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For a just and sustainable society

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The Poison Beer of GDP

Herman Daly

Source: Flickr cc

Disaggregating the reported growth of GDP to reveal the differences in growth by income class, as per the Schumer-Heinrich U.S. Bill, is a good idea. After all, telling us, say, that average income grew by 4% is not nearly as informative as telling us that the richest 10% receiv-ed the entire growth increment while the bottom 10% suffered income decline. The average income and growth rates are like the famous recipe for "50% rabbit stew" — one rabbit, one horse. We already know the extreme inequality in the distribution of wealth, of income, and of the growth increment, even in the absence of the Schumer-Heinrich Bill. However if that information were to be incorporated every time new GDP figures are reported it would be much harder to ignore. Of course, that is exactly why the bill will be opposed by those who want us to believe that we are all getting 4% better off every year or that "a rising tide lifts all boats", when in fact a rising tide in one place means an ebbing tide somewhere else.

Once we correct GDP for ignoring distribution, then perhaps we can go on to correct other defects, such as the fact that it adds defensive expenditures made to protect our-selves from the unwanted costs of growth (pollution, depletion, crime, congestion etc.) while failing to subtract as a cost the damag-es that made the defensive expendit-ures necessary in the first place.

For example, damages caused by an oil spill are not deducted, but expenditure to clean up the spill is added; the depletion of soil fertility is not deducted, while expenditure on fertilizer is added, etc.

In addition, the very concept of

income in economics is defined as the maximum amount that a community can consume this year and still produce and consume the same amount again next year, and the years after. The income from a fishery is its sustainable catch; the income from a forest is its sustainable cut. Consuming more than that is capital consumption, not income. Yet, as far as GDP is concerned, we can cut the entire forest and catch every fish this year and count it all as income — there is no rule against counting consumption of natural capital as income in GDP accounting.

If our main goal was to increase GDP rapidly, then we would not want to slow it down for concern about the equity of distribution, or by correcting the asymmetric accounting of defensive expenditures, or by correcting the fundamental economic error of counting any draw-down of capital as income. Maximizing the growth of GDP will lead to reduced concern for distributional equity, more depletion and pollution, and consumption of natural capital.

I am reminded of a story told by G. K. Chesterton. A pub was serving poison beer and customers were dying. Alert citizens petitioned the local magistrate to close down the offending establishment. The cautious magistrate said, "You have made a convincing case against the pub. But before we can do some-thing so drastic as closing it down, you must consider the question of what you propose to put in its place…".   Contrary to the magistrate you don't need to put anything in the pub's place. Nor is it really necessary to put anything in the place of the poison beer of GDP. As it happens, however, there are in fact better things to put in its place, such as the Index of Sustainable Economic Welfare, the National Welfare Index, and the Genuine Progress Indicator.

Source: CASSE website, 3 Oct 2018 https://steadystate.org/category/herman-daly/

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Our world does not operate as a pure market economy and neoclassical economics cannot explain it

Dave Elder-Vass

We tend to take it for granted that our economy is a market economy. Mainstream economics is particularly committed to that idea. And its core concepts depend on it: supply and demand curves and equilibrium prices make no real sense outside a market context.

But today in large parts of the most dynamic sector of our economy, the market is either absent or only one part of the story.

Of course the digital economy includes companies such as Apple and Amazon selling products in markets, but it also includes very different models.

The web is the realm of the gift. The vast majority of the pages we download are free – and sites such as Wikipedia are sophisticated examples of the gift economy in action.

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A national debt, if it is not excessive, will be to us a national blessing. -- Alexander Hamilton

Market forces. Paul van de Velde / Flickr cc

Even some of the most successful commercial companies, such as Google and Facebook, depend on business models that hybridise gift practices and the market. The commodities they sell depend utterly on the gifts that they give.

To make sense of these gift and hybrid forms of economy, my research in the book Profit and Gift in the Digital Economy develops the idea that we should think of the economy as an interacting mix of market and non-market practices.

The gift economy in action

Wikipedia – the largest and most widely used encyclopedia the world has ever seen – is the iconic case of the digital gift economy. It dominates its sector, and has more or less completed the extinction of the paid-for encyclopedia that began when Microsoft gave away Encarta to PC buyers.

Wikipedia rests on three gift practices: it gives us access to its content for nothing, that content is created by volunteers who edit it for nothing, and its running costs are funded by voluntary donations.

And when work is voluntary, the old rules no longer apply. Wikipedia's editors are not told what to do by managers implementing a top-down strategy. They choose their own tasks and implement them at their own pace.

The quality of their work is not assured by performance appraisals and the threat of redundancy. Instead they debate quality with each other on Wikipedia's Talk pages, employing norms that have been consensually agreed by the editors themselves.

Conventional economics has no tools with which to analyse phenomena like Wikipedia. The site offers no revenue, market capitalisation or book value by which to value it. Neither the human motivations nor the co-operative

A new model. Wikipedia started in 2001. EPA/ULI DECK

coordination mechanisms fit the economic models of utility maximisation and market equilibrium. When we measure our economy, are we really best served by ignoring Wikipedia?

A hybrid powerhouse

By contrast, Google appears to be a company that traditional economics should be able to explain. As the world's second largest company by market capitalisation, it made profits totalling US$74.5 billion (£56 billion) in 2015, mostly from selling advert-ising.

That's a market, isn't it? It is, but it's a market that only exists because of the gifts that Google gives to its users. The core case is free web search.

When Google gives us search results, it receives information about our interests as a by-product of the search process, and uses that to sell more effectively targeted advertising than was ever possible within conventional media. Here we have two deeply interdependent practices: a market practice of selling advertising that can only exist because of a gift practice of providing free web search.

Free-sheet newspapers offer a similar model, but Google is on a different scale. However well demand and supply curves can explain the outcomes in the advertising market, they tell us nothing about how Google acquires those advertising opportunities in the first place.

To explain hybrid economic models like this one, we need an approach that sees both gift and market practices as significant and can analyse the ways in which they are combined.

Economics and the gift economy

Although I've highlighted the digital gift economy here, the gift economy is much older and much larger than that – it has just been less tangibly coupled with the market economy that we see on the business news.

To take only the largest case, people have been producing and transferring economic benefits within the household since house-holds began, without selling them to each other. When a parent cooks for their family that is just as productive as a chef cooking for customers in a restaurant, but no cash changes hands in payment.

One study of the Australian economy, for example, found that when monet-ised – when household work is given a dollar value equivalent to that in the market economy – the household sector alone is as large as the market sector. Nor is the "old" gift economy confined to gifts to friends and family – charitable giving, volunteering and blood donation are all familiar forms of gifts to strangers.

Economics tends to overlook the gift economy, wherever it appears, not only because tools used by economics, such as revenue or profit calculations, market share and stock prices can only make sense of markets, but also because it has no way to value products that are not sold. We are all accustomed to valuing things in terms of their prices achieved in the market, but there are no such prices in the gift sector.

That doesn't mean its products aren't valuable, but rather that we have absorbed a thoroughly dysfunctional notion of value that goes along with thinking of the economy in purely market terms. We can become so focused on the monetary side of the economy that we don't see the absurd-ity of promoting its growth at the expense of the things we do for each other that don't come with a price tag attached.

If we are to make sense of both today's economy and future possibilities, we need to start analysing our world as a complex of both market and non-market social practices, and start valuing its products in terms of human benefits instead of price.

Source:
The Conversation, 12 Sept 2016
https://theconversation.com/our-world-is-not-a-pure-market-economy-and-economics-cant-explain-it-64898

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U.S. pharmaceutical prices started to explode in the 1980s

Dean Baker

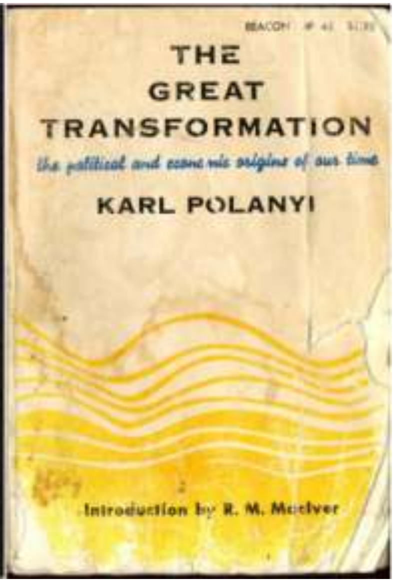
I am struck by the explosion in drug spending in the 1980s, nearly doubling as a share of GDP over the decade. [It] had not increased at all as a share of GDP over the prior two decades. The obvious villain is the passage of the Bayh-Dole Act in 1980, which allowed private corporations to get patent rights to government-funded research. This led to more investment in research and development, but also to a huge increase in spending the difference between the current 2.2% of GDP spent on drugs and the 0.4% spent in 1980 - equal to $360 bill a year, roughly five times annual spending on food stamps.

Source: Real World Econ Rev, 14/11/018
https://rwer.wordpress.com/2018/ 11/14/ us-drug-prices-started-to-explode-in-the 1980s-contrary-to-what-the-nyt-tells-you/

Dr Dean Baker is a U.S. macro-economist and co-founder, with Mark Weisbrot, of the Center for Economic and Policy Research in Washington, D.C.

Summary of *The Great Transformation* by Karl Polanyi

Asad Zaman



Ever since the spectacular failure of modern economic theory became obvious to all in the Global Financial Crisis, the search for alternative ways of organizing our economic affairs has intensified. Almost all of the alternatives under consideration offer minor tweaks and patches, remaining within the methodological framework of neoclassical economics. In contrast, Polanyi offers a radical alternative, with unique insights based on a deep study of the history of the emergence of capitalism. A major obstacle to understanding Polanyi's work is the fact that living in a market society shapes our mindsets and behaviours, making it difficult to imagine radical alternatives. Understanding Polanyi requires standing outside the streams of history which have shaped modern societies, to see how our economic, political and social theories about the world have been shaped by external forces, and have evolved in time. Studying this archaeology of knowledge offers us insights into the historical processes which have shaped our thoughts, and gives us the tools necessary to liberate us from the narrow boundaries created by our own past experiences.

The central theme of Polanyi's book is a historical description of the emergence of the market economy as a competitor to the traditional economy. The market economy won this battle, and ideologies supporting the market economy won the corresponding battle in the marketplace of ideas. Today, the victory of the market economy is so complete that it has become difficult for us to imagine societies where the market does not play a central role. Polanyi argues that contrary to popular belief, markets have been of marginal importance within traditional societies throughout history. The market economy emerged after a prolonged battle against these traditions. As Polanyi makes clear, this is not a good development. The commodification of human beings and land required by the dominance of the market has done tremendous damage to society and the environment. The value of human life has been degraded to peoples' earning power. This has justified the grim calculation made by Ambassador Albright that sacrificing half a million Iraqi children is worth the control of oil. Similarly, precious rainforests, coral reefs, plants, fish, and animal species which took millions of years to evolve, and which cannot be replaced at any price, are reduced to the monetized value of timber, food or chemicals. This is the root cause of the social and environmental catastrophes we currently face. Polanyi's analysis is summarized by the points listed below.

1: All societies face the economic task of producing and providing for all members of society. Modern market societies are unique in assigning this responsibility to the marketplace, thereby creating entitlements to production for those with wealth, and depriving the poor of entitlement to food. All traditional societies have used non-market mechanisms based on cooperation and social responsibility to provide for members who cannot take care of their own needs. It is only in a market society that education, health, housing, and social welfare services are only available to those who can pay for it.

2: Market mechanisms for providing goods to members conflict with other social mechanisms and are harmful to society. They emerged to central prominence in Europe after a protracted battle, which was won by market needs over social needs owing to historical circumstances that were peculiar to Europe. The rise of markets caused tremendous damage to society, which continues to this day. The replacement of key mechanisms which govern social relations, with those compatible with market mechanisms, was traumatic to human values. Land, labour and money are crucial to the efficient functioning of a market economy. Market societies convert these into commodities causing tremendous damage. This involves (a) changing a nurturing and symbiotic relationship with Mother Earth into a commercial one of exploiting nature, (b) changing relationships based on trust, intimacy and lifetime commitments into short term impersonal commercial transactions, and (c) regarding human lives as saleable commodities in order to create a labour market.

3: Unregulated markets are so dangerous to human society and environment that the creation of markets automatically sets in play movements for protecting society and environment from the harm that they cause. Paradoxically, it is this counter-movement, this opposition to markets, that allows markets to survive. If this was not present, then markets would destroy our societies and also the planet. As an example, the Great Depression caused the collapse of many free market institutions, and the central government then intervened to either prop them up or to substitute for them. Similarly, massive government intervention saved the world from a major economic crisis following the Global Financial Crisis of 2007. Protective anti-market moves like this have allowed capitalism to survive. This is called the “Double Movement” by Polanyi, who says that the history of capitalism cannot be understand without looking at both sides — the forces trying to liberate markets from all regulations, and the forces fighting to protect society from the harmful effects of unregulated markets.

4: Certain ideologies, which relate to land, labour and money, and the profit motive are required for the efficient functioning of markets. In particular, both human poverty and a certain level of callousness and indifference towards poverty are required for the efficient functioning. Capitalist economics require sales, purchase, and exploit-ation of labour, which cannot be accomplished without creating poverty, and using it to motivate workers. The sanctification of property rights is another essential feature of the market economy. Thus, the existence of a market economy necessitates the emergence of certain ideologies and mindsets which are harmful to, and in contradiction with, natural human tendencies.

5: Markets have been fragile and crisis -prone and have lurched from disaster to disaster, as amply illustrated by GFC 2007. Polanyi prognosticated in 1944 that the last and biggest of these crises in his time, the Second World War, had finally killed the market system and a new method for organising economic affairs would emerge in its wake. In fact, the Keynesian ideas eliminated the worst excesses of market-based economies and dominated the scene for about 30 years following that war. However, the market system rose from the ashes and came to dominate the globe in an astonishing display of power. This story has been most effectively presented by Naomi Klein in *The Shock Doctrine: The Rise of Disaster Capitalism.*

6: Market economies require to be imposed by violence - either natural or created. As noted by the earliest strategists, deception is a crucial element of warfare. One of the essential ingredients in the rise of markets has been a constant battle to misrepresent facts, so that stark failures of markets have been painted as remarkable successes. A number of strategies are commonly used to portray an economic disaster as progress and development. Without this propaganda, markets could not survive, as the forces of resistance to the markets would be too strong. For example, a fundamental message appearing in modern economics text-books is that capital-ism has created tremendous wealth and unprecedented progress. But in reality, and notwith-standing propaganda to the contrary, this type of economic growth has been very costly. We have sold planet Earth and the future of our children, and are celebrating the proceeds with-out taking into reckoning the costs. Accounting for the costs of destruct-ion of environ-ment, animal species, and human society, shows that the costs of growth have been far higher than the benefits. See *Evaluating the Costs of Growth*, Real World Econ Rev, issue 67, 9 May 2014, pp 41-51. This article is available at SSRN: https://ssrn.com/abstract= 2499115.

We conclude by briefly considering the consequences of this analysis. The organization of production in a capitalist economy rests essentially on the exploitation of labourers, and requires using poverty as the goad to motivate labourers to work. This means that if we provide universal basic incomes, we will remove the incentives for production which lie at the heart of a capitalist system of production. Instead, Polanyi has suggested that we should focus on ensuring that all people have the right to earn a decent livelihood. This can be accommodated within the present systems of production without radical change. However, long run solutions will require more radical changes of mindset, which would reverse the great transformation by prioritizing social relationships and subordinating the market to the society.

Sources

1. https://weapedagogy.wordpress.com/2013/08/28/summary-of-the-great-transformation-by-polanyi/

2. https://rwer.wordpress.com/2013/09/05/summary-of-the-great-transformation-by-polanyi/

Original Post 29/8/2013, Revised 16/9/2016, Revised & updated 25/12/2017

Supplementary Readings

For a more complete list of papers/ videos/ posts on Polanyi's work, see: Resources for Study of Polanyi's Great Transformation.

Polanyi's analysis cannot be understood by modern economists because it is based on methodological principles radically different from those currently in use. The Methodology of Polanyi's Great Transformation explains these principles, which demonstrate the necessity of considering historical and cultural context of economic theories.

Polanyi's analysis provides the basis for a radically different approach to economics, which considers politics, society, environment, and economics as inter-related subjects which cannot be understood in isolation.

The relationship between the Great Transformation and the looming environmental catastrophe which threatens the future of humanity on planet Earth is discussed in Zaman, A. "Unregulated Markets and the Transformation of Society" Ch 18, Routledge Handbook of Ecological Economics: Nature and Society. Editor Clive Spash. 2016. A brief summary of this paper, and a video-talk on the topic is available from another post on this blog: "Markets & Society".

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Richard Feynman on the limitations of mathematics

Lars Syll

In a recent comment to me, Jorge Buzaglo wrote this truly interesting comment. Nobel Prize winner (for physics) Richard Feynman on the use of mathematics:

"Mathematicians, or people who have very mathematical minds, are often led astray when 'studying' economics because they lose sight of the economics. They say: 'Look, these equations … are all there is to economics'; it is admitted by the economists that there is nothing which is not contained in the equations.

" The equations are complicated, but after all they are only mathematical equations and if I understand them mathematically inside out, I will understand the economics inside out. Only it doesn't work that way. Mathematicians who study economics with that point of view - and there have been many of them - usually make little contribution to economics and, in fact, little to mathematics. They fail because the actual economic situations in the real world are so complicated that it is necessary to have a much broader understanding of the equations."

I have replaced the word "physics" (and similar) by the word "economics" (and similar) in this quote from p 2-1 in: R. Feynman, R. Leighton and M. Sands, *The Feynman Lectures on Physics*, vol 2, Addison-Wesley Publishing, 1964.

Source: Real World Econ Rev, 9/11/18 https://rwer.wordpress.com/2018/11/09/richard-feynman-om-mathematics/

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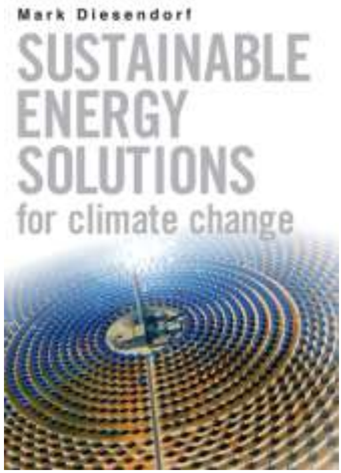
What energy source will most cheaply fulfil the world's energy demand in the next fifty years?

Mark Diesendorf



Fifty years from now there may be new technologies which are unpredictable. However, based on existing technologies, electricity almost certainly will be supplied by a mix of renewable energy and energy storage technologies.

Within this mix, solar photovoltaics will be the cheapest, followed by wind. The cheapest form of storage probably will be pumped hydro. However, batteries will be much cheaper than those available now, and will play an important role in short-term storage. Most ground transport and industrial and residential heating also will be provided by renewable electricity; however, air and sea transport will use renewable fuels (e.g. hydrogen; ammonia) produced by means of renewable electricity.

Actually, the electricity part of the above scenario is not fifty years away. Peer-reviewed studies published in international journals find that in some regions (e.g. Australia, Europe) renewable electricity systems are already cheaper than new fossil fuelled or nuclear energy systems.

According to independent studies by Lazard and the U.S. Energy Information Administration, the levelized cost of new 'advanced' nuclear electricity in the USA is roughly double that of new solar photovoltaics and wind. While solar and wind energy sources are still becoming cheaper, nuclear energy is becoming even more expensive.

Those who imagine that fossil fuels will still be dominant in fifty years have overlooked the consequences of global climate change, already impacting us in terms of droughts, heatwaves, wild fires, floods and hurricanes. In fifty years, large regions of a fossil fuelled world would be uninhabitable.

Source: From Quora, 29 Oct 2018
https://www.quora.com/What-source-of-energy-will-be-cheapest-for-fulfilling-world-s-energy-demand-in-next-50-years

A/ Prof Mark Diesendorf is located at the University of New South Wales, and is known for his work in sustainable development and renewable energy.

An energy revolution is coming
Editor

A recent article by Jeremy Berke in the Business Insider [1] has drawn attention to the following facts:

(a) The cost of producing electrical energy from solar radiation is rapidly falling: according to a new analysis it now costs about $US50 to produce one megawatt-hour of solar power.
(b) By contrast, electricity produced from coal costs $US102 per mega-watt-hour.
(c) This recent change could be a sign that the world is on the verge of an energy revolution.

The good news is that battery and storage capabilities are improving.

1. https://www.businessinsider.com.au/solar-power-cost-decrease-2018-5?

News about the Trans Pacific Partnership
Extracted from the AFTINET bulletin of Oct-Nov 2018

In a blow to democracy, the TPP-11 implementing legislation was passed by Australian Senate on Oct 18, following eight years of opposition from civil society. Labor Senators voted with the Coalition government to pass the legislation, which was opposed by the Greens, the Centre Alliance and most other crossbench Senators.

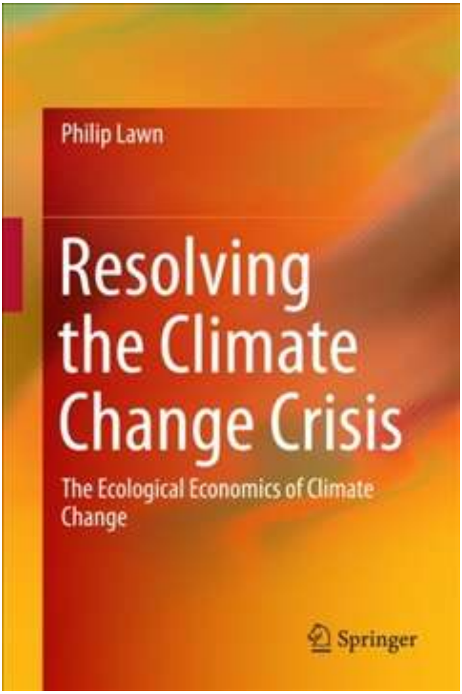
The huge community backlash has pressured the ALP to make stronger commitments in their foreshadowed legislation to ban harmful clauses like ISDS* in future trade deals. We will be holding them to account for these commit-ments, and will monitor the TPP-11 and report on its impacts when it comes into force next year.

* The ISDS (Investor-state dispute settlement) is a mechanism in a free trade agreement (FTA) or investment treaty that provides foreign investors, which includes overseas Australian invest-ors, with the right to access an international tribunal to resolve investment disputes.

This provision allows foreign investors to sue host governments, and has become a ticking time bomb inside trade agreements like the TTP. There are some governments (not including the current Australian government) who will not agree to such a provision, and are questioning its legal legitimacy.

Recommended Book: Resolving the Climate Change Crisis

The Ecological Economics of Climate Change, by Philip Lawn (Springer, 2016)



This book by Philip Lawn explains why the climate change crisis is a symptom of a much larger underlying problem - namely, humankind's predilection with continuous GDP-growth. Given this as a starting point, the world's high-income nations must begin the transition to a qualitatively-improving steady-state economy and low-income nations must follow suit at some stage over the next 20-40 years. Unless they do this, a well-designed emissions protocol will be as useless as the paper it is written on.

Adopting an ecological economic approach, this book sets out to show why we must abandon the goal of continuous growth; how we can do so in a way that improves human well-being; what constitutes a safe atmospheric concentration of greenhouse gases; and what type of emissions protocol and emissions-trading framework is likely to achieve a desirable climate change outcome.

Failure of the world's leaders to achieve these goals will not only put future human well-being at risk, it will threaten freedom in the liberal-democratic tradition and international peace.

The world’s largest vanadium redox flow battery

Editor

In a recent article by James Burgess [1], it was revealed that vanadium has become a strategic raw material in electric energy technology. Also that China is currently building the world’s largest vanadium flow battery (VFB) gigafactory at the city of Dalian, with the massively powerful (200MW/800MWh) batteries to be manufactured by Dalian Rongke Power Company. It covers an area bigger than 20 soccer fields. And thanks to the Chinese, vanadium was the best performing battery metal last year.

China has the world's largest reserves of vanadium (followed by Russia, South Africa and Australia*) and produced 42,000 MT of the metal in 2016. China also consumes the most vanadium and has the fastest growing rate of the metal's consumption.

An earlier article by James Conca [2] stated that vanadium flow batteries can

Dalian VFB factory   Source: Electrek

offer almost unlimited energy capacity simply by using larger electrolyte storage tanks. It can be left completely discharged for long periods with no ill effects, making maintenance simpler than other batteries. Because of these unique properties, the new V-flow batteries reduce the cost of storage to about 5c/kWh.

The batteries are rather large and best suited to industrial and utility scale applications. They could never fit in an electric car, so the Tesla battery is safe for now. But the VFB outcompetes Li-ion battery, and any other solid battery, for utility-scale applications. They're safer, more scalable, longer-lasting and cheaper (less than half the cost / kWh).

* The estimated world reserves of vanadium are, in order of magnitude [3]**:** China - 9 mill MT, Russia - 5 mill MT, South Africa - 3.5 mill MT, Australia - 1.8 mill MT.

1. Global Research, 12 Oct., 2018
https://www.globalresearch.ca/the-electric-revolution-move-aside-lithium-vanadium-is-he-new-super-metal-for-bigger-batteries/5656719

2. Forbes, 13 Dec., 2016
https://www.forbes.com/sites/jamesconca/2016/12/13/vanadium-flow-batteries-the-energy-storage-breakthrough-weve-needed/#2ddadc455bde

3. Investing News, 11 May, 2017
https://investingnews.com/daily/resource-investing/battery-metals-investing/vanadium-investing/vanadium-reserves/

Economic 'recovery' leaves most citizens behind [1]

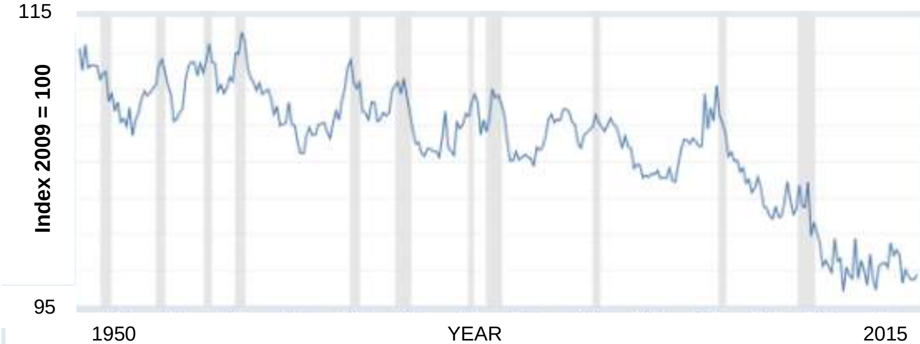
David Ruccio and Jamie Morgan

What we're seeing then, especially in the U.S., is a self-reinforcing cycle of high profits, low wages, and then even higher profits. That's why the labour share of business income has been falling during the so-called "recovery": [2]

Eric Levitz in a July 2018 article in New York Magazine states that in the end this is political, as "American policy-makers have chosen to design an economic system that leaves workers desperate and disempowered, for the sake of directing a higher share of economic growth to bosses and shareholders." [3]

Eric Levitz in a July 2018 article in New

Nonfarm business sector: Labor share



Shaded areas = recessions **Source: US Bureau of Labor Statistics**

York Magazine states that in the end this is political, as “American policy-makers have chosen to design an economic system that leaves workers desperate and disempowered, for the sake of directing a higher share of economic growth to bosses and shareholders.”[3]

Productivity, automation, etc. on which economists focus are simply issues within that system. American workers (and workers in general) are being “ripped off”. Nowhere is this seen more clearly than in ratios of CEO-to-average-worker-pay. For further information, see our longer article [4].

References:

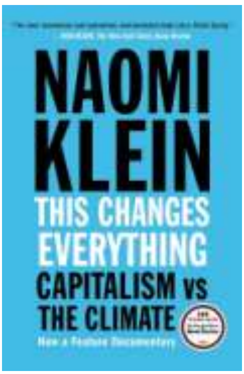
1. https://rwer.wordpress.com/2018/11/20/economic-growth-leaves-many-americans-behind/

2. https://anticap.files.wordpress.com/2018/07/fredgraph.png. The graph maps the precipitous decline in the labor share during the past decade (from 103.3 in the first quarter of 2008 to 97.1 in the first quarter of 2018, with 2009 equal to 100), but the trend is longer: from 114 in 1960 or 112 in 1970 or even 110.2 in 2001.

3. http://nymag.com/daily/intelligencer/2018/07/oecd-study-labor-conditions-confirms-that-u-s-workers-are-getting-ripped-off.html

4. http://www.paecon.net/PAEReview/issue85 /RuccioMorgan85.pdf

Recommended Book: This Changes Everything - Capitalism vs the Climate by Naomi Klein (Publ 4th Aug 2015, Simon & Schuster)



Naomi Klein argues in this book that climate change is not just another issue to be neatly filed between taxes and health care. It’s an alarm that calls us to fix an economic system that is already failing us in many ways. Klein carefully builds the case for how massively reducing greenhouse emissions is our best chance to simultaneously reduce gaping inequalities, re-imagine our broken democracies, and rebuild our gutted local economies. She also exposes the ideological desperation of the climate-change deniers, the delusions of would-be geo-engineers, and the tragic defeatism of far too many mainstream green initiatives. And she shows precisely why the market has not - and cannot - fix the climate crisis but will instead make things worse

Jesus: the economic activist

Michael Hudson

THE HUDSON REPORT: The history of debt cancellation and Jesus's economic justice activism

A podcast produced by Paul Sliker, Michael Palmieri (MP), and Dante Dallavalle, creating conversations with the most interesting political thinkers, heterodox economists, and organizers. The Hudson Report is a weekly series produced with the legendary economist Michael Hudson (MH). This episode discusses the ancient history of debt cancellation, the untold life of Jesus as an economic justice activist, and more largely Prof Hudson's forthcoming book, "…and forgive them their debts," out in Nov 2018.

MP: Prof Michael Hudson - welcome back to another episode of The Hudson Report.

MH: It's good to be back here.

MP: I know we usually cover topical or current event that's been either ignored or hotly debated in the weekly news cycle. But I thought it would be much more interesting this week to talk about your forthcoming book "…and forgive them their debts, credit and redemption through the Bronze Age to the Jubilee Year" scheduled to be released in Nov 2018. And I thought it was interesting in two ways, one – a lot of your work is centered around Christianity and the life and activism of Jesus. And two -- you'll soon be leaving to teach at Peking University in China.

But can you explain or maybe give a little bit of a summary as to what the book looks at and describe it. I know it's focused on the origins of debt and debt forgiveness. Can you elaborate a bit?

MH: It's a history of the origins of interest bearing debt – the origins of interest and Sumer in the third millennium BC, in an epoch when most debts were owed to the palace, either for taxes or for fees for services.

Periodically for a thousand years, from Sumer, Babylonia, and other Near Eastern countries, when new rulers took the throne, they would begin their reign with a debt amnesty.

We’re familiar since medieval times of European rulers often freeing prisoners after coming to power. But the amnesties in Sumer and Babylonia extended to everything that was owed to the palace. There were general cancellations of personal debts, mainly agrarian debts by cultivators – citizens who also manned the military.

The idea was to restore the economy to the stability that existed prior to the widespread indebtedness that was run up during the preceding ruler’s reign. What was “restored” was an idealized “original” or “normal” state in which nobody owed debts to the palace.

These debt remissions extended in due course to debts owed to the palace collectors – and, by Babylonian times (from about 2000 to 1600 BC), to debts owed to individual creditors. Most of the agrarian and personal debts were duly cancelled, but not the debts among businessmen that were owed to each other. They were left in place.

The guiding logic of these debt cancellations was spelled out by Egyptians. If the rulers had not cancelled the debts, they would have faced a situation in which indebted cultivators were falling into permanent bondage. Their labor would then have been pledged to their creditors, and thus would not be available to perform the corvée labor that had to be mobilized each year to build basic infrastructure – walls, temples, palaces and other construction that was public or communal in character.

Also if the debtors on the land had to pay private creditors, they wouldn’t be able to pay their stipulated fees or taxes run up to the palace. So for 2000 years throughout the Bronze Age (circa 3200 to 1200 BC), there existed a tension between the rulers and the emerging private wealthy class of creditors who used their money to try to become landowners. By about 1800 BC many cultivators had lost the land they had pledged to creditors. One begins to find large aggregations of landholdings, all at the expense of palace authority and its ability to levy taxes on labor, crops or money.

The big picture is that for thousands of years tension existed between centralized authority - which needed to preserve economic balance and wanted the population (and hence, the army) to keep growing - and wealthy creditors, traders and land buyers who made gains by impoverishing the rest of the population. That was the same dynamic found in early Greece and Rome. In fact, it’s a dynamic that exists today.

The difference is that today’s governments have been captured by creditor interests. The result is that today’s ethic is the opposite of that applying during the first few thousand years of debt. Today’s ethic, ever since Rome, may be described as a sanctity of debt, not of its cancellation. And all debts have to be paid – regardless of how this may impoverish or polarize society.

But in Sumer, Babylonia, Egypt and the Biblical lands there was a royal understanding that if poor cultivators – the 99 percent – had to pay the debts that they had run up, they would fall into bondage to the 1 percent, and would forfeit their land to their creditors. Rulers sought to prevent this from happening, because if they had not intervened, they would have a citizenry available to serve in the army. They wouldn’t have taxes. They would have had a kind of Margaret

Thatcher type economy – and quickly been conquered by outsiders or overthrown from within.

MP: This gets us to where we began in the first episode of The Hudson Report. We spoke about the ACLU report called 'A Pound of Flesh,' about the "modern-day debtors' prisons" that are beginning to pop up throughout society.

MH: Shakespeare's famous "pound of flesh" owed by the Merchant of Venice actually was a zero interest loan. So debt problems existed well before interest came to be charged. But once you begin to charge interest, the debt expands exponentially. Babylonian scribes were taught to calculate the doubling times. So one of the aims of my book is to explain how the charging of interest began.

There's no question that when it began, the objective was not to find a way to impoverish society, polarize it and impose austerity. But that's how matters ended up. Interest was innovated in the Sumerian temples and palaces, basically in the form of trade credit. The palace consigned export and import trade to entrepreneurs. Sumer (present-day Iraq) had very rich soil, deposited by rivers over the millennia. But it didn't have hard stone, metal or gems. So Sumer had to trade in order to get the copper and tin that gave their name to the Bronze Age.

This trade had to be financed on credit. The palace and the temples employed war widows, children, the blind and other people who couldn't make a go of things on the land. They were set to work to weave textiles or make other handicrafts, which were turned over to traders. These traders exported these handicrafts northwest to Turkey and eastward across the Iranian plateau. That's how the Sumerians obtained the tin, copper and other raw materials, like stone and silver.

There was a transmutation of this practice of charging interest to creditors to the merchants who could pay. Interest began to be charged on general debts, including advances of fees owed to the palace by cultivators on the land. That's where problems arose, especially when there was a crop failure or when members of a family became sick.

Most of these debtors didn't actually borrow money as such. They simply ran up debts and arrears. Most debts did not result from loans, but were unpaid bills, headed by those that were owed to the palace or its collectors.

It was this debt that led to the designation of some basic commodities as "money", assigned fixed prices so as to pay the palace (my website has a recent dictionary entry on early money stemming from these debts owed to the palace, not from barter). So one had debt and credit before one had money.

Here's how the system worked. Archaic economies were credit economies. The palace advanced land to sharecroppers, as well as animals and services. These rural debts were supposed to be paid at the end of the harvesting season. There exist tens of thousands of contracts outlining this. The debts had to be paid on the threshing floor.

Let's say you were a cultivator and wanted to go out to the local alehouse for a beer. The ale lady would mark up the amount of money that you owed. Your bill (the tab) would be paid on the threshing floor. Everything was done by credit. Payment was made once every season, on the threshing floor – unless there was a flood or crop failure. In such cases rulers cancelled debts that were owed (in that case, the ale women would not owe the palace for the beer that had been advanced during the crop year). So cancelling such debts was the way of preserving economic balance and stability.

Most of the earliest monetized transactions were public in character. So my book also is about the balance between the public sector and the private sector, although these terms are rather anachronistic. It was really the palace and the temples vis-a-vis the communally family-based economy at large.

MP: It seems like there's a lot covered in the book and we're looking forward to its release this summer. I wanted talk a bit about the Biblical dynamics in your forthcoming book. I thought it would be interesting to talk about the life of Jesus and the way he's portrayed today. But before we go into that, there's a key point that you've brought up: the linguistic origins of the words "debt" and "sin," and how understanding the connection can bring a different view to Christianity and Jesus's teachings.

MH: In almost ancient society – not only Indo-European speakers, but also Semitic-speaking and other ancient Near Eastern societies – the basic kind of debt that had be paid was wergild: a fine for injuring other people, paid to the victims. The largest fine was for manslaughter. Punching them in the nose, or cutting off their beard or insulting them was subject to such wergild debts.

The logic was explicit, and I cite it in my book. In order to prevent fights among families – feuds and feud justice based on physical retaliation – you would pay reparation. That was the primordial archaic debt. The word for these payments or "debt" in many languages (in German it's Schuld for obligation) also became the word for "sin." The debt was owed to atone for the offense or "sin" – atonement or redemption. You would redeem the injury you did to another person by paying money. So the paramount idea was a debt was a payment for offence and the offence later became thought of sin. Redemption meant literally to redeem this debt oo to pay it. That is why Jesus was called the Redeemer – annulling the debts and also the sins of mankind in a vast Clean Slate.

So it's not that running into debt was sinful. It's just the reverse: When you commit an offence or a sin, you have to pay the injured party to make them whole, so that there won't be resentment and fighting between the families of the offender (the "sinner-debtor") and the victim (who in this case is in the position of "creditor").

The original semantics of sin and debt linguistically is therefore just the opposite of what most people believe.

MP: That being said, could you walk us through a text that if no one's read, at least they are familiar with: The Ten Commandments. Some of those commandments can be understood very differently from the perspective of ancient society as you describe it.

MH: They were formulated in a society where debt was the main disruptive economic feature. For instance, the commandment "Thou shalt not covet my neighbor's wife." At that time, creditors would make loans to debtors, who would have to put up collateral. The most typical collateral they would put up would be their household slave girl, or otherwise their daughter or wife. The woman would have to go live in the house of the creditor, and usually had to have have sex with them. That's how employer/employee relations were back from the Bronze Age through Iron Age.

In 2350 BC, the laws of Urukagina in Sumer had a special sanction saying that a wife can't have two husbands. The idea against coveting someone's wife meant that you can't take another person's wife as a debt servant to have sex with.

The commandment "Thou shalt not steal" referred to making a loan and foreclosing on land or seizing property and not returning it. That was looked at socially as a form of theft.

The commandment "Thou shalt not take the Lord's name in vain" referred to taking an oath. Creditors were notorious for lying. The books of Plutarch and other authors are rife with examples of creditors lying. In Babylonia everything had to be written down. In Egypt the same thing – every creditor claim had to be written down and witnessed.

The idea was to enforce behavior in keeping with the Ten Commandments and the laws of Leviticus, which said that every fifty years there has to be a clean slate – a deror, a jubilee year. The Hebrew word for the Jubilee year was cognate to the word for the Babylonian clean slate, andurarum. These debt cancellations also freed bond servants and returned land to debtors who had forfeited it. You could go right through the Ten Commandments and see that their aim was to prevent the corrosive effects of debt tearing society apart.

MP: This is eye-opening. I can't help but think about the contrast between the way that we're speaking about Jesus and biblical teachings when you look at the current evangelical fundamentalist movements in the U.S., which focus much more on piety and political questions or economic questions of taxation, abortion, and even support for war. There's such a contradiction there. I don't know how you understand how the two connect, or if you want to speak more about how the transition occurred.

MH: Christianity began as a protest movement, but it was a protest movement that was very conservative. We know from the Dead Sea Scrolls – essentially the library of the Temple of Jerusalem hidden to protect it from the Romans – that what Jesus wanted to do was just what he announced in the first sermon that he gave. It is reported in Luke, Chapter 4. He said "I've come to proclaim the year of the Lord," meaning the Jubilee Year. He unrolled the scroll of the Prophet Isaiah that described the Jubilee Year.

He said that the rabbis who opposed to be cancelling debts – the Pharisees, a conservative group of rabbis led most notably by Hillel – had developed a special clause that was similar to what the Babylonian creditors had tried to do. It was called the prosbul clause. A debtor who needed money would have to sign a waiver saying, "I agree not to avail myself of the rights that the Bible promises me in the Jubilee Year. So if the debts are cancelled, I waive my rights and the creditor can foreclose anyway."

Jesus explained in his sermon that this was against the Mosaic Law – the law of Leviticus, chapter 25. It was in fact against everything the Old Testament talks about. (My book has the relevant Dead Sea scrolls.) But rabbinical Judaism was being taken over by pro-creditor Pharisees. Luke quotes Jesus as describing them as being avid for money, and working for the creditor class.

At that time the great social fight not only in Judea but also in Greece and Rome was between debtors and creditors. There was a region-wide civil war. There were assassinations of

Roman pro-debtor advocates such as the Gracchi brothers in 133 BC. A century of civil war followed, in which even Julius Caesar, who enacted a modest debt reform, was killed. Sparta's King's Agis and Cleomenes were killed for cancelling the debts. There were armed uprisings throughout Greece and Asia Minor over this.

This was a universal fight. But somehow, the economic message of Jesus has been taken out of context. It is as if what he was talking about was otherworldly. But he was talking about something very worldly – the debt issue. Jesus wanted to restore the debt cancellation as it was supposed to be according to Leviticus 25.

Later rabbinical scholars in medieval Spain, most notably Maimonides, urged the observance of the Jubilee Year. So Hillel's prosbul was not universal among the rabbis. But for the last 2000 years there's been a rabbinical argument over this.

Until my Harvard group began to publish its findings about 20 years ago, you had a general prejudice among Biblical historians that the Jubilee year couldn't really have been enforced because it would have caused economic disaster. My book shows that when you look at 2000 years of Sumerian, Babylonian and Egyptian practice, the moral was that if rulers didn't cancel the debts, there would be an economic and fiscal disaster.

The idea of debt amnesties was to prevent debt from tearing society apart – to prevent the kind of crisis that the United States has been in since 2008, when President Obama didn't cancel the junk-bond debts, or the debts that tore the Greek economy apart – when the IMF and Europe imposed them on Greece instead of letting it default on debts owed to French and German bondholders.

The great struggle of antiquity is being repeated today. Whether society is going to insist on the sanctity of debt being imposed to a degree that impoverishes most of the population – or that economic stability should be restored by subordinating the debts to the ability to pay, and the ability of society to keep operating on a viable basis.

MP: Well Professor Hudson, thank you so much for laying that out there for me and for the audience that will hear this interview. It's always eye opening and engaging.

MH: It's really good to be here, as always. I'm glad we had a chance to discuss it.

Source: http://michael-hudson.com/2018/04/jesus-the-economic-activist/

Trump's war on the Fed
Ellen Brown

President Trump has stepped up his criticism of the Federal Reserve, saying of its aggressive interest rate hikes that it has "gone crazy." The same charge has been levelled against Trump, but there may be a method to his madness.

October was a brutal month for the stock market. After the Fed's eighth interest rate hike on September 26th, the Dow Jones Industrial Average dropped more than 2,000 points and the NASDAQ had its worst month in nearly 10 years. After the Dow lost more than 800 points on October 10th and the S&P 500 suffered its first weeklong losing streak since Trump's

The US Federal Reserve Building   Source: Flickr cc

election, the president said, “I think the Fed is making a mistake. They are so tight. I think the Fed has gone crazy.” In a later interview on Fox News, he called the Fed’s rate hikes “loco.” And in a Wall Street Journal interview published on October 24th, Trump said he thought the biggest risk to the economy was the Fed, because “interest rates are being raised too quickly.” He also criticized the Fed and its chairman in July and August.

Trump’s criticisms are worrisome to some commentators, who fear he is attempting to manipulate the Fed and its chairman for political gain. Ever since the 1970s, the Fed has declared its independence from government, and the president is supposed to avoid influencing its decisions. But other Fed-watchers think politicians should be allowed to criticize the market manipulations of an apparently out-of-control central bank.

Why the Frontal Attack?

Even if the president’s challenges are a needed check on the Fed, it has been questioned whether he is going about it in the right way. Challenging the central bank in public forces it to stick to its guns, because it must maintain its credibility with the markets by showing that its decisions are based on sound economic principles rather than on political influence. If the president really wants the Fed to back off on interest rates, it has been argued, he should do it with a nod and a nudge, not a frontal attack on the Fed’s sanity.

True, but perhaps the president’s goal is not to subtly affect Fed behavior so much as to make it patently obvious who is to blame when the next Great Recession hits. And recession is fairly certain to hit, because higher interest rates almost always trigger recessions. The Fed’s current policy of *quantitative tightening"-- meaning contracting the money supply -- is the very definition of recession, a term Wikipedia defines as “a business cycle contraction which results in a general slowdown in economic activity.”

This “business cycle” is not something inevitable like the weather. It is triggered by the central bank. When the Fed drops interest rates, banks flood the market with “easy money,” allowing speculators to snatch up homes and other assets. When the central bank then raises interest rates, it contracts the amount of money available to spend and to pay down debt. Borrowers go into default and foreclosed homes go on the market at fire sale prices, again to be snatched up by the monied class.

But it is a Monopoly game that cannot go on forever. According to Elga Bartsch, chief European economist at Morgan Stanley, one more financial cataclysm could be all that it takes for central bank independence to end. “Having been overburdened for a long time, many central banks might just be one more economic downturn or financial crisis away from a full-on political backlash,” she wrote in a note to clients in 2017. “Such a political backlash could call into question one of the long-standing tenets of monetary policy making – central bank independence.”

And that may be the president’s endgame. Whenever higher rates trigger another recession, Trump can point an accusing finger at the central bank, absolving his own policies of liability and underscoring the need for a major overhaul of the Fed.

End the Fed?

Trump has not overtly joined the End the Fed campaign, but he has had the ear of several advocates of that approach. One is John Allison, whom the president evidently considered for both Fed Chairman and Treasury Secretary. Allison has proposed ending the Fed altogether and returning to the gold standard, and Trump suggested on the campaign trail that he approved of a gold-backed currency.

But a gold standard is the ultimate in tight money – keeping money in limited supply tied to gold – and today Trump seems to want to return to the low-interest policies of former Fed Chair Janet Yellen. Jerome Powell, Trump’s replacement pick, has been called “Yellen without Yellen,” a dovish alternative in acceptable Republican dress. That’s what the president evidently thought he was getting, but in his 24th Oct Wall Street Journal interview, he said of Powell, “he was supposed to be a low-interest-rate guy. It’s turned out that he’s not.” Trump complained:

"[E]very time we do something great, he raises the interest rates ... That means we pay more on debt and slow down the economy, both bad things .. I mean, we had a case where he raised interest rates right before a bond offering. So you have a bond offering and you have somebody raising interest rates, so you end up paying more on the bonds ... To me it doesn’t make sense.

Trump acknowledged the independence of the Fed and its chairman but said, “I’m allowed to say what I think. . . I think he’s making a mistake.”

Presidential Impropriety or a Needed Debate?

In a November 2016 article in Politico titled “Donald Trump Isn’t Crazy to Attack the Fed,” Danny Vinik agreed with that contention. Trump, who is not a stickler for consistency, was then criticizing Fed Chair Janet Yellen for keeping interest rates too low. Vinik said that he disagreed with Trump's interpretation of events, but he agreed that the president should be allowed to talk about Fed policy. Vinik observed:

" The Federal Reserve is, by definition, not independent. Unlike the Supreme Court, the central bank is a creation of Congress and is accountable to law-makers on Capitol Hill. It can be either changed or abolished by Congress as well. And to pretend it's not -- to treat the Fed as an entity totally removed from American politics -- also leaves us powerless to talk about ways it might be improved.

".. The long tradition of deference to the Fed's policy independence can even pose a risk: It creates an environment in which any critique of the Fed is seen as out of line, including the idea of reforming how it works."

Vinik quoted the Dartmouth economist Andrew Levin, a twenty-year veteran of the Fed, who published some recommended central bank reforms in conjunction with the Center for Popular Democracy's Fed Up campaign in 2016. One goal was to make the Fed Open Market Committee, which sets Fed policy, more representative of the US public. The FOMC is composed of the president of the New York Fed, four other Federal Reserve Bank presidents, and the Federal Reserve Board, which currently has only four members (three positions are vacant). That means the FOMC is majority-controlled by heads of Federal Reserve Banks, all of whom must have "tested banker experience." As Vinik quoted Levin:

"The Federal Reserve is a crucial public agency, so there are lots of important questions - including the selection of its leaders, the determination of their priorities, and the specific strategy that they are following - that should all be open to public discourse."

Vinik also cited Ady Barkan, the head of the Fed Up campaign, who agreed that questioning Fed policy was appropriate, even for the president. Barkan said the Fed's independence comes from its structure: its leaders are appointed, not elected, for long terms, which inherently insulates them from political pressure. But the Fed must still be accountable to the public, and one way policymakers fulfil that responsibility is through public comments. Monetary policy decisions, said Barkan, are therefore appropriate topics for political debate.

Reassessing Fed Independence

According to Timothy Canova, who is Professor of Law and Public Finance at Nova Southeastern University, the Fed is not a neutral arbiter. Although it is independent of the direct oversight of politicians, the Fed "independence" has really come to mean a central bank that has been effectively captured by very large banking interests. This was not always the case. During the period coming out of the Great Depression, the Fed - as a practical matter - took its marching orders from the White House and the Treasury; and that period, says Canova, was the most successful in American economic history.

The Fed's justification for raising US interest rates, despite admittedly low inflation, is that we are nearing "full employment" which will drive up prices because labor costs will increase. But wages have not increased. Why? Because in a globalized world, the availability of cheap labor abroad keeps American wages low even when the majority of people are working (which is questionable today despite official statistics).

The higher interest rates do not serve consumers, homebuyers, businesses or governments. They serve the banks that dominate the policy-setting FOMC. The president's critiques of the Fed, however controversial, have opened the door to a much-needed discourse on whether the fate of the economy should be in the hands of unelected bureaucrats marching to the drums of Wall Street.

Source: Ellen Brown's blog, 4 Nov 2018
https://ellenbrown.com/

The decoupling delusion: rethinking growth and sustainability

James Ward, Keri Chiveralls, Lorenzo Fioramonti, Paul Sutton, Robert Costanza

Super Pit Kalgoorlie   Source: Flickr cc

No matter how hard we dig, the Earth's resources are ultimately finite.

Our economy and society ultimately depend on natural resources: land, water, material (such as metals) and energy. But some scientists have recognised that there are hard limits to the amount of these resources we can use. It is our consumption of these resources that is behind environmental problems such as extinction, pollution and climate change.

Even supposedly "green" technologies such as renewable energy require materials, land and solar exposure, and cannot grow indefinitely on this (or any) planet.

Most economic policy around the world is driven by the goal of maximising economic growth (or increase in gross domestic product – GDP). Economic growth usually means using more resources. So if we can't keep using more and more resources, what does this mean for growth?

Most conventional economists and policymakers now endorse the idea that growth can be "decoupled" from environmental impacts – that the economy can grow, without using more resources and exacerbating environmental problems.

Even the then US president, Barack Obama, in a recent piece in Science, argued that the US economy could continue growing without increasing carbon emissions thanks to the rollout of renewable energy.

But there are many problems with this idea. In a recent conference of the Australia-New Zealand Society for Ecological Economics (ANZSEE), we looked at why decoupling may be a delusion.

The decoupling delusion

Given that there are hard limits to the amount of resources we can use, genuine decoupling would be the only thing that could allow GDP to grow indefinitely.

Drawing on evidence from the 600-page Economic Report to the President, Obama referred to trends during the course of his presidency showing that the economy grew by more than 10% despite a 9.5% fall in carbon dioxide emissions from the energy sector. In his words:

" …this “decoupling” of energy sector emissions and economic growth should put to rest the argument that combating climate change requires accepting lower growth or a lower standard of living."

Others have pointed out similar trends, including the International Energy Agency which last year – albeit on the basis of just two years of data – argued that global carbon emissions have decoupled from economic growth.

But we would argue that what many people are observing (and labelling) as decoupling is only partly due to genuine efficiency gains.

The rest is a combination of three illusory effects: substitution, financialisation and cost-shifting.

Substituting the problem

Here’s an example of substitution of energy resources. In the past, the world evidently decoupled GDP growth from build-up of horse manure in city streets, by substituting other forms of transport for horses. We’ve also decoupled our economy from whale oil, by substituting it with fossil fuels. And we can substitute fossil fuels with renewable energy.

These changes result in “partial” decoupling – that is, decoupling from specific environmental impacts (manure, whales, carbon emissions). But substituting carbon-intensive energy with cleaner, or even carbon-neutral, energy does not free our economies of their dependence on finite resources.

Let’s get something straight: Obama’s efforts to support clean energy are commendable. We can – and must – envisage a future powered by 100% renewable energy, which may help break the link between economic activity and climate change. This is especially important now that President Donald Trump threatens to undo even some of these partial successes.

But if you think we have limitless solar energy to fuel limitless clean, green growth, think again. For GDP to keep growing we would need ever-increasing numbers of wind turbines, solar farms, geothermal wells, bioenergy plantations and so on – all requiring ever-increasing amounts of material and land.

Nor is efficiency (getting more economic activity out of each unit of energy and materials) the answer to endless growth. As some of us pointed out in a recent paper, efficiency gains could prolong economic growth and may even look like decoupling (for a while), but we will inevitably reach limits.

Moving money

The economy can also appear to grow without using more resources, through growth in financial activities such as currency trading, credit default swaps and mortgage-backed securities. Such activities don't consume much in the way of resources, but make up an increasing fraction of GDP.

So if GDP is growing, but this growth is increasingly driven by a ballooning finance sector, that would give the appearance of decoupling.

Meanwhile most people aren't actually getting any more bang for their buck, as most of the wealth remains in the hands of the few. It's ephemeral growth at best: ready to burst at the next crisis.

Shifting the cost onto poorer nations

The third way to create the illusion of decoupling is to move resource-intensive modes of production away from the point of consumption. For instance, many goods consumed in Western nations are made in developing nations.

Consuming those goods boosts GDP in the consuming country, but the environmental impact takes place elsewhere (often in a developing economy where it may not even be measured).

In their 2012 paper, Thomas Wiedmann and his co-authors comprehensively analysed domestic and imported materials for 186 countries. They showed that rich nations have appeared to decouple their GDP from domestic raw material consumption, but as soon as imported materials are included they observe "no improvements in resource productivity at all". None at all.

From treating symptoms to a cure

One reason why decoupling GDP and its growth from environmental degradation may be harder than conventionally thought is that this development model (growth of GDP) associates value with systematic exploitation of natural systems and also society. As an example, felling and selling old-growth forests increases GDP far more than protecting or replanting them.

Defensive consumption – that is, buying goods and services (such as bottled water, security fences, or private insurance) to protect oneself against environmental degradation and social conflict – is also a crucial contributor to GDP.

Rather than fighting and exploiting the environment, we need to recognise alternative measures of progress. In reality, there is no conflict between human progress and environmental sustainability; well-being is directly and positively connected with a healthy environment.

Many other factors that are not captured by GDP affect well-being. These include the distribution of wealth and income, the health of the global and regional ecosystems (including the climate), the quality of trust and social interactions at multiple scales, the value of parenting, household work and volunteer work. We therefore need to measure human progress by indicators other than just GDP and its growth rate.

The decoupling delusion simply props up GDP growth as an outdated measure of well-being. Instead, we need to recouple the goals of human progress and a healthy environment for a sustainable future.

Source: The Conversation, 13 Mar 2017
https://theconversation.com/the-decoupling-delusion-rethinking-growth-and-sustainability-71996

Renewables reduce energy prices in South Australia

Editor

The following is an extract from a recent article on energy prices by Dr Bruce Mountain and Dr Steven Percy [1]:

" Faced with a complex problem, policy makers often turn to specialists who simulate the future using their assumpt-ions of costs and investments and their characterisation of the power system and market. This sort of thing has a dismal track record in predicting prices and is susceptible to the perception, even if not the reality, that she who pays the piper picks the tune. An altern-ative is a data-driven regression that analyses large quantities of historic market data to understand the factors that have driven energy prices in the past. This approach requires fewer assumptions, and the predictive power and quality of the model is objectively measured. Even though the future is uncertain, we might be able to get a better sense of it by looking carefully at the past. We used this approach to to analyse South Australia's wholesale prices from July 2012 to July 2018, during which period the annual average wholesale price increased by more than 30%.

" There are many potential explanations for this increase: the last coal-fired power station closed in South Australia and two coal-fired power stations also closed in Victoria; a greenhouse gas emissions tax came and went; electric-ity generation from the wind and sun increased by around 70%; while the price of gas rose by a similar amount. However, our research found by far the biggest reason for higher wholesale electricity prices in South Australia is higher gas prices. It does not help that so much of South Australia's gas-fired electricity generation is remarkably inefficient.

" Displacing expensive gas that is inefficiently used with cheaper sources of electricity can be expected to reduce wholesale prices. And so it does. In fact we found that in 2018, wind and solar generation in South Australia reduced prices by A$38 per megawatt-hour from what they otherwise would have been. Consumers were charged A$11 /MWh to subsidise this production, suggesting the subsidy paid for itself more than three times over. In the market, prices are providing incentives for the develop-ment of storage and its substitutes and market participants are responding to these signals with significant investment in batteries and their substitutes and complements.

" Chief Scientist Alan Finkel's excellent energy policy review popularised the concept of an energy "tri-lemma", which suggests that electricity policy needed to address trade-offs between prices, reliability, and emissions reductions. But our research finds, emphatically, that renewable electricity generation brought prices down from what they otherwise would have been – and is likely to continue to do so. In electricity there is no dilemma between decarbon-isation and lower wholesale prices. System reliability and security must be prioritised in the transition to cleaner sources of power. But whether there is a dilemma between reliability and a cleaner power system remains to be seen. [In our view] the "tri-lemma" concept is already past its prime. Policy makers of all persuasions need to reflect this in their thinking. "

1. https://theconversation.com/the-verdict-is-in-renewables-reduce-energy-prices-yes-even-in-south-australia-108251?

Letters

From: Alan Ecob (NSW)

Can the U.S. counter China's growing economic power?

Following the 'no agreement' APEC meeting, it's evident that China is continuing with its 'one belt, one road' strategy with a view to gaining global economic dominance. And as made clear by Ellen Brown's *Web of Debt Blog* of 5/25/2018, within present thinking, the US will not be able to effectively compete against this.

Yet even within this constraint, it may be possible for the US to play a significant role in the game. To enable this, it would first need to persuade all 1B1R client states to insist that if debt repayment to China becomes uneconomic or too onerous, they retain the right as a sovereign state to offer the subject property at **public auction**, with the net proceeds paid as satisfaction of the debt. If this became generally accepted, the US could establish with its Federal Reserve a trillion dollar *Free Global Economy* fund to enable it to bid at such auctions and purchase infrastructure assets at what in many cases could be 'fire-sale' prices.

If matters proceeded in this way, the global situation could become one of competition between the dollar and the renminbi to become recognised as being the preferred global reserve currency. This is one that the dollar could expect to win to its increasing advantage.

I'd be interested in Ellen Brown's view of this approach.

From Wayne McMillan (NSW)

Economics: Do we want a quick fix, a cosmetic makeover or a new paradigm?

Since the 2008-09 Global Financial Crisis we have been getting some discussion in the regular press about the capitalist system and how it's performing - surprise surprise!! Ideas on new concepts of economic organisation, Minsky moments, and changes to economic orthodoxy abound. But very few have yet figured out that we need to think way outside the mere socio-economic to solve our problems. Is the capitalist system some sort of homogeneous and amorphous blob-like, unchanging creature? I don't think so! We haven't even begun to understand this evolutionary phenomenon until we realise there are different types of capitalism, just like there are different types of biological species, although they might appear and act in similar ways. Anglo-American capitalism is certainly different to Nordic capitalism and both differ from continental capitalism, while all three differ from Australian and New Zealand forms of capitalism.

Economics hasn't fashioned the tools yet to come to grips with this subject, but maybe at first glance - looking at economic history, archaeology, anthropology, psychology, sociology and biology - they can help us get a clearer picture of what we are dealing with. All societies create - either consciously or unconsciously - what they believe they want or need as influenced by media, politicians, spin doctors, academics, corporate business, religion, philosophers, the special interest groups, and current as well as outdated myths.

Therefore the economic systems we have developed come out of this ever changing mish-mash, this melting pot of influences, mores, conventions, ideas, beliefs and myths. We have created ferocious resource-eating, international, economic systems that spew out environmental pollution, create inequalities of power, wealth and income, and make some nations rich while keeping others poor.

Clever, innovative thinkers are turning to ecology, biology, climate science, physics, neuroscience and the cognitive behavioural fields of research, and even spirituality, to formulate new approaches that move beyond thinking just about mere economic growth. Humanity has massive environmental problems to overcome, all connected to sustainable resource use and recycling.

We don't yet understand fully how the financial system interacts with, affects and impacts on, the production of goods and services. We don't understand fully how people make economic decisions, although behavioural economics has made some head-way.

To continue to create static, mathematised models that are at best only approximations to real world operations would also be retrograde. Whatever economists decide on, their analyses must include a form of modelling that captures the organic, dynamic nature of economies.

What we attempt to measure in our national accounts is also important. Unpaid and volunteer work are not accounted for in the Gross Domestic Product (GDP). We don't have indexes for measuring the multiple effects of unemployment and inequality which are the hidden costs for societies. We don’t have a wealth index. We don't have a credible pollution index or measure for different resource uses and their costs. We don't have an accurate and broad measure for health and illth. There are so many things not measured that add up to human well-being - or alternatively create human misery - that have not yet been measured. Hidden social costs and benefits should be measured by an intelligent and caring society.

We have the power to change the current evolving dominant economic monster called "the economy" and create something entirely new, if we are seriously concerned about our world. Yes we have the power to change things, and the question is do we want to effect change for the good of humanity?

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Economics is haunted by more fallacies than any other study known to man. This is not an accident. The inherent difficulties of the subject would be great enough in any case, but they are multiplied a thousandfold by a factor that is insignificant in, say, physics, mathematics or medicine - the special pleading of selfish interests. -- Henry Hazlitt

Regular crises perpetuate the past by reinvigorating cycles which started long ago. In contrast, (capital-C) Crises are the past's death knell. They function like laboratories in which the future is incubated. They have given us agriculture and the industrial revolution, technology and the labour contract, killer germs and antibiotics. Once they strike the past ceases to be a reliable predictor of the future and a brave new world is born.
-- Yanis Varoufakis

You know and I know, and economists know, that trickle-down economics doesn't work.
-- Dannel Malloy

End of Year Dinner 2018

ERA is organizing an End of Year Dinner, to be held at the King's Head ballroom in Adelaide on Thursday 27 December 2018, beginning at 6.00pm. There will be two speakers at this event, which will be video recorded. If you intend coming, we would appreciate an advance communication, so that the number of attendees can be assessed. The main agenda is as follows:

1. **Three ways of being - The individual and society**
   Bernard Thomson

In this presentation Bernard Thomson will explore how as individuals we relate to society in three distinct ways and how society is structured in response. He will endeavour to make clear that the economy is but one of three important domains in which we exist, and will show where the economy fits and does not fit.

2. **Dinner**
3. **Exposing the resource decoupling myth**
   Philip Lawn

Conventional economists and policymakers mostly endorse the idea that growth can be "decoupled" from environmental impacts – that the economy can grow without using more resources and exacerbating environmental problems. Assoc Prof Philip Lawn will show that this is a delusion which simply props up GDP growth as an outdated measure of well-being.

ERA Annual General Meeting 2018

The AGM occurred on Saturday 27 October. The officers elected for the following 12 months are the same as for the previous year, except that the post of minutes editor has lapsed (this function will be performed in future by the minutes secretary and ERA secretary), and the position of research officer has been declared vacant. Several lapsed members renewed their membership during 2018, and we also gained several new members. Elinor Hurst was added to the ERA Review editorial committee. Some progress can be reported in the activities of the ERA Website Subcommittee, and how we can go about modifiying the website in productive ways. A new Facebook page is being created, called the ERA Discussion Group.

ERA membership 2019

If you are not subscribed as an ERA member for 2019, please consider doing so now. We rely on members' subscriptions and donations in order to cover the costs of our activities, including the printing and posting of the ERA Review to those who require a hard copy, and organising public events. The cost details are given on page 32. Subscription payments can be forwarded by post as a cheque or as a money order made out to ERA, or as a credit transfer between accounts. The ERA account details are provided on page 32. It is also possible to join or renew membership using the payment facility available on the ERA website

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John Maynard Keynes quotes:

1. Capitalism is the astounding belief that the most wicked of men will do the most wicked of things for the greatest good of everyone.
2. There is no harm in being sometimes wrong - especially if one is promptly found out.

ECONOMIC REFORM AUSTRALIA (ERA) INC

Economic Reform Australia (ERA) is a not-for-profit, non-political organisation established in 1993 to offer a broader understanding of how economics affects the lives of Australians. ERA educates and advises decision-makers and the wider community about the economic foundations of a society characterised by social justice and ecological sustainability.

ERA's Patrons

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Membership of ERA is open to all who agree with its objectives and overall philosophy. Forward A$20.00 per annum (A$15 concession) plus A$10 extra for each additional family member, with the new member's address, telephone and fax numbers, plus email address to The Treasurer, P.O. Box 505, Modbury, SA 5092, Australia

New members may calculate the part of the year remaining, remit the appropriate pro-rata amount and also consider the option of paying for the following year. All cheques to be payable to Economic Reform Australia or one can pay by direct credit transfer with the payee's name added to the payment information. ERA's account details are: Beyond Bank Australia, BSB 325-185, A/C No 02228579).

Members are entitled to receive the regular ERA publication *ERA Review*, to vote at ERA meetings and participate in organized activities. Meetings are held at 2pm on the last Saturday of each month at 111 Franklin Street Adelaide SA. Submissions to *ERA Review* should possess relevance, accuracy and a good literary standard.

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