

Three Principles for Building a Green, Responsible, Plural and Caring Economy

Howard Richards
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(1) First Principle. Livelihoods that do not Depend on Sales.

The needs of those who need to sell something to live (to sell either their labor or some other saleable item) usually exceed effective demand. [1] There are more sellers than buyers.

Therefore, in a green, responsible, plural and caring (or “solidarity”) economy there must be work (or some other source of livelihood) that does not depend on sales.

Roughly speaking, work that does not depend on selling can be financed paying for social programs with money siphoned off from the extraction of natural resources (via severance taxes, public ownership, endowments of charities, or in some other way). [2]

(2) Second Principle. Multiple Diverse Dynamics Driving the Economy

The main dynamic [3] that now drives the production of goods and services is profit. In more technical and exact language it is the accumulation of capital. For this reason little can be done that reduces profits (i.e. restricts the accumulation of capital) without also reducing production; [4] that means reducing employment; it means reducing the supply of food, of medicine, of housing, of transportation etc.

A green, responsible, plural, and caring economy must *diversify* the dynamics and the logics that drive and orient production and distribution. Diversification is in principle unbounded. It refers to institutions that have not yet been invented. It also refers to institutions that have been invented, such as (for examples) publicly owned enterprises, mixed

public/private enterprises, recovery of traditional African forms of livelihood, cooperatives, parastatals, pension funds with social conscience, employee ownership (“empresas recuperadas” in Argentina), all kinds of nonprofits, gift economy, community currencies, municipal utilities (electricity, water), subsistence farming (often as a supplement to other survival strategies), swap meets, anchoring capital to a territory and assigning it a mission (e.g. a municipal bank chartered to support local small business), corporate social responsibility, micro business and micro lending schemes like the Grameen Bank, mom and pop shops (which earn no profit but at most earn the equivalent of a wage), self-employment, professional partnerships, neighborhood solidarity, gift economy, fair trade, economy of communion, urban agriculture, community supported agriculture, L.E.T.S., voluntarism, flea markets, subsistence agriculture, hand-me-down clothing, families, permaculture (1. Love the land, 2. Love the people, 3. Share the surplus), production for use, eco villages, monasteries, mothers, fathers, sisters, brothers, friends, do-it-yourself home improvement, indigenous forms of cooperation and sharing, Habitat for Humanity, Medecins sans Frontières, and so on.

To the extent that an economy becomes plural capitalism becomes governable. The “systemic imperative” [5] to create optimal conditions for profit-making (and hence for producing) becomes less imperative. [6]

This second principle articulates a common goal for diverse social movements. Many social movements in one way or another pursue a value that is not profit. Many tend to create dynamics and logics that get production and distribution accomplished in ways that are distinct from the accumulation of capital. To the extent that the sum of their efforts makes people’s welfare less dependent on the confidence of investors (i.e. their confidence that their investments will be profitable) they make capitalism governable. Capitalism becomes governable because now if profit-making is restricted (for example by raising wages or by enforcing environmental laws) then other dynamics are in place to take up the slack so that old livelihoods lost are replaced by new livelihoods added. [7]

(3) Third Principle. Not Just Knowledge and Commitment but also Governability to make Ecological Sustainability Possible.

The greatest threat to humanity is ecological. With the destruction of the fragile biosphere we inhabit, which now seems more likely than not, the life of our species and the lives of many other species will be over.

The necessary transition to green technologies requires governability.

Governability requires the First Principle and the Second Principle.

Without the First Principle the world is ungovernable because of social conflicts. For example, governments often do not dare enforce anti-pollution laws for fear of destroying jobs. Precarious employment and unemployment, and associated evils like the implacable advance of narco-culture and narco-power, are already intolerable. Without the First Principle enforcing green laws threatens to make what is already intolerable worse.

Without the Second Principle the world is ungovernable because of the systemic imperative to create favorable conditions for the accumulation of capital (and therefore for production) cost what it may. For example, the summits at Rio de Janeiro and other well-publicized meetings on environmental issues usually fail because governments do not dare make commitments that would lower profits. The perennial clash between civil society environmentalists and the governments of the industrialized countries is not caused simply by wealthy people controlling the politicians whose electoral campaigns they pay for. The deeper cause is that the system requires profit, always more profit and never less profit. Profit is a necessary condition for the operation of the system's mechanisms for producing everybody's daily bread.

To save mother earth it is necessary to learn from the teachings of our colleagues in the natural sciences. It is necessary to commit to acting in the light of what they teach us. But no amount of scientific knowledge and no amount of commitment will save mother earth without structural changes

like those called for by the First Principle and the Second Principle.

[1] “The celebrated *optimism* of traditional economic theory, which has led to economists being looked upon as *Candides*, who, having left this world for the cultivation of their gardens, teach that all is for the best in this best of all possible worlds provided we will let well enough alone, is also to be traced, I think, to their having neglected to take account of the drag on prosperity which can be exercised by an insufficiency of effective demand.” J.M. Keynes, General Theory p. 33.

[2] This does not mean that all the rents that pay for work without sales have to pass through the public treasury. In the European Middle Ages for example rents from agricultural land were channeled to “hospitals” (in those times general houses of hospitality for people in need, ill or not) through the church and religious orders. Today private foundations sponsor art and science. (For example the Guggenheim Foundation with wealth historically derived from Chilean copper.) They provide employment that does not depend on sales for artists and scientists. To fully understand what I have in mind it is necessary to study the history of the concept of Ricardian rent, and to derive from the debates in that history a concept of intelligent transfer payments. Intelligent transfer payments move non-functional profits (“unearned income”) away from the luxury expenditure and/or unproductive speculations of the leisure class toward dignified livelihoods (not handouts) for the excluded in ways that either (a) do not weaken incentives for production, and/or (b) weaken production incentives so little that the small loss can be tolerated, and/or (c) strengthen incentives for production and/or (d) weaken production in desirable ways (e.g. leaving minerals in the ground for the benefit of future generations)

[3] “Main” does not mean “only.” It also does not necessarily mean that hiring workers in business-for-profit is the source of the majority of employment.

[4] The regulationist school of economists associated with the University of Grenoble holds that there must be a “regime of accumulation.” Politics, culture, religion, education, in fact all of social life, must function to provide guarantees that the conditions necessary for capital accumulation will be

established and preserved.

[5] The phrase “systemic imperative” is from Ellen Wood’s Empire of Capital.

[6] It must be added that even extreme measures that are pro-capital and anti-labor will fail in the long run to keep profits high enough to motivate enough production and distribution to establish general prosperity. Sooner or later a system overly dependent on capital accumulation to keep it going will lead to stagnation like that we see today in Japan, the USA, and the European Union. On this point the arguments advanced by Rosa Luxemburg almost a century ago in her Accumulation of Capital (1913) have stood the test of time. See also Keynes’ General Theory chapter 24. (1936) Regarding the inevitable failure also of the so-called “Keynesian” strategy of keeping profits up by creating an affluent middle class and working class with the purchasing power to buy the products of industry see Howard Richards and Joanna Swanger The Dilemmas of Social Democracies. (2006)

[7] For example in 1971 in the first few months of the Salvador Allende government in Chile private new investment fell to zero, but total new investment did not decline because public investment increased. Although this example is instructive, the solution of humanity’s problems requires something more. It requires de-growth in which loss of old livelihoods is replaced by ecologically sustainable new livelihoods rather than by a different form of ecologically unsustainable industrialization.

Suggestions for Further Reading

Adam Smith, The Wealth of Nations (especially the sections of rent and the sections on profits)

Karl Marx, Capital, (especially volume two)

John Maynard Keynes, General Theory (especially chapters 12 and 24)

David Ricardo, Principles (especially the sections on rent and on taxation)

J. E. King, A History of Post-Keynesian Economics since 1936

Howard Richards and Joanna Swanger, work cited above, available on Amazon

Howard Richards with the assistance of David Faubion Understanding the Global Economy, available on Internet although not on Amazon, also available as an e book

Howard Richards, The Nurturing of Time Future, available cheap on Amazon and on the Dignity Press site, also available as an e book

Go to www.humiliationstudies.org, go to Who are We Global Advisory Board scroll down to names beginning with R. Under Howard Richards there are links to several key writings including Muddle and Create and Human Rights and the End of the Age of Keynes

www.howardrichards.org and also blog of same author.

Powerpoint Zero Unemployment in a Plural Economy by Howard Richards, Joanna Swanger, Catherine Hoppers, and Alicia Cabezudo, available on several websites.

note: "The economy" refers indifferently to the local economy, the regional economy, the national economy, and the global economy. The premise of this indifference is (in the language of Charles Taylor) that they all are governed by the same constitutive rules.