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Capitalism Crib-Sheet

Introduction

Have you ever discussed economics or politics with someone who takes a safe, conservative viewpoint on everything? All they do is regurgitate clichés: “don’t interfere with market forces”, “it’s just supply and demand”, “healthy competition”, “survival of the fittest”. These clichés are hardly ever challenged, which is why they’re spouted so often. The *Anxiety Culture* crib-sheet is an attempt to provide a handy economic-cliché rebutter.

Some basics about capitalism and the so-called free market

• The current dominant economic system (“capitalism”) is based on the economic notion of *scarcity* – ie not enough to go around for everyone. Economics is nicknamed “the dismal science” because in 1798 Thomas Malthus predicted that since population was growing faster than world resources, most of humanity was destined to starve.

• Taking scarcity as a starting point, capitalist theory claims the most effective way to distribute limited resources is via a free, competitive market. The logic of “classical free-market economics” (which originated in Adam Smith’s 1776 book, *The Wealth of Nations*, and on which capitalism claims to be based) is that by rewarding the most efficient, competitive people, efficiency and competition are promoted, and everyone benefits more than if *in*efficiency was rewarded.

• The current economic system is also based on Social Darwinism. If there isn’t enough to go around (ie if Malthusian scarcity applies), then “survival of the fittest only” is also said to apply. Thus capitalism invokes Darwinian “natural selection” as a further justification for economic competition.

Some basic economic facts:

• Since the 1970s, inventories of global resources have shown enough food, energy and material resources to maintain a very high standard of living for every person on the planet. *(Source: World Game Institute – custodian of the world’s most comprehensive database on resources).*

• The underlying premise of capitalist economics – scarcity of resources – no longer reflects the real-world situation. A dog-eat-dog economy no longer makes any sense.

• The technological know-how is available (but not currently utilised) to ensure the high standard of living for everyone on a sustainable, ecologically non-disruptive basis. *(Source: ibid)*

• According to research, most of the world’s economic, social and environmental problems – poverty, illiteracy, soil erosion, disease, etc – can be solved by spending 30% of the money currently spent on the military. *(Source: ibid)*

• Worship of competitiveness is the norm under capitalism. However, a quick glance at the history of scientific, medical, social and artistic innovation will reveal that most of the important and beneficial inventions/discoveries were created in *non-competitive* contexts.

Decades of the competitiveness fetish have given us:

• A planet on which someone starves to death every 36 seconds.
• 225 richest individuals in the world whose combined yearly income equals the total yearly income of half the world’s population.
• A country (UK) in which 1 in 3 children live in poverty *(source: UK government report, Summer 2000).*
• A “richest country in the world” (USA) which has a level of inequality (gap between rich and poor) higher than at any time since the Great Depression *(source: Centre on Budget and Policy Priorities, 1999).*
• A society in which, despite huge productivity increases and technological advances, a high proportion of people are working longer hours and earning less (allowing for inflation) than in the 1970s.
• A record level of consumer debt in the UK and USA. Average debt per UK family: £6,000 *(Guardian 29/9/00).*

Economists believe this poverty, inequality and debt will naturally fall or rise to “optimum” levels, at any given point in time, as a consequence of the “market mechanism”. The market is seen as a kind of neutral arbiter which will always balance things out in the best possible way. This effect is known as the benign “invisible hand” of the market. Free-market adherents believe that governments should not interfere with the “laws” of the market.

The promise that “things will turn out for the best if left to the market” seems a remarkable denial of the fact that poverty, inequality and working conditions have worsened over the last two decades of “monetarist” market economics.

The old idea of the market acting as a benign “invisible hand” now seems naïve. The market mechanism reflects what people want to buy – and these wants (cars, mobile phones, pizzas, etc) are largely determined by cultural values. So the market does little but perpetuate *existing values* in a culture – ie it serves the status quo (known as *laissez-faire* economics). Ironically, the status quo consists not of a “free” market but of government-subsidised corporate monopolies – and of public legislation shaped by well-funded corporate lobbying.

(For a more detailed exploration of how cultural values influence so-called “market laws”, see the article: *Obsolete Free-Market Metaphors* at the Anxiety Culture website – *www.anxietyculture.mcmail.com/freemarf.htm*).

Money v Wealth

Money should not be confused with wealth. If wealth is defined as that which supports and enhances human life, it’s obvious that money transactions have no direct relationship to wealth creation. *Usury* – making money from money (charging interest) – does not involve any wealth creation, although it does involve someone getting richer in monetary terms. Conversely, some of the greatest wealth creators (inventors, artists, scientists, thinkers, labourers, mothers, etc) receive virtually no money for their wealth creation efforts.

Protection Rackets

Protection rackets first occurred in the Bronze Age when spear-wielding thugs extracted rent from peaceful settlements. Typically, a group of thugs would approach the settlers and say: "it's dangerous around here. Without our protection you might lose some goats". The settlers would respond: "no, it's quite safe – we've never had any problems losing goats before". But then, mysteriously, they'd start losing goats. Until, that is, they paid the thugs for "protection". This territorial racket constituted the first kind of land "ownership". The thugs were the first land "owners". They became the first land "lords", "barons" and "kings". The people they exploited and turned into slaves were the true wealth creators – they grew the food, raised the livestock, made the tools and built the dwellings.

Limitations of the Market

The economic metaphor of the "town centre marketplace" (ie free trade) has many uses, but not even Adam Smith believed the whole of society should function according to market principles. Market logic – the market "mechanism" – is inappropriate for many social contexts. For example:

• Culture – Markets may lower standards

In the UK, TV users must pay a TV licence (to fund the BBC). Publicly subsidised TV is widely regarded as beneficial, due to a perception of commercial TV pandering to the "lowest common denominator". Essentially this reflects a public belief that markets tend to produce "junk" culture. Even free-market supporters seem to acknowledge this "dumbing down" effect.

• Advertising-led choice

One of the central premises of a "free market" is that people are able to make rational, informed choices about what they want to purchase. In other words, they can compare competing products in terms of usefulness, quality and price. Big-budget "brand" advertising, however, bombards people with emotional psychodramas about the social desirability of the "brand name", rather than conveying rational, practical quality/price information about the product. (As a newcomer businessperson, you may offer a better quality, lower priced product than a "brand", but unless you have an advertising budget of millions, it's unlikely that people will purchase from you. They'll buy a "brand" instead, as they've been brainwashed to do by saturation advertising.)

• Winner Takes All

As a result of advertising-led choice, the big companies with huge advertising budgets become even more successful and the small fry – no matter how competitive – go bankrupt or get taken over. This is the business-world equivalent of "the rich getting richer and the poor getting poorer". Ultimately it leads to mega-sized corporations and, finally, monopolies. This is not what the "free market" was supposed to deliver.

• Monopolies

When there is no natural competition, there is often an attempt to simulate the effects of competition – with dubious results. For example, there's no competitive pricing within monopolies, so official regulators are set up to monitor prices. Despite this regulation, monopolies are often accused of "anti-competitive" practices, eg price mark-ups secretly agreed between "competing" supermarkets.

• Artificial Markets

Another unwise attempt to impose market competitiveness is by creating artificial "internal" markets (as at BBC and NHS). The effect of this is usually internal bureaucracy and resentment.

• Environment

There appears to be nothing within the market system to protect the environment. The market relates only to things that can be *priced*. The sea and sky are not priced, so they're ignored. Inevitably, environmental controls are implemented *in spite of* the market.

• Unpaid Effort

The market doesn't recognise some of the most important contributions to society. For example it doesn't reward mothers for raising children. So mothers have to find paid work and abandon their children. The market is too slow to reward ground-breaking innovation. The innovators have to wait decades before their inventions pay off. As a result, very few people pursue a career in invention, innovation or discovery. The market doesn't reward philosophical thinking or artistic excellence (it only rewards the *marketing* of these things). The market doesn't reward social criticism or campaigning, despite taking credit for the social progress created by these unrewarded activities.

• Lawyer-based Capitalism

"Unregulated" and "less government" are popular phrases in market rhetoric. Ironically, the capitalist system depends on a complex legal framework and a powerful state apparatus to enforce the laws under which successful capitalists prosper. Capitalists don't really want less government and less regulation – they just want less government restriction of their *own* activities.

• Decreasing Value of Human Labour

The most crucial limitation of market logic is that it fails to answer a question posed by advancing technology: "what happens when technology reduces the value of most human labour to a point below the cost of living?" The minimum wage policy was a grudging attempt to deal with this question, but it obviously doesn't go far enough. Most low-earning families still need top-up payments from the government to survive. Ninety percent of new jobs pay poverty-level wages. Since the 70s, wages have actually decreased (allowing for inflation) at the bottom end of the labour market. This trend – the decreasing value of human labour – will continue as the cost-effectiveness of technology increases. Under a market system, large sections of the population will not be earning enough to live on.

Basic Income

We like the idea of a "Basic Income" or "National Dividend" – a guaranteed income paid to everybody, regardless of their lifestyle (and *in addition* to any normal earnings). This would remove the stigma of welfare and provide an answer to the question of the decreasing value of human labour (see above). Several economic commentators (Milton Friedman, Robert Theobald, Charles Handy, etc) have been in favour of a such a scheme.

So what does a Basic Income mean in practice? Essentially it means that everybody would benefit financially from the technology-enhanced productivity of the country. Another way of putting it is that every citizen would be declared a shareholder in the nation, and would receive dividends on the country's Gross National Product every year.

Opponents of such a scheme claim it would be inflationary, but this only seems likely if the scheme paid out *more* than the GNP. In fact supporters propose a total amount *up to and not exceeding* the GNP. Critics also claim the scheme would be a disincentive to having a job, but in fact the financial rewards (incentives) from jobs would be no less than they are now.