

## Globalization, Climate Change, and the Urgent Need for the Reconceptualization of Capitalism

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### I Introduction

Scientists claim that to avoid cataclysmic and irreversible damage to our climate we must prevent the Earth's mean temperature from rising more than 2 degrees Celsius by 2100 from its 1800 level. Unfortunately, according to the UN Intergovernmental Panel on Climate Change (IPCC), the Earth's temperature increase by the end of the 21st century is *likely* to exceed 2.0 °C.

Little of substance has been done to either avert an impending ecological crisis or to implement substantive ameliorative measures. Most of us have been content to conduct business as usual. But even if we were willing to change, we don't have the necessary institutions in place-- our current institutions have been well-equipped to effectuate capitalism, especially in producing goods and services, but not in becoming sustainable.

This paper will reconceptualize the basic institutions of capitalism in order to become sustainable and avert catastrophic change. The paper is structured as follows: section one will briefly describe our current unstable situation; section two will discuss the current institutions of capitalism – why they are part of the problem and how they must be restructured to comport with sustainability; section three will conclude with suggestions to incorporate sustainability into economics education.

### II Our Current Unsustainable Situation

Approximately 280,000 people are born every day. How can we provision for all? (And how can economics help if it gratuitously assumes unlimited wants?) By 2050 it is expected that the Earth's population will approximate 9 billion people, 2 billion more than the current 7.3 billion. Eight of the ten most populous nations will be developing nations, with two nations, China and India, accounting for almost 3.1 billion people. So a crucial question becomes: how to adequately provision for an additional 2 billion people, as well as, of course how to adequately provision for the existing 7.3 billion. What does this mean for expected water, energy, and

agriculture? And what does adequately provision mean? To provide in the aggregate only, or to ensure meeting their potential for development?

Not surprisingly, energy demand is expected to increase by 28 percent (assuming business—as—usual) along with an expected 2-3 percent in real GDP. This would be fine, if we were already locked in to sustainable renewable energy. But we are not. Far from it.

A disturbing and (worrisome) statistic for me, and one strongly suggesting that we will not meet this goal is that, as of 2035, fossil fuel consumption will be approximately 79 percent of total fuel consumption, down from 83 percent today. So despite considerable discussion about the increasing importance of climate change, and the direct causal relationship between fossil fuel consumption and the accumulation of greenhouse emissions, global aggregate energy consumption will hardly change.

Underscoring this is that five of the ten largest corporations are oil and gas, and these are, in turn amongst the most profitable corporations. They are also highly centralized, with a global reach and lots of cash. So legitimate questions: What is (and what will be their role in any transition?) What role will they play in any renewable future?

This is not a conspiracy theory, just recognizing that in order to transit from our current unsustainable situation now, we must map our route, noting significant obstacles, which are quite significant. But perhaps a more pressing question, and one that deserves scrutiny: why did we allow these corporations to become so large in the first place? Partly we succumbed to the belief (and wishful hope) that they would produce at more energy at a lower average total cost, allowing consumers to enjoy cheaper energy policies, which in the United States at least, has become our de facto energy policy. Partly this is due to denial that a problem exists, and denial that we can (or want) to do anything (Diamond 2005); in other words, we are locked into a comfort zone.

If we are to achieve our global temperature goal, we have our work cut out for us; we have a narrowing window of opportunity, which unfortunately is rapidly constricting our options. We must start immediately.

## II. Is Capitalism's Institutions Consistent with Sustainability?

In 2015 the United Nations issued its 17 Sustainable Development Goals. (UN17SDGs) If these goals present a viable recipe then we need to ask if our existing economic and political institutions are capable of effectuating change?

Sustainability is complex and multi-faceted meaning different things to different people. In addition; and as Peter Soderbaum notes different levels (or degrees) of sustainability, from

cavalier dismissal to radical lifestyle reorganization. While many definitions of sustainability exist (e.g. one Earth; to give something to the next user in no worse condition than it was given to you), we prefer the definition offered by the Brundtland Commission. In 1987 the Brundtland Commission (WCED, 1987: 16) defined the term sustainable development, which has since become extremely popular: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Importantly, a key element of sustainable development is ethical concern for others, especially non-humans, those of future generations and the poor:

Meeting essential needs requires not only a new era of economic growth for nations in which the majority are poor, but an assurance that those poor get their fair share of the resources required to sustain that growth. Such equity would be aided by political systems that secure effective citizen participation in decision-making and by greater democracy in international decision-making (WCED, 1987: 16)

While capitalism has a rich history of reinventing itself, the drive toward sustainability, the increased importance of the commons, near-zero marginal cost production, (Rifkin 2015) IG suggest either reinventing capitalism from top to bottom: post-capitalism (Mason 2015), or designing a new political economic system to meet these challenges.

The UN 17 SDGs, taken together, reinforce and exemplify the three main themes of our textbook: pluralism, justice and sustainability. They are:

1. End poverty in all its forms everywhere.
2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture.
3. Ensure healthy lives and promote well-being for all at all ages.
4. Ensure inclusive and quality education for all and promote lifelong learning.
5. Achieve gender equality and empower all women and girls.
6. Ensure access to water and sanitation for all.
7. Ensure access to affordable, reliable, sustainable and modern energy for all.
8. Promote inclusive and sustainable economic growth, employment and decent work for all.
9. Build resilient infrastructure, promote sustainable industrialisation and foster innovation.
10. Reduce inequality within and among countries.
11. Make cities inclusive, safe, resilient and sustainable.
12. Ensure sustainable consumption and production patterns.
13. Take urgent action to combat climate change and its impacts.
14. Conserve and sustainably use the ocean, seas and marine resources.
15. Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.

16. Promote just, peaceful and inclusive societies.
17. Revitalise the global partnership for sustainable development

Notice the wording: 'all', inclusive', and 'urgent'; and the active verbs: end, ensure, achieve, promote, reduce, conserve, revitalise. This is the language of the SDGs, this is the language of urgency (Reardon et al., 2017: 18). But it is not the language of capitalism.

Capitalism is defined as the private ownership of the means of production. Its modus operandi is accumulating wealth in order to maximize profits, which is inconsistent with sustainability. Capitalism (along with its lackey, neoclassical economics) developed during an age when resources were relatively plentiful, "when economists thought, wrote, and prescribed as if nature did not [exist]. . . The growth fetish, while on balance quite useful in a world with empty land, shoals of undisturbed fish, vast forests and a robust ozone shield, helped create a more crowded and stressed one" (McNeil, 2000: 335, 336).

Capitalism's modus operandi – profit, growth, acquiring a surplus – has been instrumental in causing climate change, which suggests that it would be very difficult to look within capitalism for adequate solutions to the problem. Capitalism and the environment, unless the former radically changes, are on a collision course (Reardon et al. 2017, 335).

A central feature defining capitalism (and key to its success and longevity ) is the protection of the right to own private property. A property right "is a relationship between the rights holder and the rights regards under a specific authority structure like the state granting legitimacy and security to a specific resource or benefit stream" (Vatn, 2005: 254). In other words, a right to own property is a social relation conceptualised, defined and protected by the state. Three important points are clear from this definition: first, the state has a clear role in defining and enforcing a property right; second, the converse of the right to own is the right to exclude; and third, since the right is a social relation and social relations change, so do property rights.

Several questions should be asked pertaining to sustainability and property rights (Reardon et al., 2017: 65).

- How does capitalism comport with more goods and services produced in the commons?
- Why is an exclusive right to own nature assumed, when nature was given as a gift to all?
- Why should only a few expropriate and profit from nature while excluding the majority?
- Can we reconcile the bounty of nature with the poverty of individuals?
- What is the role of property rights in causing and extending poverty?
- How might property rights be aligned with the rights of people in order to ensure a decent living for all?
- Are there resources common to all that should not be privatised?

While capitalism has a rich history of reinventing itself, the drive toward sustainability, the increased importance of the commons, near-zero marginal cost production, suggest either reinventing capitalism from top to bottom, or designing a new political economic system to meet these challenges.

Capitalism's success has significantly increased productivity, while reducing the marginal cost of producing many goods to near zero; a situation which will intensify in the near future. The combination of 3D printing and automation is changing the very concepts of the firm, consumer, industry and the meaning of work. Yet neoclassical economics plugs along, wedded to 20<sup>th</sup> century conceptualizations and definitions. Renewable energy produced at near-zero marginal cost is a distinct possibility, but neoclassical economics is largely silent on how this will happen.

The commons is becoming more important vis-à-vis the market, resulting in greater expectations for sharing (its modus operandi) rather than exchange (the modus operandi for markets). Jeremy Rifkin wrote that "Markets are beginning to give way to networks, ownership is becoming less important than access, the pursuit of self-interest is being tempered by the pull of collaborative interests, and the traditional dream of rags to riches is being supplanted by a new dream of a sustainable quality of life" (Rifkin 2014: 212).

Capitalism is based on unattractive social and ecological traits that threaten the human species. Capitalism, with its profit-driven firms, assumes citizens are competitive. This can have damaging social consequences, as countries compete with each other to reduce wages and employment standards, and consumers engage in consumption-based competition that threatens their psychological well-being (Reardon et al. 2017, p. 172). Capitalism also begets inequality, given that competition produces losers and winners. Perhaps most importantly, the very benefits claimed for market systems – their dynamism and compulsion to create innovation and economic growth – lead us to interpret progress. Perhaps most importantly, the very benefits claimed for market systems – their dynamism and compulsion to create innovation and economic growth – lead us to interpret progress in human terms but ignore the ecological limits and carrying capacity of our world. (Reardon et al. 2017, p. 172).

Capitalism as an economic system relies on many institutions such as markets, money, and private property enforced by the legal system, each giving rise to unequal configurations of power. Power centrally links our current unsustainable situation to one of sustainability. The possession and exercise of power will also determine how this transition will occur.

Another central institution of capitalism is the role of money, and perhaps amongst the general public, the least understood. Given that a defining characteristic of any economic system is its

ability to provision, a central issue is the role of money. How is money created? How is it used? Who benefits from its creation? How will money differ under conditions of sustainability from its current role now? What role can money potentially contribute? These highly pertinent questions should be the central focus of economics and economics education.

As Rifkin writes, “the currency a society uses to enable its members to trade goods and services with one another is a good marker of the underlying values held by the community” (2014: 259). While traditional debt-based currencies are the ‘oil’ of today’s capitalism, local currencies might very well become the ‘oil’ of tomorrow’s commons-based economy. (Reardon et al. 2017: 151-152). Perhaps looking to the implementation of sustainability, Silvio Gesell’s (1862–1930) efforts to create a form of money called free money, the supply of which was determined socially and which exactly matched the local economy’s economic activity might be a fruitful topic to pursue.

### III Conclusion

A central concern for economics should be how to live and produce in the commons, where goods are shared and access is more important than ownership. If we are to stop climate change (or at least attenuate its most severe effects), we need a revamped and reconceptualized economics; and we need to educate our economists so they can work with other social scientists.

Capitalism and economics has ‘rarely been at “scientific” arm’s length; they have always been incestuous to some degree, and most shamelessly as we approach the present’ (Dowd, 2004: xiii). The same can be said for economics education. Not only do neoclassical economists assume, rather than empirically investigate, that free-market capitalism naturally gravitates toward equilibrium, but they also assume that this equilibrium is as good as it gets. The danger is that the model is confused with reality and, more importantly, that the ideology prevents understanding of how our world really works.

Surveying current textbooks at all levels from principles to upper level, while pluralist textbooks have been written, books aiming at sustainability are much needed and in urgent need of writing. We also need a radical reconceptualization of economics and economics education. Needed is a radically new way of both economics education and writing such textbooks. While the current movement to make economics education more pluralist is necessary first step, it is not sufficient; we also need a significant movement towards rewriting economics to be more sustainable.

As economic systems evolve, so must our thinking. The million-dollar question is of course how to transit from current unsustainability to sustainability without unfairly discriminating or

punishing the world's poor. We need educated citizens who can work well with other scientists and social scientists. Unfortunately, we don't have the luxury of waiting. Time is of the essence.

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