

Economic-ideological agendas for global integration

“Never believe anything until it has been officially denied.” — Anonymous

1. 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.

2. The Washington Consensus (WC)

The WC represented an economic agenda for globalization (economic liberalization and global market integration) based on adopting the following measures (and others in the same spirit): 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 as ‘flexible’ as necessary.

- **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.

3. The augmented Washington Consensus

The augmented Washington Consensus 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.

4. 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.

5. 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.

6. Neoliberalism

It is an ideology claiming that essentially all the economic and social problems can be solved by some free market process. And even if the market solution is not absolutely satisfactory, there is the presumption that any solution articulated by public authorities will fare worse than the market solution. According to Perry Anderson, neoliberalism is “the most successful ideology in world history” and is currently ruling the world. In advanced economies, neoliberal principles appear to represent a domain of political convergence between the moderate left (no longer hostile to markets) and the moderate right (no longer uneasy by market excesses).

7. Neoliberalism as a social experiment

The implementation of the neoliberal doctrine creates neoliberalism as a process, resulting from the application of such policies as: privatization of public companies and services; deregulation of private economic activity; reform of welfare programmes and taxation systems that disprotect the poorer, vulnerable or disfavoured groups; the extension of markets mechanisms to areas where they are not appropriate... These policies are enforced by most developed countries and by the main global economic institutions: International Monetary Fund, World Bank and World Trade Organization.

8. 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.

9. Historical materialism

It is a general theory of economic systems, applicable to all of human history, holding that the characteristics of the productive forces (means of production and labour power: technologies and people) of an economy causally determine the remaining dimensions (economic, political, cultural...) of a society.

10. The development thesis of historical materialism

The thesis holds that the forces of production tend to develop with time, so overall productive power tends to eventually increase. Historical materialism provides an understanding of economic development: it is a theory of historical directionality. To be sustainable, an economy must promote the development of its productive forces.

Howard, Michael C.; John E. King (2008): *The rise of neoliberalism in advanced capitalist economies. A materialist analysis*, Palgrave Macmillan, Houndmills, Basingstoke, UK.

11. Historical materialism

Neoliberalism sees free international flows of capital and goods as the best way to reduce poverty and unemployment. Free markets are viewed as self-regulating social institutions that can deliver the best results in terms of satisfaction of economic needs. Any malfunctioning (poverty, unemployment, economic crises) is due to interferences in the market system that constrain their behaviour (public intervention or old-fashioned social practices). The neoliberal recommendation is to remove those constraints and make social and economic structures more 'market friendly'.

12. Criticism to neoliberalism

(1) In poor countries, trade liberalization has been followed by more inequality and poverty, less growth and more frequent economic crises. (2) Rich countries embraced protectionism and state intervention to become rich, the opposite to what its prescribed to the poor countries.

Shaikh, Anwar; ed. (2007): *Globalization and the myths of free trade. History, theory, and empirical evidence*, Routledge, London and New York.

13. Ideological support for the current global economic structures and rules

Two doctrines provide ideological support for the current global economic structures and rules: free markets (governments should not establish obstacles to domestic private economic activity) and free trade (governments should not establish obstacles to international private economic activity involving the circulation of goods). The doctrines endorse the presumption that there is a self-adjusting free trade equilibrium which also happens to maximize social welfare. Specifically, international trade is supposed to be manageable through exchange-rate adjustments, that occur spontaneously or are administered by countries individually and independently. Heterodox economists contend that these doctrines misinform global economic policy and contribute to perpetuate global imbalances that threaten global economic stability.

- Can 'markets' replace, at the international level and in a sufficiently satisfactory way, global governance and institutions for collective action?
- Can national democracy be extended at the global level and create a global democracy?

- Does the world need a global Marshall Plan to help developing countries to develop and reduce international inequality?

14. Is Western civilization trapped...

... in the grip of two inhibiting ideologies, positivism and market fundamentalism (Oreskes and Conway, 2014)? Is the ultimate paradox of neoliberalism that this ideology is meant to ensure individual freedom above all but eventually requires large-scale government intervention?

15. Dominant paradigms (world views, tacit set of beliefs, default interpretations) in the West

- 'Markets' are good: economies based on a system of markets produce efficient outcomes and are endowed with a self-correcting ability.
- Democracy is good: political systems based on a system of representative democracy produce efficient political outcomes and are endowed with a self-correcting ability.
- Capitalist growth is good: societies organized on the basis of a capitalist system that exploits fossil fuels and natural resources reach unlimited growth.
- Globalization is good: a global economy favouring free trade and global integration delivers a growing welfare.

Randers, Jorgen (2012): 2052: A global forecast for the next forty years, Chelsea Green Publishing, White River Junction, VT.

16. Are beliefs subject to 'progress'? Do beliefs 'improve'?

Why does religion (and superstitions) appear immune to the spread of material values and the exposition to scientific information? That this phenomenon point to an inherently insolvable social tension, with the potential of breaking the stability of a hypothetical global society? Are the Western values and ideas (rationalism, self-criticism, disinterested search for truth, separation of church and state, rule of law, equality before the law, freedom of conscience and expression, human rights, liberal democracy) morally superior to other values?

[In *Drunk with blood: God's killings in the Bible*, 2010, Steve Wells counts the number of persons killed by God in the Bible. Using numbers provided in the Bible, the number is 2,476,636 (Satan, 10). His estimated total is that God killed 24,634,205 persons (Satan only 60).]

17. Four ideas that will not change the world (Steinberg, 2015, pp. 215-219)

- **Misperception 1: technological breakthroughs and scientific advances happen by themselves.** Discoveries are not self-propelled: they occur in a social context. Political decisions are a fundamental force in scientific and technological discoveries and innovations.
- **Misperception 2: a society growing richer automatically improves its environmental conditions.** The environmental Kuznets curve (EKC, the conjecture that economic growth initially harms the environment and afterwards improves it) does not hold for all pollutants. Urban waste treatment seems to be consistent with the EKC, but carbon dioxide emissions or biodiversity loss do not. Even when EKC holds, it may be just a spurious correlation: some factor simultaneously contributes to economic growth and environmental quality.
- **Misperception 3: a good strategy to solve environmental problems is to let markets operate freely (without environmental regulations).** Markets will not save the planet. Environmental quality and sustainability are both public goods and unregulated markets are inadequate institutions to provide public goods (private agents underinvest in such goods).
- **Misperception 4: individual decisions and local, isolated initiatives are sufficient to solve global problems.** Working in isolation (like recycling alone) is not powerful enough to address the bigger issues. It is only through active engagement in politics that major improvements in environmental quality will be

achieved. This misperception is an instance of the fallacy of composition: the presumption that what is true or works at some scale, is also true or works at a larger scale. Big environmental problems require an adequate match: to think big and change rules. Installing solar panels at home is a move in the right direction but environmental legislation has the scope for inducing real change.

Steinberg, Paul F. (2015): *Who rules the Earth? How social rules shape our planet and our lives*, Oxford University Press, Oxford.

18. The shock doctrine

How do societies respond to extreme shocks, like wars, natural disasters, economic crises, epidemics, terrorism? Naomi Klein contends that, in the last decades, corporate interests have exploited episodes of crisis to the advantage of a small elite. This has been achieved by promoting and supporting policies beneficial to the elite (privatization, deregulation, social spending cuts...) and by restraining civil liberties and rights. Klein claims that climate change is another opportunity to apply the shock doctrine: instead of seeing the implementation of measures to address the cause of the problem, we should expect the climate change crisis to be exploited to transfer more benefits and privileges to the top 1%. For instance, financial investors will use this opportunity to gamble on possible futures; insurance companies will devise and sell new protection schemes to the potential victims of the crisis; commons privatized; new markets will arise (markets for carbon credits) to exploit lucratively a potentially disastrous situation... No opportunity to profiting from disaster will be missed.

Klein, Naomi (2014): *This changes everything: Capitalism vs. the climate*, Simon & Schuster, New York.

Klein, Naomi (2007): *The shock doctrine: The rise of disaster capitalism*, Metropolitan Books, New York.

19. The power of big corporations

How much power can big corporations obtain during the current digital revolution? How disruptive can the big four be? [By market capitalization, the five largest companies in 2006 were Exxon Mobil (\$540 b, in 2017 dollars), General Electric (463), Microsoft (355), Citigroup (331) and Bank of America (290). In April 2017: Apple (794), Alphabet (= Google, 593), Microsoft (506), Amazon (429), Facebook (414). In contradistinction to industrial companies, the big companies of the digital era concretate the economic benefits in a few hands: General Motors generated a value of \$0.23 million per employee; Facebook, \$20.5 million; see Scott Galloway, 2017, *The four: The hidden DNA of Amazon, Apple, Facebook, and Google*.]

<https://www.nytimes.com/2017/04/22/opinion/sunday/is-it-time-to-break-up-google.html>

- Amazon. A company growing at an annual rate of 20%. Jeff Bezos, currently the third wealthiest person in the world (\$117 B, <https://www.bloomberg.com/billionaires/>), was the wealthiest between 2017 and 2021 (March 2023: 1, Bernard Arnault \$188B; 2, Elon Musk \$174B).
- Apple. It has become the most profitable company in history by achieving the impossible: selling at a very high price a low-cost product. Apple's cash on hand is at a par with Denmark's GDP.
- Facebook. In terms of adoption and usage, the 1.2 billion people interacting daily with Facebook make Facebook the most successful creation in history.
- Google. Google is the most powerful source of knowledge and also gains from the impossible: it is a product that becomes more valuable, not less, with use.

20. The Washington rules: credo and trinity behind US global leadership

"The first component specifies norms according to which the international order ought to work and charges the United States with responsibility for enforcing those norms. Call this the American credo. In the simplest terms, the credo summons the United States—and the United States alone—to lead, save, liberate, and ultimately transform the world."

"It is not only up to Americans (...) to choose the purposes for which they would bring their influence to bear, but to choose the means as well. Here we confront the second component of the postwar tradition of American

statecraft. With regard to means, that tradition has emphasized activism over example, hard power over soft, and coercion (often styled ‘negotiating from a position of strength’) over suasion. Above all, the exercise of global leadership as prescribed by the credo obliges the United States to maintain military capabilities staggering in excess of those required for self-defense.”

“An affinity for military might emerged as central to the American identity. By the midpoint of the twentieth century, ‘the Pentagon’ had ceased to be merely a gigantic five-sided building. Like ‘Wall Street’ at the end of the nineteenth century, it had become Leviathan, its actions veiled in secrecy, its reach extending around the world. Yet while the concentration of power in Wall Street had once evoked deep fear and suspicion, Americans by and large saw the concentration of power in the Pentagon as benign.”

“... an examination of the past sixty years of U.S. military policy and practice does reveal important elements of continuity. Call them the sacred trinity: an abiding conviction that the minimum essentials of international peace and order require the United States to maintain a global military presence, to configure its forces for global power projection, and to counter existing or anticipated threats by relying on a policy of global interventionism. Together, credo and trinity—the one defining purpose, the other practice—constitute the essence of the way that Washington has attempted to govern and police the American Century. The relationship between the two is symbiotic. The trinity lends plausibility to the credo’s vast claims. For its part, the credo justifies the trinity’s vast requirements and exertions.”

Bacevich, Andrew J. (2010): *Washington rules. America's path to permanent war*, Metropolitan Books, New York.

21. ‘Until lions learn to talk, history will always be written by the hunters’: Argentina vs USA

“One short century ago, the United States and Argentina were rivals, starting off in similar places. Both were riding the first wave of globalization at the turn of the twentieth century. Both were young, dynamic nations with fertile farmlands and confident exporters (...) Before the Great Depression of the 1930s, Argentina was among the ten richest economies in the world (...) A hundred years later (...) one had gone on to become one of the most successful economies in history. The other was a broken husk, a place where inept, corrupt governments had, time and again, stolen the savings from their own people (...) History invites us to think we are explaining and analyzing when in fact we are retrospectively rationalizing. Things that happened were always going to happen, and the proof that they were always going to happen is that they did happen. Since we know that Argentina was going to fail, we can always pluck some fundamental elements out of the vast thicket of geographical, social, environmental, and political influences that make up its history to show that the failure was inevitable (...) Imagine that the United States had followed the arc that Argentina did, falling from the First World to the Third. How many factors from earlier in its history, fundamental and superficial, would now triumphantly be produced as evidence that it always would?”

“If Argentina looked like it was following the American route, it was doing so by rote, not by understanding—importing modern technology, but not the spirit of innovation and change. Argentina borrowed money from the British, but America learned from their experience as well. Economies rarely get rich on agriculture alone. Britain had shown the world the next stage: industrialization.”

“The same benefits that boosted American farming also helped it industrialize (...) America learned quickly (...) American business owners wanted to invest their own money in industrializing their country (...) The elites of Argentina rejected the mentality (and actions) that industrialization required. Safely milking the golden teat of their farming, they saw no special reason to risk their status and livelihoods in the fickle and dangerous world of industrial manufacturing. Conspicuous consumption was a far more attractive proposition than tying up money for a long time in an uncertain project that might in any case harm rather than help their farming interests (...) Argentina’s development during the Golden Age was rapid but precarious.”

“Between 1880 and 1914, the American political system was reacting to change, absorbing new ideas and addressing the demands of the discontented, even if only in limited fashion. But Argentine politics remained steadfastly dominated by a small, self-perpetuating elite.”

Beattie, Alan (2009): *False economy. A surprising economic history of the world*, Riverhead Books, New York.

22. The doctrine of liberal internationalism and the support of dictatorships

“At the heart of postwar US policy-making is the doctrine of liberal internationalism. Pioneered by Woodrow Wilson, and embellished by Franklin D. Roosevelt and Harry Truman, this doctrine is generally understood as the justification of military and other interventions by the US if they help produce a liberal world order: a global system consisting of liberal-democratic nation-states, connected by more or less free markets and ruled by international law. In this world-view, the goal of achieving a liberal world system trumps the commitment to state sovereignty. The US sees itself as the natural vanguard of such a global order, as well as the chief bearer of any right to suppress state sovereignty in the pursuit of liberal goals.”

“In a global market dominated by the US, supporting national governments in place that were open to US investment was more important than becoming a colonial overlord. Profits could flow back to Wall Street without the debilitating costs of occupation. To achieve this world order, however, the US would need to prize open the colonial empires. One manifestation of this new strategic perspective was the Wilson administration’s discovery of the language of ‘national self-determination.’ This has assumed a central place in the mythology of liberal internationalism.”

“As a leading American expert on African politics, William J. Foltz, wrote in 1966, it would take more than a few generations to teach the majority of black Africans ‘the skills necessary to participate meaningfully and effectively in politics.’ Therefore, if a further period of tutelage at the hands of white colonial masters was not possible, the ‘modernization theory’ of US state mandarins held that these people would require a period of authoritarian rule under enlightened military regimes. The US thus responded to independence in the Congo by engineering the imposition of the kleptocratic Mobutu regime to prevent radicalism. The same policy supported a succession of dictators in South Vietnam to avert Viet Minh rule, and drove an extraordinarily bloody war to defend an allied dictatorship in South Korea.”

“Among the mass of material released by WikiLeaks since 2010 is a series of documents that provide jarring insights into US foreign policy in Latin America. From Honduras to Venezuela, Haiti to Ecuador, the United States appears to have an inbuilt predilection for dictators—and a distaste for democratic government—in its own ‘backyard.’”

Assange, Julian et al. (2015): *The WikiLeaks files. The world according to US empire, Verso, London and New York.*

23. Old and new empires

“Pre-modern empires tended to be about the acquisition of fertile or resource-rich territory for landed oligarchies, the enslavement of populations for exploitation, and the conquest of trade routes. The Roman Empire annexed land for its rich landowners. The Dutch Empire used piracy to take control of trade routes. And the Spanish Empire’s colonization of Southern America, put crudely, turned the continent into vast gold- and silver-mining enterprise, and its population into slave labor.

The modern American empire is a different beast. Its network of military bases from Greenland to Australia is not part of a system of territorial occupation or annexation, but rather serves to localize American military power in convenient ways, so that it can maintain a system of states whose features suit its interests. In general, the United States wants access to trade routes, and can back up its claims with impressive naval power, but does not need to control them directly (...) What the United States wants is to expand the domain of markets. In any national state, business classes derive an overwhelming advantage from their strategic control of markets. This is also true on a global level, so that US corporations stand to benefit most from the progressive opening of markets and trade.”

Assange, Julian et al. (2015): *The WikiLeaks files. The world according to US empire, Verso, London and New York.*

24. There is no market without government support

“We have learned from the bank bailouts that, when business cries out for help, it is the state that answers. The United States, in particular, had to take over the central global role in shoring up the private banking industry, saving capitalism from itself in 2008. This seems contrary to the ‘free market’ doctrine according to which individuals and enterprises must bear the consequences of their bad investment decisions, or else those bad

decisions will be repeated. This is a ‘thin Darwinism’ that does not necessarily describe how markets really work, but the belief that ‘free market’ orthodoxy had been undermined so scandalized American politicians that it produced a congressional revolt that almost prevented the bailouts from taking place. But what we discover from the WikiLeaks documents is that there is no such thing as ‘free markets’ without strong states—that nowhere does the ‘invisible hand’ work without the mailed fist of government.”

“... research after the boom years of the 1990s showed that, of the Fortune 100 best companies, at least twenty would not exist at all were it not for state intervention. Corporations are notoriously bad at managing their international operations, and rely on government agents to open doors for them. An example would be Apple, whose immensely profitable iPhones and iPads rely on technology developed in the public sector and passed on to private capital. The company’s access to East Asian labor markets, which keep the costs of production low, depends crucially on the role of the US government in negotiating the opening of those markets to American investors.”

Assange, Julian et al. (2015): *The WikiLeaks files. The world according to US empire*, Verso, London and New York.

25. ‘The dirty secrets of ‘free trade’ imperialism’

“To understand the WikiLeaks revelations, and all that lies behind the violence and brutality outlined in previous chapters, it is necessary to understand the political-economic basis of this ‘free trade’ empire. The American empire is of a new type, in that its mission (...) is the global spread and institutionalization of capitalism.”

“The process that we now call ‘globalization’ is often spoken of as if it were a natural, almost climactic process: a flourishing of ‘the market’ that moves ahead in leaps and bounds as long as it is not impeded by state-imposed rigidities or artificial monopolies (...) It requires political leadership and initiative to bring markets into existence, make them socially and economically sustainable, and develop rules and institutions that maintain them. It requires time and planning to incorporate populations into markets. The United States has been able to use its political dominance since World War II to develop, in an often haphazard or self-defeating way, a globally integrated economy in which its businesses are dominant and have privileged access to key markets and resources.”

“Schematically, in the postwar era we can see that the American empire has ruled through two international regimes: the Bretton Woods system, and what Peter Gowan calls the ‘Dollar–Wall Street regime.’ Bretton Woods fixed international currencies to the gold standard in order to prevent destabilizing price fluctuations and enable an international economy to develop. The International Monetary Fund was the key institution set up to manage this global system and adjust currency prices based on a cooperative arrangement. Of course, the United States dominated, but it ruled in what might be called a collegiate fashion, taking the bulk of responsibility for the world system while expecting allied states also to participate in the global administration of markets, currencies, contracts, and property (...) It gave national states a degree of freedom in broadly planning the pattern of economic development.

This was not yet an era of global ‘free trade,’ but that—as the editors of *Fortune*, *Time*, and *Life* magazines pointed out in 1942—was ruled out by the ‘uprising’ of the ‘international proletariat.’ In order to satisfy this political ‘uprising,’ it would be necessary to have some controls on capital for a while. ‘Third World’ countries were encouraged to develop their national economies using import-substitution strategies, so that stable business classes could take root. Meanwhile, trade with Britain and Europe would be the ‘strategic pivot’ on which ‘the area of freedom would spread,’ eventually creating the opportunity for ‘universal free trade.’

In fact, there was no guarantee that ‘free trade’ would ever be universalized. Certainly, the postwar system boomed. Between 1945 and 1970, world GDP grew by an average of 4.8 percent a year—although this figure concealed the enormous ‘catching up’ of defeated World War II powers. And with growth came an expansion of global trade, the total volume of exports rising 290 percent between 1948 and 1968. And yet, by the late 1960s, the US economy was weakening, and in relative decline compared to Japan and West Germany.”

“Under the Nixon administration (...) US dominance entered a new phase. What Nixon did first was to abandon the gold standard, ending fixed exchange rates. The dollar was still the major international currency, the one in which most trade was conducted, but now its value could swing wildly, depending on what the US Treasury decided. The next move compounded the impact of the first. The Nixon administration downgraded the role of

central banks in the organization of international finance, empowered private banks to lend, and sought a new regulatory structure that would liberate financial investors. The ‘cold’ flows of money investment in production were quickly overtaken by ‘hot’ flows of cash moving across borders, reacting sharply to the slightest international stimulus. None of this amounted to a master plan for world domination, and indeed the changes were effected initially against considerable resistance within the state, and even from the banks.

But the effect was to empower finance, which also helped to solve growing domestic problems. American businesses, by the late 1970s, were convinced that wage-driven inflation and union militancy were the major problems holding back a revival of profitability (...) Whereas the ‘gold standard’ and fixed exchange rates had created some stability in the postwar system, the new criterion of stability was counter-inflation. This was to take precedence over traditional postwar objectives such as full employment or managing consumer demand through incomes policies.”

“With the freeing and expansion of international financial markets, the importance of the dollar was magnified, and with it the impact of any changes in the dollar’s value. This was a tremendous source of political strength, enhancing the global role of the US Treasury. And it landed other countries with a restriction that the United States did not face: they had to worry about their balance of payments and ensure they had enough international currency to cover the goods purchased from overseas, while the United States could always just print more of its own currency. Wall Street and its less regulated sidekick, the City of London, dominated the new international financial system, and a series of international agreements—most notably the financial services agreement arising from the Uruguay Round of the GATT negotiations, lasting from 1986 to 1994—consolidated a new global regulatory structure that favored financial ‘innovation’ (the freedom of financiers to develop ever more intricate instruments for maximizing royalties, however risky). The IMF, meanwhile, came to play a key role in using debt to open the markets of the global South and force the ‘structural adjustment’ of their economies so that they would become more tightly integrated into the Dollar–Wall Street regime. Finally, a flurry of new international treaties, regional trading blocs, and multilateral organizations developed: the euro was born, the North American Free Trade Agreement (NAFTA) was signed, and the World Trade Organization (WTO) was launched.”

“This sequence of outstanding successes was linked to another change in the mode of American domination. In the postwar period, US attempts to manage the world system had necessitated reliance on a string of right-wing dictatorships that were relied on to modernize their national economies, creating an indigenous business class while averting the influence of communism (...) In the post–Cold War world, the reigning world-view was that liberal capitalist democracy was the ultimate terminus of history, the endgame to which all states tended. And the more America’s ‘backyard’ was integrated into the world system, the more it opened its markets, allowed public goods to be privatized and run by US firms, and the more it signed up to global and regional trade treaties, the less need there was for direct violent interventions (...) But this was only a tendency. As we have seen, the United States cannot entirely dispense with the old, crude techniques of coups, puppet regimes, and wars. The world system, even were it not structured by inequities that propel conflict, can never attain perfect and perpetual coherence and thus ascend to the Kantian paradise of eternal peace.”

“One of the long-term benefits of achieving the subsumption of ever larger areas of the world under the law of the market is that, once institutionalized, it does its work almost automatically. In fact, the market can often succeed where military efforts might fail. Take Vietnam (...) The more Vietnam borrowed from the IMF, the more it needed to borrow, and its rate of indebtedness soared. The more it adopted “free market” policies, the more dependent it was on markets and the less able it was to apply controls. The United States had visited an apocalypse on Vietnam to avert the danger of “communism,” and failed. But where it failed, debt, finance, and the institutions of global capitalism succeeded.”

Assange, Julian et al. (2015): *The WikiLeaks files. The world according to US empire*, Verso, London and New York.

26. Male bias in development analysis

“History records the lives and views of the dominant; the everyday struggles of women are almost totally bypassed. Subaltern historians too, while seeking to provide the views of the subordinate classes and groups, do not generally record women’s versions as distinctive from the homogenized class discourse (...) Almost 15

years ago, Diane Elson, a feminist economist, wrote about male bias in the development process. Much water has flowed under the bridge, but nothing much has changed on the ground.”

“A theoretical shift is required to a paradigm that rejects binary classifications of all sorts: between the modern and the traditional, men and women, production and reproduction, even state and society, but rather seeks out the linkages and interactions between them. It needs to accept the reality of individual agency, of basic human self-respect. One could perhaps call it a paradigm of ‘personhood’.”

“One cannot deny the existence of competition, conflicting interests and even discrimination. There are the landed and landless, educated and illiterate, winners and losers. Yet if one focuses on these distinctions alone, one may fail to find solutions to the development problem. Giving land to the landless, for instance, in the case of Dumka, has meant that the non-*adivasi*, not-so-poor groups of people, often the Hindu traders, have benefited disproportionately from land distribution.”

“Understanding relationships should therefore be the focus rather than binary and materialist distinctions alone. A major implication of this paradigm shift is that it moves beyond the role-ascribed identities of men and women to see them both as persons, with different roles, interests and identities, but with scope for overlaps, sharing and cooperation as well. It helps one think beyond the stereotypical images of the lazy, drunken, *adivasi* man and the hard-working, illiterate and sexually free *adivasi* woman, to see them as people, struggling to survive and making the best of their lives.”

“A major part of the problem with state policy is the absence of such understanding, of a thinking that treats *adivasis*, and *adivasi* women in particular, as homogenous, and indeed subordinate or backward. One of the reasons that development fails is because the state or even NGOs have their own ideologies and constructs of *adivasi* identity, which often run parallel to people’s own constructions of themselves and their needs. In many ways, it denies them both agency and voice.”

“If the ultimate objective is gender equality, the gaining of an equal position in society, then the solution may be found in the creation of an enabling environment for women, one in which they can establish and assert their identities as equal persons, rather than objects of charity.”

“Development itself is a highly political process. It is as much a struggle for negotiating identities, power relations and ideological dominance between genders and other social groups as about improvements in material conditions.”

Rao, Nitya (2018): ‘Good women do not inherit land’: Politics of land and gender in India, Routledge, London and New York.

“I would give myself an A+.” —Donald Trump, April 2018

27. Core principles of Trumponomics

- Put America first always. Globalism is rejected: no other nations’ interests above America’s or the Americans’ interests. “World government and multinational governing bodies are dangerous and misguided solutions.”
- Restore American patriotism. America is a special place, great and good. In Ronald Reagan’s words: “Divine providence put us here as a beacon of freedom for the rest of the world.”
- Reject government paternalism: “Empower Americans to make decisions for themselves.” Letting people choose and the forces of competition freely operate produces better results than regulations and government intervention.
- Rebuild America’s inner cities. “This means eradicating crime, violence, drug abuse, corruption, and joblessness.” “One of Trump’s big urban initiatives is the designation of 50 enterprise zones—mostly poor areas in inner cities—that will be targeted for lower capital gains taxes, regulatory relief, and the clearing of other barriers to development.”
- Protect borders: “Secure and protect our borders from drug runners, terrorists, illegal immigrants, and criminals.” “A nation without borders is not a nation.”

- Promote and support American business. “Liberals love jobs, but they hate job creators. As Trump likes to say: you can’t have one without the other.”
- Reject identity politics. The prevailing liberal mindset is that Americans are inherently divided by race, sexual orientation, ethnicity, and class and that there is a zero-sum game being played among all those divisions. No. We are one nation under God, indivisible. Everyone can be better off, and the gain of one person does not necessarily equal the infringement of another.”
- “Reject declinism and celebrate that America’s best days lie ahead. This means rejecting the limits to growth, secular stagnation, and the environmental doomsdayism (climate change) that animate the left today. Trumponomics is predicated on a faith in the future and a confidence that America can solve any problem through innovation, invention, technology, and a healthy dose of just plain American can-doism.”
- “America’s most valuable role in the global economy is to lead by example. Our most important gift to the world is to export the virtues of democratic capitalism and free enterprise. When we get it right, the rest of the world follows.”
- “The final and we would argue the most important principle of Trumponomics and restoring American prosperity is this: Growth is everything. Faster economic growth is a necessity if America is to fix its socioeconomic problems.”

Moore, Stephen; Arthur B. Laffer (2018): *Trumponomics. Inside the America first plan to revive our economy*, All Points Books, New York.

28. Policy measures of Trumponomics (Moore and Laffer, 2018)

- “Cut unnecessary regulations”
- “Improve American competitiveness by slashing tax rates and burdens”
- “Replace welfare with work”
- “Use America’s abundant natural resources”
- “Modernize America’s infrastructure”
- “Encourage twenty-first-century healthcare and education based on choice and competition”
- “Promote free and fair trade deals”
- “Reduce government spending”
- “Implement a pro-America immigration policy”



“We are frequently asked: Does the Trump trade doctrine risk a trade war? Our answer is always the same: hopefully not, but it could happen, to everyone’s detriment, if other nations don’t stand down and play by the rules they agreed to. Trump’s response (in a tweet, of course) to his critics is that “we’ve already been in a trade war for decades and we’re losing.” Other nations are clearly shirking on the trade laws, but it’s hard to see how “we’re losing” given that today our economy is the envy of the world.”

29. The two competing narratives of political economy (Capaldi and Lloyd, 2011)

- The liberty narrative. It originated with John Locke but became associated with Adam Smith. This narrative: (a) promotes personal autonomy and both economic and political liberty; (b) has a positive view of markets, technology and private property; and (c) encourages the pursuit of happiness (progress is improvement).
- The equality narrative. It originated with Jean-Jacques Rousseau but became associated with Karl Marx. This narrative: (a) promotes the social good, restrictions of individual autonomy and both economic and

political equality; (b) emphasizes the problems caused by markets, technology and private property; and (c) encourages the securing of happiness (progress is perfection).

30. 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.”

31. The dogma of profit (Sean Cubitt, 2017)

“...the political elite has failed to respond to either global poverty or global environmental destruction, and for a single reason: the obscene dogma of profit, no longer a human vice but the sole motivation of inhuman forces now dominating what passes for global politics.”

32. Will sociology become the future ‘queen of social sciences’?

“Multi-agent systems have been used by complexity researchers to simulate a wide range of natural systems, including sand piles, industrial processes, and neuronal connections in the human brain; in the late 1990s, this methodology was increasingly used to simulate social systems. This new methodology has led complexity theorists to become increasingly concerned with emergence– the processes whereby the global behavior of a system results from the actions and interactions of agents (...)

“Like ‘emergence,’ the term ‘complexity’ has also been used somewhat loosely in the last decade. In the most general sense, complex phenomena are those that reside between simplicity and randomness, at ‘the edge of chaos’ (...) In complex systems so conceived, relatively simple higher-level order ‘emerges’ from relatively complex lower-level processes. Canonical examples of emergence include traffic jams, the colonies of social insects, and bird flocks. For example, the V shape of the bird flock does not result from one bird being selected as the leader, and the other birds lining up behind the leader. Instead, each bird’s behavior is based on its position relative to nearby birds. The Vshape is not planned or centrally determined; it emerges out of simple pair-interaction rules. The bird flock demonstrates one of the most striking features of emergent phenomena: Higher-level regularities are often the result of simple rules and local interactions at the lower level. In the social sciences, a comparable example of an emergent phenomenon is language shift (...) Common to both of these examples is that emerging at the global system level are patterns, structures, or properties that are difficult to explain in terms of the system’s components and their interactions.”

“Social emergence is the central phenomenon of the social sciences. The science of social emergence is the basic science underlying all of the social sciences, because social emergence is foundational to all of them. Political

science, economics, education, history, and sociology study phenomena that socially emerge from complex systems of individuals in interaction (...) Sociology should become the basic science of social emergence (...) This new sociology would be (...) concerning itself with the foundational processes of social emergence (...) But this is not the sociology we see today; few sociologists study social emergence. In the second half of the twentieth century, economics has made the best case for being the foundational social science, by making social emergence central to its theory and practice. (...) Because (...) economics has developed the most successful model of social emergence, this has naturally led to 'economic imperialism,' with neoclassical economists beginning to analyze noneconomic phenomena traditionally associated with sociology (...) And in fact microeconomics has been the only game in town for those interested in studying social emergence."

Sawyer, Robert Keith (2005): *Social emergence. Societies as complex systems*, Cambridge University Press, Cambridge, UK.

33. Social sciences and social order

J. D. Bernal: "the backwardness and emptiness of the social sciences are due to the overriding reason that in all class societies they are inevitably corrupt". The reason for the comparative underdevelopment of the social sciences is that they are circumscribed by and often subservient to the established order of power. Social sciences seem in practice more concerned with preserving the existing social order than facilitating (necessary or desirable) changes in the social order. In normal circumstances, the social sciences do not lead: they follow (stable social environment creates a conservative social science). When the social order is disrupted, social sciences have the best opportunity to advance and make relevant achievements.

Mainstream social science has developed a static and ahistorical (sometimes anti-historical) character and adopted reductionism, abstract empiricism, and anti-naturalism (divorce from the natural environment in which societies exists). "Little or nothing in human society makes sense except in the light of history".

Foster, John Bellamy; Brett Clark; Richard York (2010): *The ecological rift. Capitalism's war on the earth*, Monthly Review Press, New York.

34. Types of economic theories

Reinert (2007) identifies two main types of economic theories. One (the conventional one) relies on metaphors from physics (invisible hands like gravity, equilibrium states) and builds the theories (and elaborates economic policy recommendations) down from those metaphors. This type of theory has eventually become disconnected with time (history) and space (geography). The other type invokes biological metaphors and starts the construction of theories (are experience-based) from the ground up. Policy recommendations often precede theoretical elaborations and rely on the identification of empirically relevant factors, like increasing returns, technological change, synergies and side effects. These theories accept diversity and heterogeneity as essential elements in the understanding and control of reality.

Each type of theory leads to a different view of globalization and development. The conventional type supports income convergence in the world economy. The 'Washington consensus' expresses its policy recommendations. The heterodox type holds that globalization reinforces differences: countries unable to emulate the richer ones will experience retrogression and primitivization (they fail to develop and enjoy progress). Hence, unless ready to emulate, it would be premature to participate in the globalizatin process. Regarding development, the first type tends to view it a capital accumulation; the second, rather as the result of emulation and knowledge assimilation.

Reinert, Erik S. (2007): *How rich countries got rich... and why poor countries stay poor*, Constable, London.

35. Dr Bob's Third Law (in honour of Robert Hargrove Montgomery by John F. Weeks)

"You don't need an economist to understand the basic workings of the economy." (Weeks, 2014, p. xi) Presumably, the first law is "People can rule themselves without kings and queens" and the second one is "People do not need a priest to read the Bible."

John F. Weeks (2014): *Economics of the 1%. How mainstream economics serves the rich, obscures reality and distorts policy*, Anthem Press, London and New York

36. The flexibility imperative

The failure to 'make globalization work' in an economy is, according to orthodox economic thinking, solved by increasing 'labour flexibility': improve (through economic policy measures) the capacity of domestic labour markets to 'accommodate structural changes smoothly and rapidly'. The mobility of global capital reduces the bargaining power of workers: firms just choose countries where workers accept the flexibility imperative (labour market deregulated). Labour regulation protecting workers is said to be a constraint preventing markets to be 'free' and the globalization process to succeed and deliver its presumed benefits (it seems that, to make markets free, workers must be enslaved).

Amoore, Louise (2002): *Globalisation contested. An international political economy of work*, Manchester University Press, Manchester and New York.

37. The doughnut diagram of doughnut economics

"In essence it is a pair of concentric rings. Below the inner ring – the social foundation – lie critical human deprivations such as hunger and illiteracy. Beyond the outer ring – the ecological ceiling – lies critical planetary degradation such as climate change and biodiversity loss. Between those two rings is the Doughnut itself, the space in which we can meet the needs of all within the means of the planet."

"The Doughnut provides us with a twenty-first-century compass but what determines whether or not we can actually move into its safe and just space? Five factors certainly play key roles: population, distribution, aspiration, technology and governance. Population matters, and in an obvious way: the more of us there are, the more resources it takes to meet the needs and rights of all, and that is why it is essential for the size of the human population to stabilise. But here's the good news: although the global population is still growing, since 1971 its growth rate has been falling sharply. What's more, for the first time in human history, its fall has been due not to famine, disease or war, but to success (...)

If population matters, distribution matters just as much because extremes of inequality push humanity beyond both sides of the Doughnut's boundaries. Thanks to the scale of global income inequality, responsibility for global greenhouse gas emissions is highly skewed: the top 10% of emitters (...) generate around 45% of global emissions, while the bottom 50% of people contribute only 13%. Food consumption is deeply skewed too. Around 13% of people worldwide are malnourished (...)

A third factor is aspiration: whatever people consider necessary for a good life. And one of the biggest influences on our aspirations is how and where we live. In 2009, humanity went urban, with over half of us living in cities and towns for the first time in history (...)

Governance also plays a pivotal role, from local and city scales to the national, regional and global. Designing governance that is suited to the challenges we face raises deep political issues that confront the long-standing interests and expectations of countries, corporations and communities alike. The global scale, for example, needs governance structures that can reduce humanity's pressure on planetary boundaries in ways that are equitable with respect to the distribution of their regional and national impacts. At the same time, they must be able to take account of complex interactions such as the inextricable linkages between the food, water and energy sectors. And they must be able to respond far more effectively to unexpected events (...)

All five of these factors – population, distribution, aspiration, technology and governance – will significantly shape humanity's prospects for getting into the Doughnut's safe and just space, which is why they are all at the heart of ongoing policy debates. But they cannot bring about the scale of transformation required unless we also transform the economic thinking that we bring to bear."

Patel, Raj (2009): *The value of nothing: How to reshape market society and redefine democracy*, Portobello.

38. New economics needed?

"If war is God's way of teaching Americans geography, recession is His way of teaching everyone a little economics (...) The 2008 financial collapse came in the same year as crises in food and oil, and yet we seem unable to see or value our world except through the faulty prism of markets. One thing is clear: The thinking that got us into this mess is unlikely to rescue us."

“At the end of 2008, Greenspan was summoned to the U.S. Congress to testify about the financial crisis. His tenure at the Fed had been long and lauded, and Congress wanted to know what had gone wrong (...) Greenspan’s nemesis on the panel, Henry Waxman, pushed him to a deeper conclusion, in this remarkable exchange:

WAXMAN: The question I have for you is, you had an ideology, you had a belief that free, competitive—and this is your statement—“I do have an ideology. My judgment is that free, competitive markets are by far the unrivalled way to organize economies. We have tried regulation, none meaningfully worked.” That was your quote. You had the authority to prevent irresponsible lending practices that led to the subprime mortgage crisis. You were advised to do so by many others. And now our whole economy is paying the price. Do you feel that your ideology pushed you to make decisions that you wish you had not made?

GREENSPAN: Well, remember, though, what an ideology is. It’s a conceptual framework with [*sic*] the way people deal with reality. Everyone has one. You have to. To exist, you need an ideology. The question is, whether it is accurate or not. What I am saying to you is, yes, I found the flaw, I don’t know how significant or permanent it is, but I have been very distressed by that fact.

WAXMAN: You found a flaw?

GREENSPAN: I found a flaw in the model that I perceived is the critical functioning structure that defines how the world works, so to speak.

WAXMAN: In other words, you found that your view of the world, your ideology, was not right, it was not working.

GREENSPAN: Precisely. That is precisely the reason I was shocked, because I had been going for 40 years or more with very considerable evidence that it was working exceptionally well.

(...) the celebrants of the free market are finding themselves, to use the language of the market, corrected.”

39. Markets, ideology, politics

“That markets should know best is a relatively recent article of faith, and it took a great deal of ideological and political work to make it part of governments’ conventional wisdom. The idea that markets are smart found its apotheosis in the Efficient Markets Hypothesis (...) The hypothesis states that the price of a financial asset reflects everything that a market knows about its current and future prospects. This is different from saying that the price actually *does* reflect its future performance—rather, the price reflects the current state of beliefs about the odds of that performance being good or bad. The price involves a bet. As we now know, the market’s eye for odds is dangerously myopic, but the hypothesis explains why economists find the following joke funny:

Q: How many Chicago School economists does it take to change a lightbulb?

A: None. If the lightbulb needed changing, the market would have already done it.

The problem with the Efficient Markets Hypothesis is that it doesn’t work. If it were true, then there’d be no incentive to invest in research because the market would, by magic, have beaten you to it (...) Markets can behave irrationally—investors can herd behind a stock, pushing its value up in ways entirely unrelated to the stock being traded. Despite ample economic evidence to suggest it was false, the idea of efficient markets ran riot through governments. Alan Greenspan was not the only person to find the hypothesis a convenient untruth. By pushing regulators to behave as if the hypothesis were true, traders could make their titanic bets. For a while, the money rolled in (...) When the financiers’ bets broke the system, the profit that they made from these bad bets remained untouchable: The profit was privatized, but the risk was socialized (...) What this suggests is that the rhetoric of ‘free markets’ camouflages activities that aren’t about markets at all (...)

Anyone concerned with democracy should be worried that the seam between Wall Street and the government is almost invisible. At the very least, it raises serious reasons to doubt that the institutions that facilitated the crisis can clean up their mess. Nassim Taleb points to the absurdity here: ‘People who were driving a school bus (blindfolded) and crashed it should never be given a new bus.’ The problem is that because both our economy and to a larger extent our politicians aren’t really subject to democratic control, the bus drivers are always going to be graduates of the same driving school.”

40. Tragedy of the commons and malthusianism: are we parasites of ourselves?

“The term ‘tragedy of the commons’ was coined by microbiologist Garrett Hardin in a 1968 Science article, in which he asks what happens when individuals compete for a scarce resource (...) Hardin argued that when faced with a shared resource, people will be overrun by their own selfish desires to consume it, even if they know that they’re destroying it in the process. So, propelled by animal urges of self-satisfaction, in a world of scarcity, people will end up destroying the thing that they depend on for survival (...) Hardin’s arguments blame the victim. The question isn’t whether we are in dire environmental straits (...) The issue is a question of motive. The logical structure of the tragedy of the commons rests on a foundational model of the world in which people are, for whatever reason, prepared to override their own better judgment in service of their selfish natures. It’s a world that resembles the one painted by the first professional economist, Thomas Malthus, in his Essay on the Principle of Population. Malthus argued that any population would, tragically, always exceed the resource base available to feed it. It’s not hard to see how the tragedy of the commons could apply here—poor people driven by their urges to procreate (even though they know the consequences) make more babies than there is food to feed them and this, according to the theory, explains why there is hunger in the world (...) For Malthusians, modern and classical, the reason we’re headed to hell in a handbasket is that people are rapacious and untamable, creatures of passion and impulse.”

“The environmental tragedies from the Dust Bowl to the mass extinctions of rain forest and ocean are the result of the behavior of corporations, of capitalist agriculture and forestry and fishing. The Dust Bowl happened because while individuals knew full well the value of the topsoil, their induction into capitalist agriculture turned them into exploiters of the very land on which their survival depended, transforming their connection to the world around them into one solely of short-term profit. Commoning involves a web of social relations designed to keep our baser urges in check, fostering different ways of valuing our world, and of relating to others. We can see the destructive effects of enclosure not only in the scars left on the natural environment, but also within the most intimate of social relations around gender. When the way society valued work was transformed, the socially acceptable roles for men and women also changed.”

41. Back to the commons?

“... commons systems aren’t being supported in the twenty-first century—they’re being dismantled. As they disappear, we lose millennia of accumulated knowledge about how to manage scarce resources sustainably, both in terms of the harvesting technology to keep the resources abundant and also the social systems necessary to ensure that no one takes more than his or her fair share. These systems of knowledge are displaced by the guiding motives of profit-driven markets (...) As British activist and writer George Monbiot has noted, the European Union’s ‘transferable quota’ system of fishing rights has resulted in millions of tons of fish being thrown away, 88 percent of fisheries being overexploited and the cost to the public being far greater than the value of the catches. The enclosure of the commons has destroyed the rich networks of knowledge that once helped guide the way we valued the world.”

Patel, Raj (2009): *The value of nothing: How to reshape market society and redefine democracy, Portobello.*

42. Is more better?

“The idea that there is a state called happiness, and that we can dependably figure out what it feels like and how to measure it, is extremely subversive. It would allow economists to start thinking about life in far richer terms, allow them to stop asking ‘What did you buy?’ and to start asking ‘Is your life good?’ It won’t happen overnight, but it will happen eventually. Because if you can ask someone ‘Is your life good?’ and count on the answer to mean something, then you’ll be able to move to the real heart of the matter, the question haunting our moment on earth: Is more better? In some sense, you could say that the years since world War II in America have been a loosely controlled experiment designed to answer this very question (...) All that material progress (...) seems not to have moved the satisfaction meter an inch. In 1946, the United States was the happiest country among four advanced economies; thirty years later, it was eighth among eleven advanced countries; a decade after that it ranked tenth among twenty-three nations, many of them from the third world (...) All in all, we have more stuff and less happiness. *The experiment we’ve undertaken has yielded a significant, robust, and largely unexpected result.*”

43. The Laura Ingalls effect

“... on the list of important mistakes we’ve made as a species, this one seems pretty high up. A single-minded focus on increasing wealth has driven the planet’s ecological systems to the brink of failure, without making us happier. How did we screw up? The answer’s pretty obvious: we kept doing something past the point where it worked (...) Richard Layard calls it a “cultural lag”: ‘Market democracies, by the logic of their own success, continue to emphasize the themes that have brought them to their current position’. An object in motion stays in motion; our economy—and the individual expectations that make it up—is a mighty object indeed. You could call it, I think, the Laura Ingalls Wilder effect.”

44. Back to local?

“[Towards the end of 2006] James Lovelock, the British scientist who built the equipment that allowed us to measure deterioration of the ozone layer, said he believed the ‘tipping point’ had already passed, and that world and human society face disaster to a worse extent, and on a faster time scale, than almost anybody realizes. “Before this century is over, billions of us will die” (...) These problems (...) are intimately tied to growth (...) Malcom Slesser, has calculated that *about 55 percent of the energy we consume is required by the economic growth process itself* (...)

Local economies can play an important role in reducing these problems. If we grew most of our food close to home, we’d use far less energy in the process, helping alleviate both oil shortages and climate change. But even so, it’s becoming increasingly clear that it’s too late to ward these crises off altogether. They’re coming at us very fast. So here’s the punch line: the movement toward more local economies is the same direction we will have to travel to cope with the *effects* of these predicaments, not just to fend them off. The logic is fairly clear: in a world threatened by everhigher energy prices and ever-scarcer fossil fuel, you’re better off in a relatively self-sufficient county or state or region. In a world increasingly rocked by wild and threatening weather, durable economies will be more useful than dynamic ones.”

McKibben, Bill (2007): *Deep economy. Economics as if the world mattered, Oneworld.*

45. The real tragedy of the commons?

“In the belief system called economics, it is an article of faith that commons are inherently tragic. Almost by definition, they are tragic because they are prone to overuse. What belongs to all belongs to none, and only private or state ownership can rescue a commons from the sad fate that will otherwise befall it (...) The real tragedy surrounding the commons has been the invasion by corporate, governmental, and other external forces. Native Americans did not eradicate the buffalo on the western plains; white hunters and soldiers did. Local Appalachians did not slice the tops off mountains; outside corporations did.” [The same process seems to be currently operating with governments trying to monopolize the oceans to exploit seabeds. Capitalism does not leave a common untouched.]

46. Things change, change then your thinking?

“For two centuries, economists have regarded the commons as a medieval relic. Money is what really counts, and progress follows in the train of it. Perhaps this was true for a while. At the start of the industrial age, products were scarce and commons abundant (...) Where once the products of the market were scarce, now it is commons that are scarce, and also most needed. For this reason the commons is not a relic. It is a parallel economy that does real work, a counterpoise to the market that provides antidotes to many pathologies of the modern age. Take quiet, for example. For centuries, noise has been regarded as a byproduct of progress. Today, Americans rate noise as the number-one urban problem. Not crime or trash, but noise.”

47. ‘Commons and markets’, not ‘either commons or markets’

“Why is the commons invisible? (...) The reason, in a word, is money. What is called economics today is the world as seen through the myopic lens of money. If something is transacted through money it has reality; if not, it doesn’t exist. It makes no difference that trees provide shade and neighbors provide comfort. Neither is sold for money, and therefore they don’t count (...) Economists contend that money and price are the truest metrics

for what really matters (...) There's another side of human nature that leads not to markets as the sole realm for economic activity, but to markets and commons in balance. This other side isn't the self-sacrificing altruist that's often posited as the alternative to homo economicus. Nor is it the grim utilitarian socialist. Rather, it is the urge within all of us to engage with other people, whether to accomplish a task or just because it is fun (...)

"It would be fatuous to suggest that an entire economy could operate on commons principles. The devotees who contribute to Wikipedia and Linux have the time to do so because they get money from the market somehow. The two realms are symbiotic, not mutually exclusive. What seems clear is that the protected commons needs to be enlarged. It does what the market can't do, and that is what nowadays most needs to be done. We need, increasingly, clean air and convivial communities. We also need markets and the things they produce, but the balance needs to shift. The movement to resurrect the commons, then, is about more than conserving nature and the equivalents of village trees. Ultimately, it is about resurrecting something in ourselves."

Rowe, Jonathan (2013): *Our common wealth. The hidden economy that makes everything else work,* Berrett-Koehler, San Francisco.

48. Political effects of financial crises

"A recent study by Michael Funke and colleagues examines political effects of financial crises in 20 developed countries over the past 140 years and 800 elections. They find: 1) government majorities shrink after a financial crisis, political polarization increases; 2) policy uncertainty increases; 3) voters tend to be drawn to the far-Right, which typically attributes blame to foreigners or minorities; on average, vote share of far-Right parties increases by 30% after financial crises; these effects are much stronger after financial crises than after 'normal' recessions or macroeconomic shocks that are not financial."

49. Cooperative internationalism

"I make a partial defense of President Trump's skepticism about the virtues of ever freer trade, ever more economic integration between countries. My bottom line is that 'the open international trade system' does need adjustment to provide more 'policy space' for national governments and regional blocs. 'Cooperative internationalism' should be the goal, not the prevailing 'integrative globalization' – which relies on multilateral institutions and American hegemony to glue the world together and prescribes that national governments should have no more influence over trade and other cross-border movements than US states or even EU states have over theirs."

50. Elite-supported globalization

"In this context globalization refers to the opening of domestic markets and the integration of global production via multinational corporations (MNCs). More broadly, it refers to movement in the world economy towards 'one country', or 'deep (not shallow) integration'. Ever since the 1980s leaders of western states – including shareholders and top executives of MNCs – have agreed that states, on their own and cooperating (in free trade agreements, and in inter-state organizations like the World Bank, IMF, World Trade Organization, European Union), should push for ever more globalization, more 'market access' for their corporations, and less state 'intervention' or 'regulation' in markets. Here is Martin Wolf of the Financial Times, one of the world's most influential economic commentators: '...The failure of our world is not that there is too much globalization, but that there is too little'. Here is Renarto Ruggiero, former head of the WTO: 'trade integration is not just a recipe for growth but also security and peace, as history has shown' (...) Here is the WTO saying on its website: global integration under WTO and predecessor GATT supervision 'has been one of the greatest contributors to economic growth and the relief of poverty in mankind's history' (...). Here is the World Bank summarizing others' research findings, with which it agrees: 'openness to international trade, based on largely neutral incentives, was the critical factor in East Asia's rapid growth'."

51. Free trade and orthodox economic theory

"Globalization champions draw comfort from neoclassical economic theory, which purports to give a rigorous and 'general interest' justification for the policy of free trade in goods and services. The argument today rests

on basically the same theory of comparative advantage as David Ricardo proposed in 1817 – a theory which was static, timeless, abstract, elegant, and which today broadly retains those characteristics (...) Surveys of economists' opinions confirm that there is nothing that economists, especially American economists, agree about more than the virtues of free or almost free trade (...) It is scarcely an exaggeration to say that *comparative-advantage-driven free trade is the core mechanism by which modern mainstream economics explains the great question, how market capitalism generates human welfare*. Beneficial global integration – moving towards 'one economic country' – is the overarching narrative of the past several decades."

52. Argument supporting the free trade policy

"The argument boils down to three propositions supporting the conclusion that the institution of free trade is 'right' for each country and the world. 1) Free trade leads to production specialization in activities in which the economy holds a 'comparative or relative advantage' (not 'absolute advantage'); 2) This pattern of production specialization yields maximum efficiency of resource allocation among the trading partners, and therefore maximum 'welfare' for these trading countries; 3) Economists should recommend policy measures which will result in maximum efficiency (including free trade) and leave it to political choice as to how to distribute the resulting maximum income or consumption."

53. Questioning the free trade policy

"At a high level of aggregation the theory of comparative advantage 'works', in the sense that global trade patterns are broadly in line with its predictions. Countries with abundant land and scarce skilled labor (Africa) tend to produce and export land-intensive products and import manufactured products, and countries with scarce land and abundant labour (East Asia) tend to produce and export labour-intensive manufactured products and import land-intensive and skill-intensive products. But this is not the end of the story. The theory's broad consistency with trade patterns does not translate straightforwardly into the policy conclusion that free trade is best for each country and the world. The theory rests on a raft of assumptions so limiting of its domain of applicability as to make one wonder how it could have survived for so long as the crown jewel of economic theory (...)

The theory assumes no externalities; in other words, assumes that prices reflect true economic value – including the economic cost of environmental damage and the economic gains of one company's innovation for other companies (...) The theory assumes full employment throughout, ignoring 'transitional costs' of increased exposure to trade. By assuming full employment, it avoids facing a trade-off between the welfare gains from trade and the welfare losses from unemployment or precarious employment (...) The theory of comparative advantage accounts for aggregate (consumption) gains from trade and neglects the distributional consequences (...)

The theory assumes that trade remains balanced between the trade partners (...) Underlying the invocation of the balancing exchange rate is an assumption that *international trade is basically barter* – producers barter goods among themselves. *Money is simply a neutral medium of exchange, to lower transactions costs*. The assumption rationalizes the discipline separation between 'international trade', with its specialists, and 'international finance', with its specialists (in exchange rates, payments systems and capital markets), with little communication between the two. The assumption that international trade is basically barter – and is balanced – removes a fundamental dynamic of foreign exchange markets, a dynamic which explains why (1) a trade deficit need not produce an exchange rate devaluation, and (2) the exchange rate change need not restore balanced trade (no payments surpluses or deficits) (...) The Trade and Development Report 2009, from the United Nations Conference on Trade and Development (UNCTAD), sums up: 'The most important lesson of the recent [2008] financial crisis is that financial markets do not 'get the prices right'."

"The theory of comparative advantage tells how countries can reap efficiency gains by reallocating their existing resources by moving to freer trade. It is silent on the effects of the reallocation on long-run growth."

54. Orthodox economic theory as a faith

"Why have the large majority of professional economists, especially in the academy and in western-dominated international organizations like the World Bank and IMF, been committed to free trade policy, downplaying

theoretical and empirical weaknesses in order to remain so? The teaching of economics in just about all universities of the western world, and in large parts of the developing world, socializes students into belief in the rightness of the 'market' paradigm, and the more 'rigorous' the training the more thoroughly socialized they become. The paradigm focuses on price competitiveness – free labor markets, flexible prices, free international trade – as the key to national competitiveness. It treats the market system as 'self-organizing', firms being essentially passive except for competing in price (...) The culture of the profession elevates belief in comparative advantage and free trade as the litmus test of competence to be an economist (...). The market paradigm fits the larger 'conservative' worldview, which sees the market as 'natural' and the realm of 'freedom', the state as artificial and the realm of coercion (often predatory coercion). This worldview is not just cognitive ('how the world works'), but intensely normative ('how the world should work', 'the right order of society'). In the market paradigm, the role of government is limited to 'correcting market failures' (...). In short, the consensus belief in free trade stems from the wider cognitive and normative belief – inculcated in economics education – that the key to economic development lies in improving the scope of, and the institutions of, exchange.”

Wade, Robert H. (2017): “Is Trump wrong on trade? A partial defense based on production and employment”, *Real-world Economics Review* 79.

M. Funke, M. Schularick, C. Trebesch (2016): “Going to extremes: Politics after financial crises, 1870-2014”, *European Economic Review*.

55. Dominant view in social science: 'expectation of ultimate positive convergence of all states' (debate homogenization/convergence vs heterogenization/polarization)

“Over the past two centuries, the dominant view in social science has been that the modern world shows a pattern of linear development in which all positive trends go upward in more or less linear fashion (albeit perhaps at an uncertain speed), and that therefore over time discrepancies between the leaders and the laggards are overcome, eventually resulting in a relatively homogenized world.”

“...in the post-1950 period, a number of analysts began to contest this linear model (...). The linear progress model viewed the modern world as a process of homogenization and therefore one of overcoming the gaps between states or groups of any kind. Against this view, many social scientists began to argue that the modern world was one of heterogenization and polarization. Indeed, they said, the pattern of polarization escalated over time, the result of the way in which the modern world was structured (...). In analyzing the social world, the linear versus polarizing models of historical development became a debate about whether the various zones (or countries) of the world-system would converge to an approximately equal standard of living and similar political and cultural structures, or in fact over time would diverge ever more sharply.”

56. Inequality as a world-historical phenomenon: some propositions on social stratification, mobility, and inequality (R. P. Korzeniewicz and T. P. Moran)

(1) “Levels of inequality within countries over the last one hundred years show two clusters. Some nations have been characterized by relatively high inequality and others by relatively low inequality.”


(2) “The origin of patterns of high and low inequality within the current geographical state boundaries can be traced back in time to at least before the eighteenth century.”

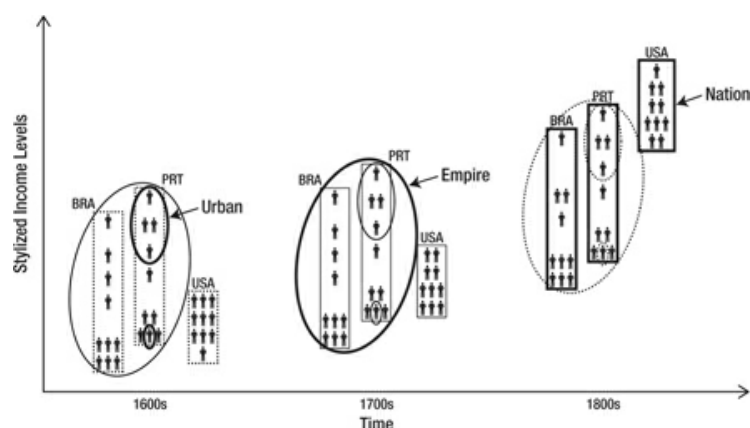
(3) “The persistence of such distinct patterns of within-country inequality for such a long period of time suggests situations of equilibria, in which opposing forces are balanced. We designate these as high-inequality equilibria (HIE) and low-inequality equilibria (LIE).”

“In HIE, institutional arrangements enhance economic opportunities for elites while restricting the access of large sectors of the population to various forms of educational, political, or economic opportunity. Enhanced opportunities for elites and the restricted access of the majority are related. Selective exclusion serves to reduce competition among elites (...). In HIE, this selective exclusion operates fundamentally within national borders (...). Selective exclusion, in the case of LIE, operates fundamentally through the very existence of national borders, reducing competitive pressures within these borders while enhancing competitive pressures among the excluded population outside those very same borders in the arenas or markets to which these populations are restricted.”

(4) “Between-country inequality can be understood best as involving a HIE over at least the last two centuries.”
 (5) “The HIE characterizing the current distribution of wealth between countries emerged only gradually before the nineteenth century.” (6) “Over the last two centuries, the establishment of within-country LIE and the emergence of between-country HIE are not two separate processes. Rather, they are the outcome of the institutional arrangements undergirding world inequality.” (7) “The single most immediate and effective means of global social mobility for populations in most countries of the world has been to migrate.”

Stylized historical trends of inequality, 1600s-1800s

“  = Stylized country income deciles. The three income distributions within each ‘moment’ are stylized representations of what will eventually become Brazil, Portugal, and the United States.”



57. Growing defects of international economic statistics

“Official international economic statistics are generally considered accurate and meaningful gauges of cross-border flows of trade and capital. Most data users also assume that the quality of the underlying data keeps improving over time. Through an extensive review of the national accounting literature, archival research, two dozen interviews with high-level statisticians, and a series of data quality tests, we evaluate this common view for the primary source of data on trade and capital flows: the International Monetary Fund’s Balance of Payments (BOP) Statistics. Our assessment paints a less rosy picture: reported figures are far less accurate than they are typically imagined to be and often do not correspond to the theoretical concepts with which users associate them. At the same time, measurement quality deteriorates over time as the transnationalization of economic production gradually undermines the validity of BOP statistics. Our findings raise serious questions about the widespread use of these numbers, with their deceptive pretense to accuracy, in scholarly research and public debate about the international political economy.”

58. Political implications of deficient statistics

“These growing defects of BOP statistics can be consequential for global politics in at least three ways. First, the apparent solidity of BOP statistics can mask the considerable uncertainty underlying them. It not only generates an unwarranted sense of confidence about our ability to monitor global economic transactions. It also bestows disproportionate power on those actors in the global economy whose authority relies on quantitative economic assessments. This concerns international organizations such as the IMF or the World Bank as much as credit rating agencies, whose data-based verdicts can shape nations’ economic fortunes (...) Second, the concept-measurement gap can distort policy analyses when the indicators feeding policy assessments don’t neatly capture what policymakers think they do (...) The resulting absurdities surfaced when in 2017 both the US and the UK boasted a trade surplus with the other country (...) Third, most worryingly, distorted analyses can feed misguided policy responses. Local content requirements imposed by trade negotiators may have unintended consequences if they lack a clear view of how such regulations ripple through the supply chains. Credit rating agencies that build country risk assessments on skewed current account figures (...) can distort governments’ access to global capital markets.”

Linsi, Lukas; Daniel K. Mügge (2019): “Globalization and the growing defects of international economic statistics”, Review of International Political Economy, DOI: 10.1080/09692290.2018.1560353.

59. Universities as agents of change

“There’s an angry, sometimes anguished, debate inside universities. Critics speak of outdated pedagogy, exploitation of young staff, distorted and even faked research, outrageous fees, outrageous pay for top managers, corporate rip-offs, corruption, sexism, racism, and mickey-mouse degrees. For a couple of decades we have been hearing laments about The University in Ruins, The Universities in Crisis, and The Fall of the Faculty. There is criticism from outside the university world, too.”

“There is rising distrust between university workers and university managements, as the events at Sydney show. There are also tensions between students and staff (...) There are tensions among students and between students and managers (...) And yet, higher education is booming. According to United Nations figures, in 1970 only about 10 per cent of the relevant age-group, worldwide, had gone to a university or college. By 2015 the proportion had more than tripled, to about 36 per cent. The official figures for 2015 showed more than 200 million higher education students enrolled, worldwide.”

“To hear the official voices of university managers, it is all going brilliantly. If you look up almost any university on the Web, you will be shown pictures of fine clean buildings, gleaming laboratories, contented staff, wise chancellors, extremely green lawns and deliriously happy students.”

“What exactly is a university? Technically, it is any institution with the legal power to grant degrees, or equivalent qualifications – bachelor’s and master’s degrees, doctorates and licenciates (...) Neoliberal governments have devised laws under which entrepreneurs can set up teaching institutions, call them universities, and simply have them registered administratively. That smoothed the path for a surge of privately owned universities, one of the big changes globally in the last three decades.”

“What universities are supposed to do is teaching and research. That is the conventional view (...) Most universities today do more teaching than researching. A good many do only teaching, including for-profit private universities (...) The modern teaching-and-research university has, in a sense, conquered the world. But as university systems have grown to their current size, their problems have also grown and toxic effects have been more painfully felt. The strikes and occupations, and the talk of universities in crisis, are not in contradiction with the signs of success. The prosperity and the problems are deeply linked.”

“The research-based knowledge formation has always been part of a global economy of knowledge (...). Universities are funded, and criticized, because of their social and economic effects. We need to examine how they create privilege, and how that effect can be challenged (...) my purpose is to show that – to adapt a famous phrase – another university is possible (...) It needs to be re-thought in the world of the internet, million-dollar vice-chancellors, and trillion-dollar student debt. (...) A good university – and equally important, a good university system. We are not cursed forever with the current models; we can design universities worth building, and think practically about how to build them. This does not mean working in an enclave. Universities are linked to the state, the economy, the public culture and the wider education system. Creating good universities implies a broad agenda of democratic change.”

“Universities are often politically and socially conformist, and neoliberal management is making them more boring by the day. But as bearers of a research-based knowledge formation, and responsible for education at the most advanced levels, university workers must be concerned with challenges to received ideas.”

Raewyn Connell (2016): *The good university. What universities actually do and why it's time for radical change*, Zed, UK.

60. Alter-globalization

It is a social, cultural and political movement born (around 2001) in response to the impact and apparent triumph of capitalist globalization, asserting a concept of human rights, freedom and justice within globalization. The movement denies the blind belief in markets, supports the reintroduction in economic thought of the role of the state and defends a vision of human beings in which they are not reduced to the *Homo economicus* caricature. The movement aims at strengthening the citizens’ ability to act globally.

Pleyers, Geoffrey (2010): *Alter-globalization. Becoming actors in a global age*.

61. Free trade myths?

“Free Trade Is the Path to Knowledge, Liberty, World Peace, and Big Raises”

“Arthur Laffer likes to explain free trade by asking whether Americans would refuse a cure for cancer because it was not produced at the Mayo Clinic in Minnesota. Would the United States be weakened if a pill that cures heart disease were discovered in Prague?”

“... the economic evolution of the world has been about unrelenting job destruction—and that’s a good thing. People no longer have to work from dawn to dusk to grow enough food to survive. With free trade, innovators

can eliminate backbreaking work. They can make our clothes, computers, and phones with televisions on them so we don't have to."

"Free trade also brings peace. The New York Times columnist Thomas Friedman has famously noted that no country with a McDonald's in it ever invaded another country with a McDonald's in it. When trade is free, producers around the globe have a rooting interest in the success of the countries to which they export. They'll prefer trading with them to fighting with them." (Update March 2023: on 24 Feb 2022, Russia invaded Ukraine. McDonald's operated in both. After the invasion, no longer in Russia (1990-2022).)

"Most of all, trade is about liberty. People go to work to produce what they need to trade for unmet personal wants. When governments impede trade, they make that work less worthwhile and deny people the freedom to seek the best product and best price irrespective of national origin. Free trade is about our right to exchange with anyone without answering to politicians. If that doesn't deserve our support, what does?"

"Do-Nothing' Politicians Deserve a Special Place in Heaven"

Tamny, John (2015): *Popular economics. What the Rolling Stones, Downton Abbey, and LeBron James can teach you about economics*, Regnery Publishing, Washington.

62. Two philosophies on how natural and social systems work

"The debate over limits raised questions of underlying philosophy about how natural and social systems operate. Conventional economic models are more likely to use linear relations, incorporate self-correcting mechanisms that work through market behaviors, and build in a tendency for the system to equilibrate to a fixed point. When scarcities develop, prices rise. The higher price reduces demand and encourages supply, which in turn eases the price pressure.

By contrast, the systems dynamics, climate, and newer combined climate-and-economic models understand that the world is often chaotic and nonlinear, with thresholds, tipping points, and other features that are far less reassuring than the simple market equilibrium story. One factor that leads to instability is feedback loops. These are relationships that intensify effects, either positively (enhancing an effect) or negatively (reducing it). Feedback loops are like superchargers that accelerate a trend in motion. Perhaps the best-known feedbacks are from the climate system. Rising CO₂ concentrations in the atmosphere warm the surface of the earth, causing the melting of permafrost, which in turn releases methane, a powerful greenhouse gas, which causes more warming. Once a system starts to go awry, feedback loops can be especially problematic, because they intensify the bad dynamics that are occurring. But there are also good feedbacks, such as an innovation in clean energy that induces other pollution-reducing technical change."

Schor, Juliet B. (2011): *True wealth. How and why millions of Americans are creating a time-rich, ecologically light, small-scale, high-satisfaction economy*, Penguin Books, New York.