousness which implants into good people’s hearts and minds a penchant for exacting punishment on the grasshoppers – even if punishing them also punishes themselves (to some extent). It also goes hand in hand with a radical misunderstanding of what kept the eurozone healthy and Germany in surplus prior to 2008: that is, the Global Minotaur whose demand-generation antics were for decades allowing countries like Germany and the Netherlands to remain net exporters of capital and consumer goods within and without the eurozone (while importing US-sourced demand for their goods from the eurozone’s periphery). Interestingly, one of the great secrets of the post-2008 period is that the Minotaur’s death adversely affected aggregate demand in the eurozone’s surplus countries (Germany, the Netherlands, Austria and Finland) *more* than it did the deficit member states (like Italy, Spain, Ireland, Portugal and Greece).”

“To recap, the Minotaur’s surplus recycling was essential to the maintenance of the eurozone’s faulty edifice. Once it vanished from the scene, the European common currency area would either be redesigned or it would enter a long, painful period of disintegration. An unwillingness by the surplus countries to accept that, in the post-Minotaur world, some other form of surplus recycling is necessary (and that some of their own surpluses must also be subject to such recycling) is the reason why Europe is looking like a case of alchemy-in-reverse: for whereas the alchemist strove to turn lead into gold, Europe’s reverse alchemists began with gold (an integration project that was the pride of its elites) but will soon end up with the institutional equivalent of lead.”

**Varoufakis, Yanis (2015): *The global minotaur: America, Europe and the future of the global economy*, Zed Books.**

#### **45. How to achieve rapid economic development**

“... there are three critical interventions that governments can use to speed up economic development. Where these interventions have been employed most effectively in east Asia –in Japan, South Korea, Taiwan and now China– they have produced the quickest progressions from poverty to wealth that the world has seen. When, by contrast, other east Asian states have set off with the same ambitions and equal or better endowments, but have not followed the same policies, they have achieved fast growth for a period but the progress has proved to be unsustainable.”

“The first intervention –and the most overlooked– is to maximise output from agriculture, which employs the vast majority of people in poor countries. Successful east Asian states have shown that the way to do this is to restructure agriculture as highly labour-intensive household farming –a slightly larger-scale form of gardening. This makes use of all available labour in a poor economy and pushes up yields and output to the highest possible levels, albeit on the basis of tiny gains per person employed. The overall result is an initial productive surplus that primes demand for goods and services.

The second intervention –in many respects, a second ‘stage’– is to direct investment and entrepreneurs towards manufacturing. This is because manufacturing industry makes the most effective use of the limited productive skills of the workforce of a developing economy, as workers begin to migrate out of agriculture. Relatively unskilled labourers create value in factories by working with machines that can be easily purchased on the world market. In addition, in east Asia successful governments pioneered new ways to promote accelerated technological upgrading in manufacturing through subsidies that were conditioned on export performance. This combination of subsidy and what I call ‘export discipline’ took the pace of industrialisation to a level never before seen.

Finally, interventions in the financial sector to focus capital on intensive, small-scale agriculture and on manufacturing development provide the third key to accelerated economic transformation. The state’s role is to keep money targeted at a development strategy that produces the fastest possible technological learning, and hence the promise of high future profits, rather than on short-term returns and individual consumption. This tends to pit the state against many businessmen, and also against consumers, who have shorter strategic horizons.”

“What the Asian crisis clarified was that a consistent set of government policy interventions had indeed made the difference between long-run success and failure in economic development in east Asia. In Japan, Korea, Taiwan and China, governments radically restructured agriculture after the Second World War, focused their modernisation efforts on manufacturing, and made their financial systems slaves to these two objectives. They thereby changed the structures of their economies in a manner that made it all but impossible to return to an earlier stage of development. In the south-east Asian states [Malaysia, Indonesia, Thailand] –despite their long periods of impressive growth– governments did not fundamentally reorganise agriculture, did not create globally competitive manufacturing firms, and did accept bad advice from already rich countries to open up financial sectors at an early stage. The Japanese economist Yoshihara Kunio had warned in the 1980s that south-east Asian states risked becoming ‘technology-less’ developing nations. This is exactly what happened, and they slid backwards when their investment funds dried up. In short, different policy choices created – and will probably further widen – a developmental gulf in the Asian region.”

“In the boom years of the 1980s and 1990s, the failure to generate indigenous manufacturing and technological capacity was hidden by the arrival of high levels of foreign direct investment, much of it concentrated on processing operations within quite advanced manufacturing sectors. With the onset of the Asian crisis, however, the industrial difference between south-east and north-east Asia became starkly apparent. South-east Asia has almost no popularly recognisable, globally competitive manufacturing companies.”

“In south-east Asia, countries were blessed with high levels of savings in their banking systems just as in north-east Asia. But governments directed the hefty investments this made possible to the wrong ends – to lower-yield, large-scale agriculture, and to companies that were either not focused on manufacturing or only on manufacturing for protected domestic markets. South-east Asian states then made their developmental prospects even worse by following rich country advice to deregulate banking, to open up other financial markets, and to lift capital controls.”

“Premature financial deregulation in south-east Asia led to a proliferation of family-business-controlled banks which did nothing to support exportable manufacturing and which indulged in vast amounts of illegal related-party lending. It was a story of banks being captured by narrow, private sector interests whose aims were almost completely unaligned with those of national economic development. The process was one which has also been observed in Latin America and, more recently, in Russia.”

#### 46. Two economics (Joe Studwell, 2013)

“The message that east Asia –and indeed an historical understanding of development around the world– sends to economists is that there is no one type of economics. At a minimum, there are two. There is the economics of development, which is akin to an education process. This is where the people –and preferably all the people– who comprise an economy acquire the skills needed to compete with their peers around the world. The economics of development requires nurture, protection and competition. Then there is the economics of efficiency, applicable to a later stage of development. This requires less state intervention, more deregulation, freer markets, and a closer focus on near-term profits. The issue is not whether there are two kinds of economics that exist at different stages of development. The question is where these two stages meet. This is the difficult and interesting subject to which economists could more productively apply themselves.

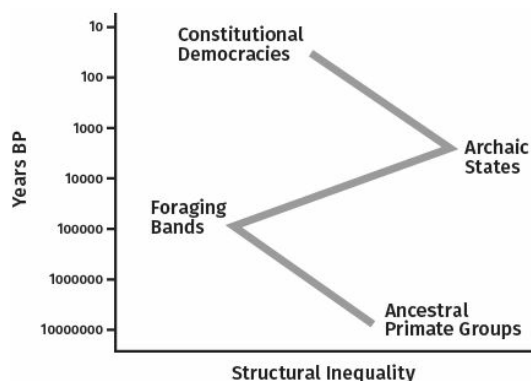
Unfortunately, the intellectual tyranny of neo-classical ‘efficiency’ economics –the natural subject matter of rich countries– means that it is all but impossible to have an honest discussion about economic development. Poor states can only be successful by lying. They have to subscribe publicly to the ‘free market’ economics touted by the rich while pursuing the kind of interventionist policies that are actually necessary to become rich in the first place.”

“What seems most wrong in all this is that wealthy nations, and the economic institutions that they created like the World Bank and the International Monetary Fund, provided lousy developmental advice to poor states that had no basis in historical fact. Once again: there is no significant economy that has developed successfully through policies of free trade and deregulation from the get-go. What has always been required is proactive interventions – the most effective of them in agriculture and manufacturing – that foster early accumulation of capital and technological learning (...) Our unwillingness to look this historical fact in the face leaves us with a world in which scores of countries remain immiserated.”

**Studwell, Joe (2013): *How Asia works: Success and failure in the world's most dynamic region*, Grove Press, New York.**

#### 47. Zigzags in the evolution of human equality

“Our Great Ape ancestors lived in hierarchical societies. We believe this because our closest relatives, chimpanzees, bonobos, and gorillas, all live in societies with very strong dominance hierarchies (...) Early humans broke the pattern, evolving a reversed dominance hierarchy whose goal was to suppress potential alpha males. This worked for tens of thousands of years—until the adoption of agriculture and the rise of the first centralized polities allowed the alpha male to resurface with unfettered power in archaic states that were the most despotic societies in which people have ever had the misfortune to live (...) The second turn, away from despotic archaic states, is much more ancient than might be supposed—the Axial Age, rather than the Age of Enlightenment (...) The military revolution of 1000 BCE that began deep in the Eurasian steppe triggered momentous developments in the belt of agrarian societies stretching from the eastern Mediterranean to China. The new ideologies—Axial religions—introduced a number of cultural innovations that buttressed our capacity for cooperation in large groups. These innovations included social norms and institutions that constrained rulers to act in less selfish and despotic ways.”



**Turchin, Peter (2016): *Ultrasociety: How 10,000 years of war made humans the greatest cooperators on Earth*, Beresta Books, Chaplin, Connecticut.**

#### 48. The Iron Law of Oligarchy (Robert Michels, 1911)

“All forms of organization, regardless of how democratic or autocratic they may be at the start, will eventually and inevitably develop into oligarchies.”

## Ultrasociality (Peter Turchin, 2016)

“... ultrasociality—the ability of human beings to cooperate in very large groups of strangers, groups ranging from towns and cities to whole nations, and beyond.”

Social scale (people)	Polity Types	Time (kya)
10s	Foraging bands	200
100s	Farming villages	10
1,000s	Simple chiefdoms	7.5
10,000s	Complex chiefdoms	7
100,000s	Archaic states	5
1,000,000s	Macrostates	4.5
10,000,000s	Mega-empires	2.5
100,000,000s	Large nation-states	0.2

“The increase in the scale of human societies, measured by the number of people in a polity (a politically independent unit).” ( 100s = between 100 and 1,000)

“Time (kya) is time in thousands of years since the first appearance of the polity type.”

“... cooperation is actually astonishingly difficult to achieve and, once achieved, hard to preserve. We tend not to appreciate just how fragile it is (...) Today we live in huge societies of millions of people, most of whom are perfect strangers to us. We don't fear strangers (...). More than that, we actually need them. We often forget how much we depend on the kindness of strangers.”

“The central question of this book is why, during the past 10,000 years, large-scale, complex societies have replaced small-scale societies (...) The pace of cultural evolution is faster today, but research shows that the economic development and political stability of a modern country depend on cultural innovations and political decisions made decades and even centuries ago. If we want to make life better for people everywhere, we need to learn how to fix failed states and restart failed economies. The key (...) is cooperation. Where millions of strangers cooperate with each other, we see strong states and thriving economies. Where cooperation fails, so do states and economies. That is why it is so important to solve the puzzle of ultrasociality; to understand how the human capacity for cooperating in huge, anonymous societies evolved.”

## 49. Balanced society and the plural sector (Henry Mintzberg, 2015)

“Enough of the imbalance that is destroying our democracies, our planet, and ourselves (...) Enough of the visible claw of lobbying in place of the invisible hand of competing. Enough of the economic globalization that undermines sovereign states and local communities.”

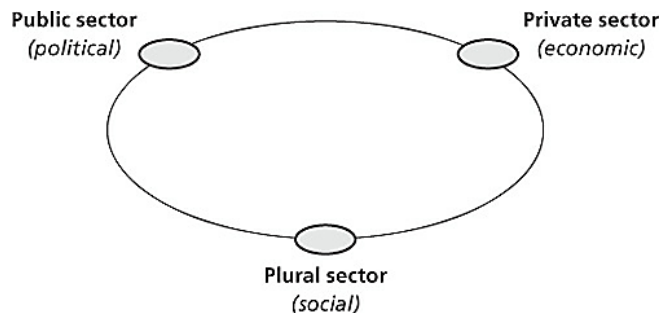
“When the communist regimes of Eastern Europe began to collapse in 1989, pundits in the West had a ready explanation: capitalism had triumphed. They were dead wrong, and the consequences are now proving fateful. It was balance that triumphed in 1989. While those communist regimes were severely out of balance, with so much power concentrated in their public sectors, the successful countries of the West maintained sufficient balance across their public, private, and what can be called plural sectors. But a failure to understand this point has been throwing many countries out of balance ever since, in favor of their private sectors.

There are three consequential sectors in society, not two. The one least understood is known by a variety of inadequate labels, including the “not-for-profit sector,” the “third sector,” and “civil society.” Calling it “plural” can help it take its place alongside the ones called public and private (...) Consider all those associations that are neither public nor private—owned neither by the state nor by private investors—such as foundations, places of worship, unions, cooperatives, Greenpeace, the Red Cross, and many renowned universities and hospitals. Some are owned by their members; most are owned by no one. Included here, too, are social movements that arise to protest what some people find unacceptable (...) and social initiatives, usually started by small community groups, to bring about some change they feel is necessary (...) Despite the prominence of all this activity, the plural sector remains surprisingly obscure, having been ignored for so long in the great debates over left versus right.”

“... picture instead a balanced society as sitting on a stool with three sturdy legs: a public sector of respected governments, to provide many of our protections (such as policing and regulating); a private sector of responsible businesses, to supply many of our goods and services; and a plural sector of robust communities,

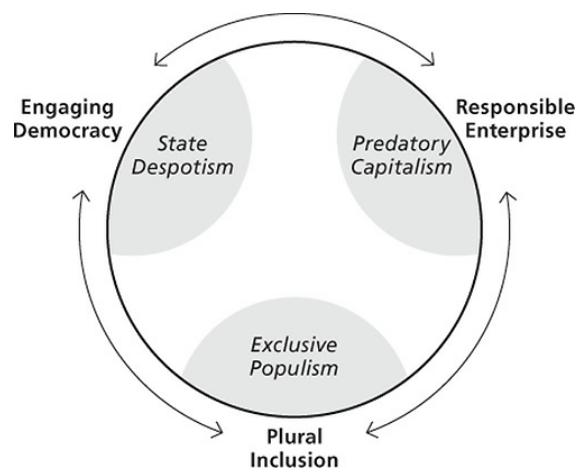


wherein we find many of our social affiliations. How do we regain balance in our societies? Some people believe that the answer lies in the private sector—specifically, with greater corporate social responsibility (...) Other people expect democratic governments to act vigorously. This they must do, but they will not so long as public states continue to be dominated by private entitlements, domestic and global. This leaves but one sector, the plural, which is not made up of “them” but of you, and me, and we, acting together. We shall have to engage in many more social movements and social initiatives, to challenge destructive practices and replace them with constructive ones. We need to cease being human resources, in the service of imbalance, and instead tap our resourcefulness as human beings, in the service of our progeny and our planet.”



“A society out of balance, with power concentrated in a privileged elite, can be ripe for revolution (...) The trouble with revolution is that it usually replaces one form of imbalance with another. As some people among the disenfranchised gain power through force, they tend to carry their society toward some new extreme.”

“The plural sector is not a “third way” between the other two sectors but (...) one of three ways required in a balanced society. Each sector suffers from a potentially fatal flaw. Governments can be crude. Markets can be crass. And communities can be closed—at the limit, xenophobic (...) Crudeness, crassness, and closed-ness are countered when each sector takes its appropriate place in society, cooperating with the other two while helping to keep both—and their institutions—in check (...) Healthy development—social, political, and economic—allows power to shift among the sectors according to need, in a dynamic equilibrium that encourages responsiveness without domination.”



**Mintzberg, Henry (2015): *Rebalancing society: Radical renewal beyond left, right, and center*, Berrett-Koehler Publishers, Oakland, CA.**

## 50. Balance and imbalance (Henry Mintzberg, 2015)

“Countries today seem to be going backward, to imbalance, in three ways, and perhaps in one way forward, toward balance. One sector dominates each of the ways backward, shown in the figure (...) by the lopsided bulges shaded inside the circle. On the left is state despotism, dominated by government in the public sector (as we have seen under communism (...)). On the right is predatory capitalism, dominated by exploitative enterprises in the private sector (...). And at the bottom is exclusive populism, where some segment of the plural sector dominates society, excluding even other segments in that sector (as did the Muslim Brotherhood in Egypt). Take your choice—crude, crass, or closed—bearing in mind that one can lead to another. Exclusive populism easily gives rise to state despotism (as in Nazi Germany), while the fall of state despotism in the communist regimes of Eastern Europe has encouraged the growth of predatory capitalism in the West. In contrast, connected around the outside of the circle, in the spirit of balance, are plural inclusion, based on open collaboration; responsible enterprise, concerned with the legitimate needs of all stakeholders; and engaging democracy, which seeks widespread involvement of the citizenry. No one of these can rebalance society, but together they can.”

## 51. Role of the liberal class

- The role of the liberal class in a traditional democracy is to ensure that reform remains a viable alternative. It is placed between the power elite and the general population. The liberal class controls the behaviour of (and civilizes) the power elite, offers hope for change to the general population, makes proposals to gradually reduce inequality and protect the weak, and becomes useful to power elite by discrediting proposals of

radical change. In the last instance, the liberal class attributes legitimacy to the power elite and serves as a voice to the general population in their demands for change and improvement.

- One of the consequences of globalization has been the accumulation of economic power (and, through it, political influence and even political power) in the hands of multinational corporations. This power has been used to assault the traditional democracies and deprive the liberal class of its role as a safety valve. The role of the liberal class has been reduced to offer empty rhetoric. “The inability of the liberal class to acknowledge that corporations have wrested power from the hands of citizens, that the Constitution and its guarantees of personal liberty have become irrelevant, and that the phrase consent of the governed is meaningless, has left it speaking and acting in ways that no longer correspond to reality.” (Hedges, 2010) Since the liberal class has lost its ability to articulate responses to discontent, it becomes more likely that populist movements and/or violence will arise to deal with the sources of discontent.
- One political lesson of history is that those in power that appear incapable of performing their duties, and this notwithstanding persist in retaining their privileges, tend to be removed by force. By not fulfilling its traditional tasks the liberal class is exposed to the same fate: to be brutally discarded.
- An ineffectual (dead) liberal class creates a more polarized society: the power elite has no check to prevent the plundering of the economy and the general population increases its frustration and finds more attractive finding solutions outside the democratic institutions or without the instruments of a traditional democracy. In killing the liberal class, the ‘corporate class’ behaves like a parasite that kills its host: without the liberal class the power elite is free to demolish the system of measures (welfare state) erected by the liberal class to protect the general population from the inequities of the economic system.

**Hedges, Chris (2010): *Death of the liberal class*, Nation Books.**

**Mau, Steffen (2015): *Inequality, marketization and the majority class: Why did the European middle classes accept neo-liberalism?*, Palgrave Macmillan, New York.**

## 52. ‘The state of our imbalance’ (Henry Mintzberg, 2015)

- **“Consumed by consumption.** In today’s world, we glorify consumption while we consume ourselves and our planet.”
- **“Corporate persons and human resources.** As corporations have become ‘persons’ in the law, persons have become ‘resources’ in the corporations. Are you a human resource? I am a human being.”
- **“The corporate press.** Most countries called democratic do not have an independent press so much as a corporate press, beholden to the owners and the advertisers (...) To restore balance in society, we need more alternate voices in the press and the media, not fewer.”
- **“Numbed by advertising.** Stop for a moment and have a look at the next few advertisements you see. Ask yourself how many of them go beyond informing, to demean basic human values (mixing up diamonds with love, for example) or else to lie outright, by commission (...) or by omission.”
- **“The commercialization of almost everything.** Consider the extent to which our world has become commercial, where everything possible is supposed to be ‘monetized.’”
- **“The emasculation of government.** In the win-win scenario of communism, the state was supposed to ‘wither away.’ Now capitalism is working on it instead—at least for those government departments that do not serve its purposes. Many countries have been relentlessly ‘privatizing’ their public services, as if business is inevitably superior to government.”
- **“Globalization for the global.** In the name of globalization, many large enterprises run freely around the globe, cheered on by the powerful international agencies that should be regulating them, all of these economic: the International Monetary Fund, the World Bank, the World Trade Organization (...) Here is where the economic dogma has dug itself in most deeply, for the benefit of corporate entitlements worldwide.”

- **“Democracy in America—Twenty-five years later.** Democracy is a dynamic process, not some fixed state. It comprises a variety of components, such as a truly free press, open elections, equal rights, and an independent judiciary. No country can just be declared democratic (...) The United States wrote the book on democracy as we know it. How has it been doing in the quarter century since the triumph of imbalance? Not well (...) Many people in the ‘developed’ world point their fingers at the corruption of politics in some of the poor countries. The difference in America today is that the corruption is legal.”

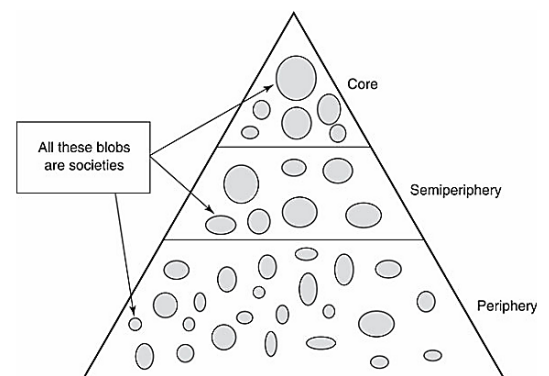
“The country’s greatest period of development—socially and politically as well as economically—arguably came in the four decades following World War II (...) The years since 1989 have borne witness to an alarming reversal on many fronts, including some where the country used to have the best record in the world. Consider the evidence on rates of incarceration (the highest in the world) and obesity (the second-highest); the use of antidepressants (the second-most prescribed drugs in the United States); the costs of health care (the highest in the world by far, with mediocre results); levels of poverty (the highest rates in 52 years of reporting), of voter turnout (114th of all nations), of high school dropouts (18th of the top 24 industrialized nations), of college graduation per capita (16th in the world), even of social mobility (now behind a number of the industrialized countries) (...) Yet denial remains the order of the day. In revisiting his ‘end of history’ thesis after twenty-five years, Francis Fukuyama (2014) concluded that he was right after all (...) The *New York Times* published an article (Shane 2012) that also discussed some of this evidence, but under a title that indicated another conclusion: “A Rule for U.S. politicians: ‘We’re No 1!’” In denial, at least. Especially worrisome is that so much of the American population has passively accepted such myths. What will happen when they have to face the reality?”

- **“Democracy for the globe?** The American record abroad has been mixed, yet here, too, a powerful myth prevails (...) The country has (...) promoted democratic elections in many countries. Meanwhile, nasty America has supported its share of oppressive regimes and has worked to undermine some decent ones, much of this to protect the interests of its businesses (...) Must we rely on a single country to lead the world to some just order, especially a country that continues to promote internationally the very model that has been causing so many of its domestic problems? Can the world’s most enthusiastic proponent of individualism—for itself as a nation alongside its citizens—be expected to foster the cooperation that the world so desperately needs?”

### 53. The modern world-system: core, periphery and semiperiphery

“The comparative world-systems perspective is a strategy for explaining social change that focuses on whole intersocietal systems rather than single societies. The main insight is that important interaction networks (trade, information flows, alliances, and fighting) have woven polities and cultures together since the beginning of human social evolution. Explanations of social change need to take intersocietal systems (world-systems) as the units that evolve. But intersocietal interaction networks were rather small when transportation was mainly a matter of hiking with a pack. Globalization, in the sense of the expansion and intensification of larger interaction networks, has been increasing for millennia, albeit unevenly and in waves. World-systems are systems of societies. Systemness means that these societies are interacting with one another in important ways.”

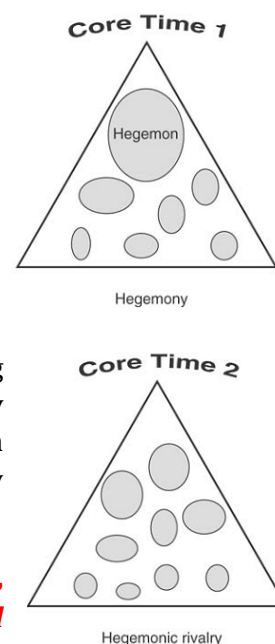
“The modern world-system is structured politically as an interstate system—a system of competing and allying states (...) The modern world-system is also importantly structured as a core-periphery hierarchy in which some regions contain economically and militarily powerful states while other regions contain polities that are much less powerful and less developed. The countries that are called ‘advanced’ (...) The modern core includes the United States, the European countries, Japan, Australia, and Canada. In the contemporary periphery we have relatively weak states that are not strongly supported by the populations within them and have little power relative to other states in the system.”



“The core-periphery hierarchy in the modern world-system is a system of stratification in which socially structured inequalities are reproduced by the institutional features of the system (...). The periphery is not ‘catching up’ with the core. Rather, both core and peripheral regions are developing, but most core states are staying well ahead of most peripheral states. There is also a stratum of countries that we call the semiperiphery: countries that are in between the core and the periphery.”

“So the modern world-system is now a global economy with a global political system (the interstate system). (...) Culturally the modern system is composed of several civilizational traditions (e.g., Islam, Christendom, Hinduism), nationally defined cultural entities—nations (...), and the cultures of indigenous and minority ethnic groups within states. The modern system is multicultural in the sense that important political and economic interaction networks connect people who have rather different languages, religions, and other cultural aspects. Most earlier world-systems have also been multicultural.”

“One of the important systemic features of the modern system is the rise and fall of hegemonic core powers—the so-called hegemonic sequence. A hegemon is a core state that has a significantly greater amount of economic power than any other state and that takes on the political role of system leader. In the seventeenth century the Dutch Republic performed the role of hegemon in the Europe-centered system, while Great Britain was the hegemon of the nineteenth century, and the United States has been the hegemon in the twentieth century. Hegemons provide leadership and order for the interstate system and the world economy. But the normal operating processes of the modern system—uneven economic development and competition among states—make it difficult for hegemons to sustain their dominant positions, and so they tend to decline. Thus the structure of the core oscillates back and forth between hegemony and a situation in which several competing core states have a roughly similar amount of power and are contending for hegemony.”



**Hall, Thomas D.; Christopher Chase-Dunn (2006), chapter 3 in Chase-Dunn, Christopher; Salvatore J. Babones; eds. (2006): *Global social change: Historical and comparative perspectives*, The Johns Hopkins University Press, Baltimore, Maryland.**

#### 54. Some ideas

- “Money flows across frontiers, but laws do not. The rich live globally, the rest of us have borders.”
- There is an “inevitable tension between borderless money and bordered states.”
- “In advanced countries increasing inequality is the result of three interacting factors: the strengthening of capital versus labour, increasing individualism and the withdrawal of the redistributive role of the state by decreasing taxes on high incomes, and reductions in the provision of public services through non-market systems, such as education, health, social security and pensions (...) In short, rising inequality has been caused mostly by huge gains made by the banking sector and the lowering of tax rates on higher incomes.”
- “The fundamental flaw of neoliberals is to have just a single and universal recipe for all problems and circumstances. This is too narrow a focus on curtailing the role of the state in the economy and the impediments to the flow of goods, capital and money across borders.”

**Morrone, Mario (2018): *What is the truth about the Great Recession and increasing inequality? Dialogues on disputed issues and conflicting theories*, Springer, Cham, Switzerland**

#### 55. Rules of thumb to prevent disaster in policy-making

A “few rules of thumb that, if observed, could make development planning less prone to disaster.

- **Take small steps.** In an experimental approach to social change, presume that we cannot know the consequences of our interventions in advance. Given this postulate of ignorance, prefer wherever possible to take a small step, stand back, observe, and then plan the next small move.
- **Favor reversibility.** Prefer interventions that can easily be undone if they turn out to be mistakes. Irreversible interventions have irreversible consequences.
- **Plan on surprises.** Choose plans that allow the largest accommodation to the unforeseen.

- **Plan on human inventiveness.** Always plan under the assumption that those who become involved in the project later will have or will develop the experience and insight to improve on the design.”

**Scott, James C. (1998): *Seeing like a state: How certain schemes to improve the human condition have failed*, Yale University Press, New Haven and London.**

## 56. 'We' versus 'Me'

“The energies of a duality drive the Pendulum of public opinion. On one side is ‘Me,’ the individual—unique, special, and possessing unlimited potential. On the other side is ‘We’—the group, the team, the tribe, the collective. ‘Me’ and ‘We’ are the equal-but-opposite attractions that pull society’s Pendulum one way, then the other. The twenty-year Upswing to the Zenith of ‘We’ (e.g., 1923–1943) is followed by a twenty-year Downswing as that ‘We’ cycle loses energy (e.g., 1943–1963). Society then begins a twenty-year Upswing into ‘Me’ (e.g., 1963–1983), followed by a twenty-year Downswing as the ‘Me’ cycle loses energy (1983–2003). Think of the Pendulum as the forty-year heartbeat of society, systolic and diastolic.”



“The ‘Me’ cycle.

“The ‘Me’ cycle.

1. demands freedom of expression;
2. applauds personal liberty;
3. believes one man is wiser than a million men: ‘A camel is a racehorse designed by a committee’;
4. wants to achieve a better life;
5. is about big dreams;
6. desires to be Number One: ‘I came, I saw, I conquered’;
7. admires individual confidence and is attracted to decisive persons;
8. believes leadership is ‘Look at me. Admire me. Emulate me if you can’; and
9. strengthens a society’s sense of identity as it elevates attractive heroes.”

“The ‘We’ cycle.

1. demands conformity for the common good;
2. applauds personal responsibility;
3. believes a million men are wiser than one man: “Two heads are better than one”;
4. wants to create a better world;
5. is about small actions;
6. desires to be a productive member of the team: ‘I came, I saw, I concurred’;
7. admires individual humility and is attracted to thoughtful persons;
8. believes leadership is “This is the problem as I see it. Please consider the things I am telling you and perhaps we can solve this problem together”; and
9. strengthens a society’s sense of purpose as it considers all its problems.”

## WE DRIVERS OF A “WE” VS. DRIVERS OF A “ME” ME

- Demands conformity for the common good.
- Applauds personal responsibility.
- Believes a million men are wiser than one man.
- Wants to create a better world. “I came, I saw, I concurred.”
- Is about small actions.
- Desires to be part of a productive team.
- Admires humility and thoughtful persons.
- Believes leadership is “This is the problem as I see it. Let’s solve it together.”
- Strengthen society’s sense of purpose, focuses on solving problems.

- Demands freedom of expression.
- Applauds personal liberty.
- Believes one man is wiser than a million men.
- Wants to achieve a better life: “I came, I saw, I conquered.”
- Is about big dreams.
- Desires to be Number One.
- Admires individual confidence and decisive persons.
- Believes leadership is “Look at me. Admire me. Emulate me if you can.”
- Strengthen society’s sense of identity, elevates attractive heroes.

“It’s not about age; it’s about attitude. It’s not about when you were born; it’s about how you see the world. In this book, the word generation will be defined as, ‘life cohorts bonded by a set of values that dictate the prevailing worldview of the majority.’ Life cohorts, not birth cohorts. Everyone alive—regardless of their age—who sees the world through the lens of a particular set of values is part of that generation.”

“New values are introduced every forty years at a tipping point, also known as a fulcrum. This tipping point/fulcrum is where the Pendulum hangs directly downward, having just completed a Downswing and ready to begin the Upswing on the other side. On one side of society’s Pendulum is ‘Me,’ marked by the idealization of individuality and freedom of expression. The values of ‘Me’ are the values of the grasshopper, not the ant. The grasshopper is happy-go-lucky, living always in the moment. On the other side of the Pendulum is ‘We,’ marked by the idealization of authenticity and belonging to a tribe, working together for the common good. The ants are ‘We,’ trying to do the right thing, fulfilling their obligations, cleaning up the mess the grasshopper left behind.”

WHAT HAPPENS WHEN WE TAKE A GOOD THING TOO FAR			
UPSWING WE VALUES	ZENITH WE (TOO FAR) VALUES	UPSWING ME VALUES	ZENITH ME (TOO FAR) VALUES
Responsibility	» Duty	Big dreams	» Hollowness
Humility	» Obligation	Individual expression	» Posing
Thoughtfulness	» Sacrifice	Freedom	» Phoniness
Conformity	» Regimentation	Being cool	» Self-centeredness
Authenticity	» Self-righteousness	Personal achievement	» Guru worship
Transparency	» Oppressiveness	Rose-colored lenses	» Depravity

“It would appear that the Eastern and Western Pendulums are locked in opposite cycles. Western Europe, the Americas, and Australia are headed into a ‘We’ just as China, India, and the rest of Asia seem to be headed into a ‘Me.’ In essence, China is experiencing the ‘60s. Our 1963 happened for them in 2003.”

## 57. Salient features of current globalization (Thomas Hylland Eriksen, 2014)

- “Disembedding, including delocalization. Globalization implies that distance is becoming irrelevant, relative, or at the very least less important. Ideas, songs, books, investment capital, labor, and fashions travel faster than ever, and even if they stay put, their location can be less important than it would have been formerly. This aspect of globalization is driven by technological and economic changes, but it has cultural and political implications.”
- “Speed (...) Anything from inexpensive plane tickets to cheap calls contribute to integrating the world (...) However, acceleration is uneven, and relative slowness may be just as significant as relative speed. Different parts of societies and cultural worlds change at different speeds.”
- “Standardization (...) The rapid increase in the use of English as a foreign language is suggestive of this development, as is the worldwide spread of similar hotels and shopping centers, as well as the growing web of international agreements and industry standards.”
- “Connections. The networks connecting people across continents are becoming denser, faster, and wider every year.”
- “Mobility. The entire world is on the move, or so it might sometimes seem. Migration, business travel, international conferences, and not least tourism have been growing steadily for decades.”
- “Mixing. Although cultural crossroads, where people of different origins met, are as ancient as urban life, their number, size, and diversity is growing every day. Both frictions and mutual influence result (...) The instantaneous exchange of messages characteristic of the information era leads to probably more cultural mixing than ever before in human history. However, cultural mixing does not necessarily lead to the breakdown of boundaries between identities.”
- “Risk. Globalization entails the weakening, and sometimes obliteration, of boundaries. Flows of anything from money to refugees are intensified in this era. This means that territorial polities have difficulties protecting themselves against unwanted flows. Typical globalized risks include AIDS and other epidemics, transnational terrorism, and climate change (...) Most of these risks cannot be combated efficiently by single nation-states.”

- “Identity politics. Politics founded (...) in the maintenance and strengthening of particular collective identities (...) Identity politics, whether nationalist, ethnic, religious, or regionalist, are direct responses to globalizing processes, which seem to threaten the local.”
- Alterglobalization. “The new social movements, ranging from ATIAC in France to the Occupy movement in the United States, the Slum Dweller Alliance in Mumbai, and *los indignados* in Spain, are not opposed to global connectedness as such but reject the narrowly profit-seeking neoliberalist version of globalization, which they see as dehumanizing and oppressive. What these diverse organizations have in common is resistance to the disembedding tendencies of globalization, and they may be described collectively as reembedding movements.”

- Globalization entails both the intensification of transnational connectedness and the awareness of such an intensification.
- Globalization is largely driven by technological and economic processes, but it is multidimensional and not unidirectional.
- Globalization entails both processes of homogenization and processes of heterogenization: it makes us more similar and more different at the same time.
- Globalization is a wider concept than Westernization or neoimperialism and includes processes that move from south to north as well as the opposite.
- Although globalization is old in the sense that transnational or even global systems have existed for centuries—indeed for millennia—contemporary globalization has distinctive traits due to enhanced communication technology and the global spread of capitalism.

**Eriksen, Thomas Hylland (2014): *Globalization: The key concepts*, second edition, Bloomsbury, London.**

## 58. Short history of modern capitalism

“Liberal capitalism in the nineteenth century was confronted by a revolutionary labour movement that needed to be politically tamed by a complex combination of repression and co-optation, including democratic power sharing and social reform. In the early twentieth century, capitalism was commandeered to serve national interests in international wars (...) After the First World War, restoration of a liberal-capitalist economy failed to produce a viable social order and had to give way in large parts of the industrial world to either Communism or Fascism, while in the core countries of what was to become ‘the West’ liberal capitalism was gradually succeeded, in the aftermath of the Great Depression, by Keynesian, state-administered capitalism. Out of this grew the democratic welfare-state capitalism of the three post-war decades, with hindsight the only period in which economic growth and social and political stability, achieved through democracy, coexisted under capitalism (...) In the 1970s, however, what had with hindsight been called the ‘post-war settlement’ of social-democratic capitalism began to disintegrate, gradually and imperceptibly at first but increasingly punctuated by successive, ever more severe crises of both the capitalist economy and the social and political institutions embedding, that is, supporting as well as containing it. This was the period of both intensifying crisis and deep transformation when ‘late capitalism’, as impressively described by Werner Sombart in the 1920s, gave way to neoliberalism.”

**Streeck, Wolfgang (2016): *How will capitalism end? Essays on a failing system*, Verso, New York.**

## 59. Escape routes from capitalist crises

“Technological displacement is the mechanism by which innovations in equipment and organization save labor, thereby enabling fewer employed persons to produce more at lower cost. Marx and Engels argued that capitalists strive to increase profit in competition with each other; those who fail to do so are driven out of the market. But as labor-saving machinery replaces workers, unemployment grows and consumer demand falls. Technology promises abundance, but the potential product cannot be sold because too few persons have enough income to buy it. Extrapolating this underlying structural tendency, Marx and Engels predicted the downfall of capitalism and its replacement by socialism. Why has this not happened in the 160 years since the theory was formulated?”

“Marx and Engels focused on the displacement of working-class labor; they did not foresee the rise of the massive middle class of white-collar employees, of administrative and clerical workers and educated professionals (...) Until the 1980s or 1990s, mechanization chiefly displaced manual labor. In the most recent wave of technology, we now have the displacement of administrative labor, the downsizing of the middle class. Information technology is the technology of communications, and it has launched the second great era of contraction of work, the displacement of communicative labor, which is what middle-class

employees do. Mechanization is now joined by robotization and electronicization (...) As the working class shrunk through mechanization, capitalism was saved by the rise of the middle class. Now computerization, the Internet, and the wave of new micro-electronic devices are beginning to squeeze out the middle class. Can capitalism survive this second wave of technological displacement?"

"In the past, capitalism has escaped from technological displacement crises by five main escape routes. I will argue that all five of these now are becoming blocked—dead ends."

- **Escape 1: "New technology creates new jobs and entire new job sectors."** "Computerization of the middle class is not being compensated by the creation of new jobs at an equal rate. New jobs are created, but they do not match the number of jobs eliminated, nor do they replace lost income (...) In an advanced economy such as the United States, jobs in the service sector have grown to about 75% of the labor force, a result of the decline in industrial and agricultural/extractive occupations (...) But the service sector is becoming squeezed by the IT economy."
- **Escape 2: "Geographical spread of markets."** "We tend to think of market spread as globalization, but globalization is only a quantitative difference in degree, not a qualitative difference in kind. Even within the confines of state borders, markets have grown by spreading to regions where a product was initially unknown (...) The liberal version of this mechanism, on the global or interstate scale, is modernization theory or development theory; each part of the world successively ascends the stages, until presumably all will be fully developed, tertiary-sector service economies (...) The Neo-Marxist version of this process is World-System theory (...) This is a less benign version of the geographical spread of capitalist markets; world market domination is buttressed by military power and political influence; the hegemonic center exploits the labor or raw materials of the periphery, with the aid of a transmission belt of semiperipheral regions. World-system theory complicates the pattern by a succession of hegemonies marked by major wars, and keyed to long Kondratieff waves of relative expansion and stagnation in world markets. But these cycles of serial hegemonies—Spain, Holland, Britain, the United States, conjecturally China—logically come to an end when the periphery is exhausted, and every region of the globe is fully brought into the capitalist market. There are no more safety-valves, no more regions for exploitation; capitalist profit dries up."
- **Escape 3: "Meta-markets in finance."** "If working-class and then middle-class labor are technologically displaced, can the slack be taken up by everyone becoming a capitalist? (...) Recent financial manipulations are examples of a deeper structural tendency in capitalism: the pyramiding of meta-markets upon each other in financial markets (...) the historical tendency for any given financial market to give rise to a higher-order market in lower-order financial instruments (...) The more pyramided financial meta-markets are, the more volatile and crisis-prone they are, with booms and busts far out of proportion to what is happening in the low-level material economy (...) But is it conceivable that in the future when everything is automated that entire populations will spend their lives as financial investors, a reserve army of gamblers in lifelong casinos? (...) Financial markets are intrinsically inegalitarian, concentrating wealth in the small number of big players at the top of the pyramid."
- **Escape 4: "Government employment and investment."** "Unrestricted free-market capitalism, left to itself, has no way of heading off such crisis (...) The pro-welfare state forces in principle may have a solution to unemployment, but they run up against the budgetary problems of the state. A state which funds an expensive welfare state opens itself up to the pressure of financial markets, risking destruction of the purchasing power of its currency."
- **Escape 5: "Educational credential inflation."** "Credential inflation is the rise in educational requirements for jobs as a rising proportion of the population attains more advanced degrees. The value of a given educational certificate or diploma declines as more people have one, thereby motivating them to stay in school longer (...) The more persons who hold advanced degrees, the more competition among them for jobs, and the higher the educational requirements that can be demanded by employers. This leads to renewed seeking of more education, more competition, and more credential inflation. Within this overall inflationary process, the most highly educated segment of the population has received an increasingly greater proportion of the income (...) Although educational credential inflation expands on false premises—the ideology that more education will produce more equality of opportunity, more high-tech economic performance, and more good jobs—it does provide some degree of solution to



technological displacement of the middle class. Educational credential inflation helps absorb surplus labor by keeping more people out of the labor force (...) Of the five escape routes from capitalist crisis, continued educational inflation seems to me the most plausible (...) It is conceivable that liberal governments might find their way to keep expanding educational systems, using them as a Keynesian safety valve, and a form of transfer payments from the capitalists and the diminishing sector of the employed, to sustain the otherwise unemployed. But to get such a government might well take a near-revolutionary disillusionment with capitalism.”

**Collins, Randall (2013): “The end of middle-class work: No more escapes,” chapter 2 in .**

## **60. Systemic disorders of contemporary capitalism (Wolfgang Streeck, 2016)**

“Capitalism without opposition is left to its own devices, which do not include self-restraint. The capitalist pursuit of profit is open-ended, and cannot be otherwise.”

- **Disorder 1: Stagnation.** “As Keynes would have known, concentration of income at the top must detract from effective demand and make capital owners look for speculative profit opportunities outside the ‘real economy’. This may in fact have been one of the causes of the ‘financialization’ of capitalism that began in the 1980s. The power elites of global capitalism would seem to be resigning themselves to low or no growth on aggregate for the foreseeable future (...) The scenario of ‘stagnation with a chance of bubbles’ may most plausibly be imagined as a battle of all against all, punctured by occasional panics and with the playing of endgames becoming a popular pastime.”
- **Disorder 2: Oligarchic redistribution.** “There is no indication that the long-term trend towards greater economic inequality will be broken any time soon, or indeed ever. Inequality depresses growth (...) But the easy money currently provided by central banks to restore growth – easy for capital but not, of course, for labour – further adds to inequality, by blowing up the financial sector and inviting speculative rather than productive investment. Redistribution to the top thus becomes oligarchic: rather than serving a collective interest in economic progress, as promised by neoclassical economics, it turns into extraction of resources from increasingly impoverished, declining societies (...) Under oligarchic redistribution, the Keynesian bond which tied the profits of the rich to the wages of the poor is severed, cutting the fate of economic elites loose from that of the masses.”
- **Disorder 3: “Plundering of the public domain through underfunding and privatization.”** “Foremost among the causes of this shift were the new opportunities offered by global capital markets since the 1980s for tax flight, tax evasion, tax-regime shopping and the extortion of tax cuts from governments by corporations and earners of high incomes. Attempts to close public deficits relied almost exclusively on cuts in government spending – both to social security and to investment in physical infrastructures and human capital. As income gains accrued increasingly to the top 1 per cent, the public domain of capitalist economies shrank, often dramatically, starved in favour of internationally mobile oligarchic wealth. Part of the process was privatization, carried out regardless of the contribution public investment in productivity and social cohesion might have made to economic growth and social equity.”

“What may be surfacing here is the fundamental tension described by Marx between, on the one hand, the increasingly social nature of production in an advanced economy and society, and private ownership of the means of production on the other. As productivity growth requires more public provision, it tends to become incompatible with private accumulation of profits, forcing capitalist elites to choose between the two. The result is what we are seeing already today: economic stagnation combined with oligarchic redistribution.”

- **Disorder 4: Corruption.** “Fraud and corruption have forever been companions of capitalism. But there are good reasons to believe that with the rise of the financial sector to economic dominance, they have become (...) pervasive (...) Finance is an ‘industry’ where innovation is hard to distinguish from rule-bending or rule-breaking; where the pay-offs from semi-legal and illegal activities are particularly high; where the gradient in expertise and pay between firms and regulatory authorities is extreme; where revolving doors between the two offer unending possibilities for subtle and not-so-subtle corruption; where the largest firms are not just too big to fail, but also too big to jail, given their importance for national economic policy and tax revenue; and where the borderline between private companies and the state is more blurred than anywhere else.”

- **Disorder 5: Global anarchy.** “Global capitalism needs a centre to secure its periphery and provide it with a credible monetary regime. Until the 1920s, this role was performed by Britain, and from 1945 until the 1970s by the United States (...) Stable relations between the currencies of the countries participating in the capitalist world economy are essential for trade and capital flows across national borders, which are in turn essential for capital accumulation; they need to be underwritten by a global banker of last resort. An effective centre is also required to support regimes on the periphery willing to condone the low-price extraction of raw materials. Moreover, local collaboration is needed to hold down traditionalist opposition to capitalist *Landnahme* outside the developed world. Contemporary capitalism increasingly suffers from global anarchy, as the United States is no longer able to serve in its post-war role, and a multipolar world order is nowhere on the horizon.”

“Capitalism, as a social order held together by a promise of boundless collective progress, is in critical condition. Growth is giving way to secular stagnation; what economic progress remains is less and less shared; and confidence in the capitalist money economy is leveraged on a rising mountain of promises that are ever less likely to be kept. Since the 1970s, the capitalist centre has undergone three successive crises, of inflation, public finances and private debt (...) What is to be expected (...) is a long and painful period of cumulative decay: of intensifying frictions, of fragility and uncertainty, and of a steady succession of ‘normal accidents’ – not necessarily but quite possibly on the scale of the global breakdown of the 1930s.”

**Streeck, Wolfgang (2016): *How will capitalism end? Essays on a failing system*, Verso, New York.**

## 61. The social capital thesis

“Social capital represents a propensity for mutually beneficial collective action, and it derives from the quality of relationships among people within a particular group or community. Communities with high social capital will achieve superior outcomes in multiple domains, it is claimed; and communities with low social capital can be assisted to build up stocks of this resource, so their performance will also improve over time. Economic development, community peace, and democratic participation can all be promoted in this manner, simply by investing in the stock of social capital. Social capital is not directly observable; people carry it inside their heads.”

“Social capital is defined by Putnam (1995: 67) [Putnam, Robert D. (1995): “Bowling alone: America’s declining social capital,” *Journal of Democracy*, 65-78] as ‘features of social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit.’ Relatively stable patterns of social interaction exist within some communities that are useful, social capital theory suggests, for sustaining mutually beneficial collective action.”

“The broadest argument made on behalf of social capital can be briefly summarized as follows. Persons bound together in dense social networks, infused with norms of reciprocity and trust, are better able and more inclined to act collectively for mutual benefit and social purposes (...) The existence of such norms and networks enables these groups—and society as a whole—to deal smoothly and effectively with multiple social and economic issues. In addition to cooperating with each other for mutual economic betterment, citizens bound together by norms and networks are also able to obtain better governance.”

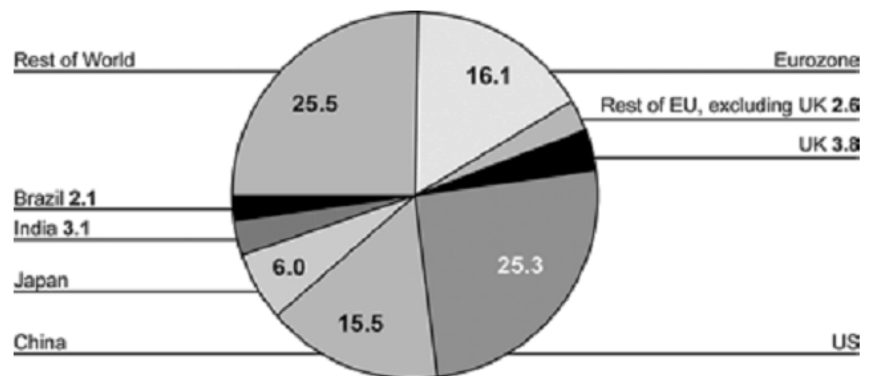
**Krishna, Anirudh (2002): *Active social capital: Tracing the roots of development and democracy*, Columbia University Press, New York.**

## 62. Five globalization myths (John Agnew, 2018)

- “The first myth is that the world is ‘flat.’ Associated above all with the American journalist Thomas Friedman, this perspective sees the world as an increasingly undifferentiated investment surface in which trade and investment flow (or will soon flow) relatively unhindered from place to place. At the same time, the presumption is that this process brings unambiguous benefits to the world as a whole (...) The corollary that Friedman sees as following from this trend in the diffusion of production, the decreased relevance of states to the world order, does not follow. Indeed, China’s very economic success has had much to do with its state-organized response to new global opportunities rather than being a simple outcome of increased free trade *tout court*.”
- “The second myth is that globalization as we are experiencing it is entirely new.”

- “Contemporary globalization is also often merged with the overlapping but hardly analogous idea of liberalization (usually under the label of neoliberalism to distinguish it from classical nineteenth-century liberal thought). This third myth is important because it implies that globalization has at root a singular ideological inspiration: to replace states with markets. From this viewpoint, globalization is a political movement rather than a socioeconomic process (...) It is clear that globalization has several aspects to it that have had nothing much to do with neoliberalism (...) globalization, in the sense of increased reliance on markets and consumer capitalism, is not simply an ideological projection invented in the 1970s (...) but the result of US government sponsorship of a ‘free-world’ economy during the Cold War (...) Globalization has its ideological roots in this process, not just in the neoliberalism of the 1980s.”
- “Whatever its precise ideological provenance, however, from this viewpoint globalization must be antithetical to the welfare state. At least this is the typical story told by both its proponents and by its critics. This is the fourth myth of globalization. The presumption here is that under conditions of globalization states will be disciplined by global ‘markets’ to cut back on their welfare services (pensions, unemployment benefits, etc.) because, if they do not emulate other states that do so they will be left at a competitive disadvantage when it comes to attracting inward investment (...) Yet (...) economic development has always required infrastructure investment and investment in public services to make the private investment pay off at all. Indeed, a case can be made that under conditions of enhanced competition for capital investment, states need to increase their spending on education and infrastructure rather than reduce it.”
- “The fifth myth of globalization is that There Is No Alternative (TINA) to it (...) There is no destiny to contemporary globalization. It has appeared under US geopolitical sponsorship and could be attenuated as the United States goes into geopolitical decline. Even if that happens, an invigorated Chinese government shows signs of wanting to pick up the slack in the face of Trump’s “America First” campaign. As a consequence, globalization could begin to take on a different form.”

- |                |                    |
|----------------|--------------------|
| 1. Netherlands | 11. Finland        |
| 2. Ireland     | 12. Portugal       |
| 3. Belgium     | 13. Norway         |
| 4. Austria     | 14. Cyprus         |
| 5. Switzerland | 15. Spain          |
| 6. Singapore   | 16. Slovakia       |
| 7. Denmark     | 17. Czech Republic |
| 8. Sweden      | 18. Luxembourg     |
| 9. Hungary     | 19. France         |
| 10. Canada     | 20. United Kingdom |



KOF Globalization Index 2016

Shares of world GDP (2016) · <https://www.imf.org/en/Data>

<https://www.statista.com/statistics/268168/globalization-index-by-country>

[https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/OEMDC/ADVEC/WEOWORLD](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD)

The KOF Globalisation Index measures the economic, social and political dimensions of globalisation

“Larger national economies tend to rank lower in globalization because of lower dependence on foreign transactions: the United States ranks 34, Germany 27, Brazil 75, Japan 48, India 109, and China 73.”

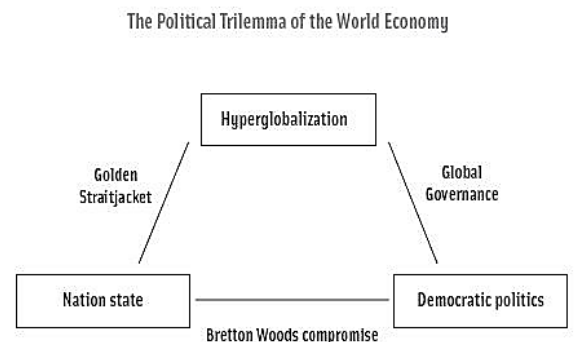
### 63. Further ideas on globalization (John Agnew, 2018)

- “In writing about globalization and sovereignty there has been little commentary on how globalization has been accompanied by a seemingly countervailing process of political-economic fragmentation.”
- “What is new about contemporary globalization is the increasingly global dominance of images and practices intimately related to the marketplace society and the speed at which transactions traverse the world.”

- “... the global is still intricately interwoven with the local. In one sense there is no such thing as the ‘global.’ It exists only as an emergent property; the global is made up of webs of interaction, movement, surveillance, and regulation between people and institutions with discrete locations in particular places. What is new is the density and geographical scope of the weave.”
- “Much of the sociological hype about globalization sees it as synonymous with homogenization, as if the whole world were becoming alike culturally and economically. The literature on time-space compression might also suggest such a prospect, if only on the distant horizon. In fact, there is considerable evidence that globalization is polarizing the world as a whole between geographical haves and have-nots: between regions and localities tied into the globalizing world economy and those outside it (Internet and all) and between those who have received a ‘leg up’ into this economy, on the one hand, and those who may have to remain outside it, on the other.”
- “... the globalizing world economy is not an economy of national territories that trade with one another, notwithstanding the tendency of the World Bank and other international organizations to portray it this way. Rather, it is a complex mosaic of interlinked global city-regions, prosperous rural areas, resource sites, and ‘dead lands’ increasingly cut off from the technologies of timespace compression that fuel globalization. All of these are widely scattered across the globe, even if there is a basic global north-south structure to the world economy as a whole. Some of the prosperous areas, for example, can be found within even the poorest countries.”
- “... the major geographical anchors of the new global economy are overwhelmingly located in North America, Europe, and East Asia. For example, during the period 2005–2015, the United States, the EU, Japan, and China accounted for 65 percent of the inflows of foreign direct investment (FDI) and 72 percent of the outflows, and the G-20 group of countries accounts for 58 percent of global FDI stock. Trends suggest, however, that since the 1980s the US has become relatively less important as both a source and a destination for FDI whereas certain poorer countries have become relatively more important as both destinations and as sources; China, Brazil, South Korea, Mexico, and Malaysia are the outstanding cases. This has happened even as American companies and finance still exercise tremendous power over global markets. The ‘grotesque sovereignty’ represented by Donald Trump’s administration in the US from 2017 onward (...) seems unlikely to bring back the jobs in coalmining and steelmaking that he promised, their loss owing much more to the impact of technology than that of globalization.”
- “The world of spatial variation in economic potentials and political identities is simply too complex for the binary thinking—globalization versus states, markets versus states, and so on—that characterizes so much discussion of sovereignty under contemporary political-economic conditions. We remain mired in nineteenth-century either/or thinking about territory versus the global. Globalization and sovereignty are tied together in a wide variety of ways across the world. We can expect such pluralism to continue.”

#### 64. Rodrik’s trilemma: Clash between politics and hyperglobalization (Dani Rodrik, 2011)

‘The fundamental political trilemma of the world economy: we cannot have hyperglobalization, democracy, and national self-determination all at once.’ A fully globalized economy forces the state to preserve the economic globalization and satisfy the needs and expectations of international traders and investors. When there is a conflict between the needs of the people and the needs of these agents, the state must give priority to the latter. To restore domestic democratic legitimacy, globalization must be limited. The third option is to give up state sovereignty to globalize democracy.



- **Rodrik’s central dilemma of the world economy (Dani Rodrik, 2007, p. 8).** Tension between the economic reality (the global nature of many markets) and the political reality (the local nature of the institutions under which markets operate).

**Rodrik, Dani (2007): *One economics, many recipes: Globalization, institutions, and economic growth*, Princeton University Press, Princeton, NJ.**

**Rodrik, Dani (2011): *The globalization paradox: Why global markets, states, and democracy can't coexist*, Oxford University Press, Oxford, UK.**

### 65. Yunus' three zeroes (Muhammad Yunus, 2017)

The current capitalist economic system suffers from three big failures: persistence of poverty, unemployment, environmental degradation. The system must be redesigned by pursuing three goals: zero poverty, zero unemployment, zero net carbon emission.

**Yunus, Muhammad; Karl Weber (2017): *A world of three zeros: The new economics of zero poverty, zero unemployment, and zero carbon emissions*, PublicAffairs, New York.**

### 66. Kishore Mahbubani's *Great Convergence*: 'everything that rises must converge'

Mahbubani (2013, p. 1) claims that more change has occurred in the world in the last three years than in the last three centuries. This massive change is creating a new global civilization. The force driving such change is globalization. The problem is that currently the world economy is like a boat without a captain: the institutions of global governance are too weak.

**Mahbubani, Kishore (2013): *The great convergence: Asia, the West, and the logic of one world*, PublicAffairs, New York.**

### 67. South Korea's success

In the 1950s, Korea was one of the poorest countries in the world. Now ranks among the richest (GDP per capita higher than Spain's). But Korea did not succeed because it conformed to the free market ideology. Rather Korea's economic 'miracle' was based on: (1) nurturing certain new industries through government support, according to a national development plan, until the industries were ready to face international competition; (2) government control of all the banks, to be able to regulate a basic element of business activity: credit; (3) undertaking big projects by state-owned enterprises (such as POSCO, the steel maker); (4) controlling foreign exchange and foreign investment. In sum, "The Korean economic miracle was the result of a clever and pragmatic mixture of market incentives and state direction. The Korean government did not vanquish the market as the communist states did. However, it did not have blind faith in the free market either".

**Chang, Ha-Joon (2008): *Bad samaritans: The myth of free trade and the secret history of capitalism*, Bloomsbury Press, New York.**

### 68. Possible futures?

- **Peter Frase's four futures.** The future world can end up dominated by either scarcity or abundance (reflecting ecological limits) and also by either hierarchy or equality (reflecting the political limits of a class society). Equality + abundance = communism ('from each according to their ability, to each according to their need': the Star Trek world). Hierarchy + abundance = rentism ('the techniques to produce abundance are monopolized by a small elite'). Equality + scarcity = socialism ('live within your means while providing everyone the best lives possible'). Hierarchy + scarcity = exterminism ('communism for the few', awaiting a 'genocidal war of the rich against the poor': Neill Blomkamp's Elysium, 2013).

<i>Peter Frase's scenario</i>	ABUNDANCE	SCARCITY
EQUALITY	Communism	Socialism
HIERARCHY	Rentism	Exterminism

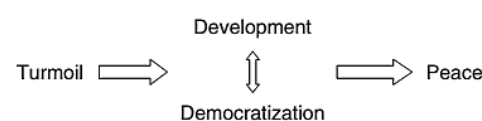
**Frase, Peter (2016): *Four futures: Life after capitalism*, Verso, New York.**

- **Robert Costanza's visions of the year 2100.** The scenario matrix involves two dimensions: world views and policies (technological optimism vs skepticism) and the real state of the world (optimistics are right or skeptics are right). Technological optimism + optimistics right = Star Trek (resources are unlimited, technology can solve any problemability, economic competition is good). Technological skepticism + optimistics right = Big Government (resources are unlimited but governments regulate technological development to achieve social development). Technological optimism + skeptics right = Mad Max (resources are limited but free reign has been given to competition and technological expansion, so the world is ruled by powerful corporations). Technological skepticism + skeptics right = Ecotopia (with resources being limited, markets and consumerism have been disciplined to achieve sustainability).

<i>David Costanza's scenario</i>	<b>OPTIMISTS RIGHT</b>	<b>SKEPTICS RIGHT</b>
<b>TECHNOLOGICAL OPTIMISM</b>	Star Trek	Mad Max
<b>TECHNOLOGICAL SKEPTICISM</b>	Big Government	Ecotopia

**Costanza, Robert (1999): "Four visions of the century ahead: Will it be Star Trek, Ecotopia, Big Government, or Mad Max?", *The Futurist* 33(2), 23-28.**

- **The liberal, optimistic, convergent view of the future.** Though the world is divided in peaceful and democratic regions and zones in conflict, the peaceful regions will remain prosperous and stable while the zones of turmoil will eventually develop and democratize to become members of the peaceful zone. It is just a matter that the poor economies emulate the rich ones. Economic convergence will gradually contract the turmoil zone.



- **The five most important trends in the next 50 years** (Watson, 2012). (1) Ageing. (2) Power (economic, political, military) shifting from West to East. (3) Greater, global connectivity. (4) Convergence of technologies (GRIN technologies = Genetics + Robotics + Internet + Nanotechnology). (5) The environment (planetary conditions, resource exhaustion).
- **The five most important trends that will transform societies in the next 50 years** (Watson, 2012). (1) Globalization: everything to become hyperlinked. (2) Localization: countertrend to globalization because not everyone will like globalization or homogenization. (3) Polarization: middle classes will tend to disappear, either going up or down on the income scale (upwards to a new managerial elite or downwards to a enslaved working class or to the unemployed). (4) Anxiety, resulting from greater uncertainty and vulnerability. (5) Search for meaning: will science become the new religion or will traditional religions be reinforced?

**Watson, Richard (2012): *The future.50 ideas you really need to know*, Quercus, New York.**

## 69. The Washington Consensus (WC)

The WC represented an economic agenda for globalization (economic liberalization and global market integration) based on adopting: free trade; capital market liberalization; flexible exchange rates; market-determined interest rates; market deregulation; privatization (transfer of assets from the public to the private sector); balanced government budget; tax reforms stimulating investment and production; secure property rights; protection of intellectual property rights. The underlying logic of the WC is to reorganize the public sector (at all levels: local, regional, national, global) to facilitate the activity of global private institutions and give preeminence to market institutions in the creation and distribution of wealth. The WC captured orthodox economic thinking: free markets should regulate all economic activity and states should just attract foreign investors and preserve a good credit reputation through fiscal discipline; liberalization, deregulation and privatization of the economy; and commitment to make employment 'flexible'.

- **Successful integration in the global economy.** The most successful examples of non-western economies reaching western levels of development and prosperity (Japan, South Korea, Taiwan) have not followed the prescriptions of the Washington Consensus. China and India have neither adopted

these recommendations. All these countries achieved sustained growth by imposing protective barriers and letting the public sector sponsor and steer development.

- **The augmented Washington Consensus.** It adds to the original set of measures: legal/political reform; regulatory institutions; anti-corruption fight; labour market flexibility; WTO agreements; financial codes and standards; 'prudent' capital-account opening; non-intermediate exchange rate regimes; social safety nets; poverty reduction.

**Held, David et al. (2005): *Debating globalization*, Polity Press, Cambridge, UK.**

## **70. The Washington Consensus (John Williamson, 1990)**

The Washington Consensus is a set of economic policy recommendations regarding development strategies promoted by the IMF, the World Bank and the US Treasury (all Washington-based institutions). Originally, it was defined by three broad premises: market economy, openness and macroeconomic discipline. The ten original suggested reforms were:

- Fiscal discipline. Reduce large public deficits, which were presumed to lead to balance of payments crises and high inflation.
- Re-ordering public expenditure priorities, towards pro-growth and pro-poor expenditures.
- Tax reform: combine a broad tax base with moderate marginal tax rates.
- Liberalization of interest rates.
- A competitive exchange rate: adoption of an intermediate exchange rate regime (against the two corner doctrine that a country must either fix the exchange rate or let it float freely).
- Trade liberalization.
- Liberalization of inward foreign direct investment.
- Privatization, but paying special attention to how privatization is conducted.
- Deregulation, focusing on easing barriers to market entry and exit.
- Legal security for property rights: ensure access to property rights at acceptable cost.

**Serra, Narcís; Joseph E. Stiglitz; eds. (2008): *The Washington Consensus reconsidered: Towards a new global governance*, Oxford University Press, Oxford, UK.**

## **71. The Beijing Consensus (Joshua Cooper Ramo, 2004)**

The Beijing Consensus (the China model or the Chinese Economic Model) expresses a political economy view opposed to the ('market-friendly') Washington Consensus. The Beijing Consensus describes the features of the economic development model (of political and economic policies) that China is presumed to have followed in the last decades to develop its economy. The Beijing Consensus suggests new rules for a developing country to achieve fast, stable and sustainable economic growth.

- Ramo's original core prescriptions were: (i) a willingness to innovate; (ii) equitable growth and sustainable development; and (iii) a strong belief in a nation's self-determination.
- The China model is often viewed as a resizing of the 'Singapore model' (the long-term one-party developmental state), a developmental model combining state capitalism (specifically, foreign investments with government-linked corporations) with one party-rule (the People's Action Party).

**Li, Jun; Liming Wang (2014): *China's economic dynamics: A Beijing Consensus in the making?*, Routledge, London and New York.**

## **72. The Post-Washington Consensus (Joseph Stiglitz, 1998)**

Joseph Stiglitz claimed that 'making markets work' required more than deregulation policies and low inflation: a robust financial system, to whose creation the government contributes greatly, is necessary for markets to deliver efficient outcomes (as was automatically presumed in the Washington consensus). In Ha-Joon Chang's opinion, the crucial feature of the Post-Washington Consensus is replacing getting-the-prices-right policies with getting-the-institutions-right policies.

### 73. Neoliberalism or governing through markets

Neo-liberalism is the doctrine that economic policy is reduced to a basic strategy of 'leaving it to the market' and eliminating any public intervention in markets. The last two or three decades has witnessed a shift in economic policy towards neoliberalism. The shifts in economic policy along the neoliberal lines include:

- discarding fiscal policy in favour of monetary policy;
- policy goals no longer concentrating on employment and growth but on inflation and price stability;
- ascribing the causes of unemployment to the operation of the labour market and, in particular, its "inflexibility";
- unemployment can only be solved through labour market 'reforms' and remove their 'rigidities', associated with trade union power, long-term employment contracts, and minimum wage regulations;
- the solution to the unemployment problem does not stem from demand-side policies nor regional and industrial policies designed to tackle structural unemployment;
- the liberalization and deregulation of markets (particularly, financial markets) and the removal of capital controls that regulate the flow of capital between countries.

**Arestis, Philip; Malcolm Sawyer (2004): *Neo-liberal economic policy*, p. 1.**

### 74. Revolutionary transformations needed?

"This booklet sets out what is now obvious from a social scientific point of view: societies will not change with the necessary speed without rebellions and a revolutionary transformation of our societies and politics. This is not a matter of one's political party preferences. It is a matter of basic structural sociology. Institutions, like animal species, have limits to how fast they can change. To get rapid change they have to be replaced with new social systems of policy, practice and culture. It is a terrible and painful realisation, but it is time to accept our reality (...) Climate and ecological breakdown will kill us all in the near term unless we act as if the truth is real (...) The reformist political culture of both left and right in neoliberal society is now not fit for purpose. To put it bluntly, NGOs, political parties and movements which have brought us through the last thirty years of abject failure – a 60% rise in global CO2 emissions since 1990 – are now the biggest block to transformation. They offer gradualist solutions which they claim will work. It is time to admit that this is false, and it is a lie. They therefore divert popular opinion and the public's attention and energy away from the task at hand: radical collective action against the political regime which is planning our collective suicide. The paradigm shift is to move from the words to radical action, from lobbying to mass breaking of the law through nonviolent civil disobedience and from elitist exclusion to popular democratic mobilisation."

**Hallam, Roger (2019): *Common sense for the 21st century*.**

### 75. Inequality the norm?

"This book began with a simple observation: virtually all human societies are marked by inequality, at a level that surpasses what could be expected from normal differences in individuals' capabilities alone."

"Small deviations from total equality will increase with time. If property and assets can be inherited, inequality will also intensify from generation to generation (...) Success in competition is not always determined by the traits or behavioral patterns that we would prefer to associate with success."

"The reason why policies of redistribution in the Nordic countries during the twentieth century were successful is that a broad spectrum of instruments were used—education, labor market policy, social insurance, taxes, and transfers. The discussion around the work of Thomas Piketty and his colleagues has been dominated by the issue of capital taxation, which is too narrow a perspective. Certain of the above instruments have become more difficult to use as a result of globalization, whereas national governments retain full authority over education and labor market policy."

**Molander, Per (2016): *The anatomy of inequality*, Melville House, Brooklyn and London.**