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'If I were you, I wouldn't start from here'¹

A Comment on *Civic Capitalism: introducing a new model of capitalism*, by Colin Hay & Tony Payne, 2013.

Ian Gough

Civic Capitalism (CC) is the latest of several alternative left-of-centre strategies to explain, cope with and move beyond the present crisis state of capitalism. Since the financial crisis these have included the Green New Deal (2008), Plan B (2011), the CRESC perspective (Engelen et al 2011) and the Kilburn Manifesto (2104), and among others. Of course there have been earlier diagnoses and alternatives; *Civic Capitalism* reminds me of David Marquand's *The Unprincipled Society* (1988).

Despite significant differences and disagreements, there is a remarkable degree of consensus on several dimensions including at least the following:

- The 'economy' should be re-embedded in broader society
- The state should play a leading role in this process
- Egregious inequality must be directly addressed
- The financialisation of capital must be curbed and regulated
- Productive and reproductive investment should be expanded
- Sustainability should form a core goal for economic and social policy
- New indicators of wellbeing are urged to replace GDP
- New forms of democracy and politics need fostering
- All of which requires an alternative moral dimension to that of neo-liberalism.

There is less consensus on some other aspects.

- Is the goal to moderate capitalism (to aim for 'capitalism with an adjective') or to recognise and transit beyond its systemic limits? *Civic Capitalism* is quite explicit here: 'making capitalism work for us is... both possible and desirable'.
- How are climate change and environmental threats integrated into the accounts? CC addresses this in some detail.
- To what extent is the role of gendered, unwaged labour and social reproduction recognised as both a critical economic feature and a distinct normative perspective (Fraser 2014)? CC is silent here.
- What are the class and social movements which might challenge neo-liberalism? CC is silent here.
- Is the strategy aimed at the UK (thus recognising the peculiarities of British capitalism), the EU, the OECD world, or indeed the globe (requiring some recognition that the centre of gravity is shifting to Asia and that in many parts of the world capitalism shows no signs of crisis)?

¹ Apocryphal reply of Irishman when asked the way to Dublin

Though written from a UK perspective, CC recognises and briefly addresses some European and global issues.

In this brief reply I will concentrate on three issues only. First, how can these strategies for coping with capitalist crisis be linked with those required to avert the fast-looming environmental crisis? Second, if slower growth or zero growth is required to achieve environmental sustainability, what does this portend for economic and political strategy? Third, has the neo-liberal revolution gone too far, blocking any conceivable social forces that could reverse direction (the 'I wouldn't start from here' problem)?

The environmental crisis

To achieve a fifty-fifty chance of avoiding global warming exceeding 2°C by the end of the century, and taking population growth into account, global emissions must be cut from around 7 tonnes CO₂e per person per year now to no more than 2 by 2050 – a revolutionary downshift of 3.5 times. But if output per person continues to grow at its present rate (roughly trebling by 2050), then global emissions per unit of output must fall by a factor of 9-10 by 2050 – now only 34 years away. (And remember a 50-50 chance is like playing Russian roulette with bullets in three chambers).

The dominant strategy for achieving this within a capitalist global order goes by various labels including 'ecological modernisation', 'green growth' and a 'new industrial revolution'. ('Sustainable development' is somewhat different because development does not necessarily entail growth). CC endorses this approach and provides data and argument showing the unsustainability of the contemporary economic model.

There are three broad mechanisms which can conceivably achieve this revolution. The first, and the most amenable to those neo-liberal ideologists who accept the climate science (many do not), is to price carbon so as to impose costs on polluters and thus internalise the externalities they generate, and provide price incentives for sustainable energy. Though this will have a role to play, it is by now clear that it cannot be anywhere near sufficient (and it would have regressive distributive effects to add to the ballooning inequality of past decades). The second alternative, advocated by Lord Stern among others, is to foster a transformative technological/ industrial revolution to decarbonise almost all energy by 2050. The third is to shift the behaviours of consumers in order drastically to save energy and switch to low-carbon consumption.

What is evident is that all three policy responses are required (Grubb et al 2014). Moreover, the state must play a big role in all three: setting energy and other prices via taxation and subsidies; regulating standards across a wide spectrum of economic activities; undertaking strategic planning; developing national investment frameworks covering energy, transport, housing and urban forms, electronic networks, climate adaptation and eco-system maintenance (and not

forgetting the whole range of social investment in health, education, training etc); the list goes on.

CC adumbrates such a neo-Keynesian strategy of 'sustainable development through investment'; the idea of the state as 'collective goods provider of last resort' summarises this well. CC also joins a chorus of voices advocating an alternative measure of progress to GDP - in this case a Sustainable Economic Development index. The proposal to create a hybrid GDP-SED index with the weights gradually shifting from the former to the latter over, say, 20 years is original and important.

The growth issue

However, CC is adamant that all this does not mean that abandonment of the search for growth – 'quite the contrary'. It is useful to distinguish two perspectives here.

First, it is highly likely that growth, especially in Europe, *will* be slower over the next three decades than over the last three, for several reasons: demographic shifts, notable population ageing; the continued, if slower, expansion of the services sector with low or zero productivity growth; rising inequality which stunts demand; and the huge overhang of personal debt. If big carbon mitigation programmes are factored in, then a recent model predicts a further fall in growth rates over the next two decades, as carbon pricing drives up production costs and slows down increases in purchasing power (IDDRI 2014). Even if driven by a new green industrial revolution, we should not assume a growth rate in the West of 2%pa as in the past – perhaps 1%pa is more likely. This has negative implications for inequality, as Piketty (2014) shows, and for social justice. The post-war welfare state was built on a post-war growth state; its ending would pose radical new issues.

But second, the argument of ecological economists such as Tim Jackson (2009) is that we cannot grow forever - or indeed, in the rich North, from now on. The argument often advanced that a 'weightless', creative, caring, service-based economy can tread with a light ecological footprint ignores the fact that creative and caring workers will also want to consume a wide range of material goods (Jackson 2009). The hidden assumption is that the UK will continue to import many consumer goods and thus export their emissions. So we must find a progressive way to harmonise slower/stationary growth with both rising wellbeing and responsible husbandry of the planet. At this point, the strategy of sustainable development through investment is insufficient. In my view, the following strategies and policies then need to play a central role.

First, a strategy for *consumption* should prioritise need-satisfiers over want-satisfiers, non-material satisfiers over material satisfiers, and low-carbon satisfiers over carbon-intensive satisfiers. (Satisfiers include both goods and services, but also activities and relationships). There are various ways of doing this but all mean challenging the enthronement of 'consumer sovereignty', which is very often big-producer and ad-agency sovereignty (Gough 2014). This could

be done via taxation of high-carbon luxuries, the public provision of basic need satisfiers, like energy and water, and a form of carbon allowances and trading, with two separate currencies – money and carbon – for a range of items including domestic energy, petrol and air travel.

Second, a strategy for *production* could include moving to a shorter working week. Assuming economy-wide productivity continues to rise (if not at past rates), this amounts to taking more of these gains in the form of rising ‘leisure’ rather than consumption. Since 1975, when they had similar hours of work, the US has reduced average hours by 4% and Germany by 22% (Schor 2012). All other things being equal, Germany has deployed its productivity dividend in a less environmentally harmful way than the United States. Several European countries have initiated experiments in reducing work time which offer constructive lessons, but the current grain of UK and EU social policy - the social investment state - is the complete opposite: getting more people into work and into full-time work and fetishising ‘hard-working families’.

Third, a new strategy for the *welfare state* would be needed to cope with some side-effects of environmental programmes as well as to build capacities, meet unmet needs and tackle egregious inequality. This certainly means building an alternative to ‘austerity’ as a macro-policy, but it requires more: a new emphasis on prevention as the social policy approach of first choice and building on the uncommodified household and civic economies to establish a default strategy of ‘co-production’ in the welfare services. These measures would complement the necessary taxation and redistribution of wealth and unearned incomes.

Finally, an emphasis on localism would be a new priority in the most centralised nation in the developed world – the UK. This would need to extend to finance, planning and investment as well as social policy. But, more radically, it would support the ‘foundational economy’ – that part of the private sector producing a range of necessities – telecoms, supermarkets, retail banks – which is also relatively sheltered from foreign competition (Bowman et al 2014). Such a localist strategy would begin to cut down on food miles and other carbon-extravagant practices as well as reducing exposure to trade shocks.

None of these proposals - apart from the fourth to a limited extent – figure in *Civic Capitalism* or in most alternative strategies. I would want to see these worked into a transitional strategy for eco-social policy, starting from an assumption of low economic growth and working up to a scenario of deliberately limited growth.

The strange non-death of neo-liberalism

But this brings us back to where we are now, summarised in the title of Crouch’s book (2011). Both a sustainable growth economy and a sustainable zero-growth economy would require extensive state intervention. Yet to advocate such an expanded role for the state without addressing the deep embeddedness of neo-liberal capitalism is misleading. Finance capital pursues the shortest of short-term advantage; powerful corporate and financial actors lobby governments and

subvert democratic demands; the capacities of states have been denuded over three decades and their dependence on debt and bond markets extended. In short, we must evaluate economic policies, such as those we are addressing, in full knowledge of the world in which we operate. This induces great pessimism that the near-decarbonisation of global energy systems can remotely be achieved – let alone within 34 years.

Yet capitalism cannot exist in a free-floating form; it requires countervailing social institutions to moderate its worst excesses. This has been argued from different theoretical directions. Marxist: the absolute exploitation of labourers and the degraded reproduction of labour power, countered with the campaign for the 10 hour working day and numerous subsequent state welfare policies (Gough 1979). Polanyian: the excessive commodification of the fictitious commodities of Labour, Land and Money fosters a triple crisis (Streeck 2014). Feminist: the labour process is founded on the social reproduction activities of women and families (Fraser 2014).

All this is well known, and was enshrined in the mixed economies and welfare states of the post-war - and the Cold War - period that marked the heyday of democratic capitalism. But functionality does not drive countervailing action; collective agency is necessary. Over the last three decades the pursuit of 'legitimate greed' by capital owners has reversed these gains and brought about the problems which these strategies intend to address. The problem is, as Streeck is the latest to argue, that the neo-liberal economic order has gradually weakened all democratic constraints on the economy. Partly this has been due to the emasculation of trades unions and 'democratic class struggle' and its replacement with 'market-conforming democracy'. Partly to the commodification and marketization of almost all the myriad social institutions that previously constrained the pursuit of profit.

In Streeck's (2014) words, the *Staatsvolk* of citizens has been disempowered and the *Marktvolk* of bondholders now rule states. This feeds into citizen apathy and a further weakening of alternatives to the status quo. Thus all the normal restraints over capitalist greed have been removed or weakened. That only leaves 'far-sighted elites' (such as, for example, Adair Turner in the UK), but in a final twist these elites gradually become globalised and delinked from the interests of any particular nation state.

This is the economic-social-political order that is now called on to tackle the urgent and egregious challenge of climate change and pursue the twin goals of planetary sustainability and human wellbeing. 'If I were you, I wouldn't start from here'.

Ian Gough, September 2014

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