

-1 Transit to a greener abyss or into a sustainable future?

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Future is non-linear and three-dimensional

World system is in structural crisis. In such situation, greener version of business-as-usual only postpones problems. We need to tackle the roots of the crises while also dreaming and practicing new.

Change is never easy. Not even for science, which is reluctant to give up old theories. It is even more difficult for the rest of the society, where careers are built around old ways, where power and money have stakes.

Most leaders from West and East, South and North have promoted life with a mono vision. Nature and people have been conquered by power-hungry and greedy. Hierarchical power with wars started already thousands of years ago in Mesopotamia. It has old and stubborn roots.

A mono vision prevails which judges all life just in money terms. We must not be tempted to replace one mono vision with another: financial-economic tyranny with tyranny of environment or tyranny of social. The vision has to be *three-dimensional with synergy* of economy, environment and social. That requires a *systemic change*.

We also need new local practices: greener and ethical life-styles, transition towns, solidarity economies, communal living, non-profit co-operatives, time banks and other community exchange systems with local money or without money. As per Slavoj Zizek, we need to start creating new solutions and conditions of possibility. He says, "We are forced to live as if we are already free." We will have to take steps in a situation, which is difficult to predict. We will need to invent new, just as we also need to keep what is good in the old e.g. education as civilizing process, healthcare and basic social services for all.¹ Yet all this is not enough. We also need to tackle larger economic, social and political structures. We need new politics too. Politics that sides with the people, not with corporations.

The challenge

¹ Zizek Slavoj 2010: A Permanent Economic Emergency. In: New Left Review 64 July/Aug 2010.

There are high expectations for the demise of fossil-based economy to transform the whole system. For example, Elmar Altvater² believes that once fossil-energy runs out, it will not only be replaced by greener energy, but everything will change. However, *clean energy alone* will not change the economy. Altvater too warns us that capitalism is a flexible system and capable of reinventing itself. Moreover, it existed already in 1492, before industrial revolution, but in a much slower form.

There are all kinds of optimistic expectations that may not happen. Even *green jobs may* not materialise, unless we change the rest of the system. There are indications that green jobs too will shift to Asia. Clean Energy companies in USA and Europe are struggling. Some have cut jobs and moved operations to China. (IHT 9.9.2010). Fair enough, that is how market works, some may say.

But the booming Chinese clean energy sector, now a million jobs strong, is not coming out of free market competition. Chinese government supports this sector with aggressive government policies unlike other governments. Policies include land for the industries at bargain price or even free; low-interest loans, export subsidies and reduction of red tape. China spends 1 billion \$ a day intervening in the currency market so that Chinese exports become more competitive. China also protects its raw materials including so called "rare earth". "Rare earth" exists almost only in China and it is crucial for solar panels and wind turbines. The good news is that because of all this, clean energy has become more affordable. Bad news is that it has come at a cost of overseas industries and workers and this is not resulting from market-competition.

Old economy is linear

It took quite a historical while to understand that the world is not flat. How much longer will it take to understand that world does not work nor change in a linear way. Our old economy has been constructed as linear. It assumes that economy starts with raw materials and simply ends with their disposal. Economy is not seen as part of natural cycle nor just as one form of social construction.³

Economy is chasing growth. Much of this growth is based on debt. Debt is the root of environmental problems too. Credit system entices business to expand without limits. It also encourages people to spend more and to

² Altvater Elmar 2010: Life after the Peak Capitalism and the Market Economy. <http://www.indybay.org/newsitems/2010/08/03/18655217.php> He is an emeritus professor in political science and a member and advisor of ATTAC Germany,

³ David Boyle and Andrew Simms in The New Economics. Earthscan, page97.

live beyond their means.⁴ In both ways money system gets disconnected from the limits of reality. There is another disconnect too: Money just circles around itself.

In 2006 out of daily exchange of 3 trillion dollars, up to 90 % of it was used in speculation.⁵ More recently, Bank of International Settlements showed that only 13 % of the 4 trillion dollars in the worldwide foreign exchange ended up with the “non-financial customers” to be used for the real economy. As much as 39 % is simply traded back and forth between banks. This kind of liquidity has been considered good for global trade and growth.⁶ Tobin tax is resisted for this reason, in belief that it distorts the assumed positive liquidity. However, a new study by Andy Haldane of Bank of England "Patience and Finance" shows - based on 20 years' evidence - that huge increase in greater trading⁷ liquidity unlocks the impatience gene. Investors whose judgement is wrong, but whose timing is right, can make immediate gains, but generate over-trading and under-investment.⁸

There is yet another disconnect. One third of global wealth is hidden in tax havens.⁹

Hazards of green capitalism

There is a real danger of emerging green capitalism and a hazard of confusing it with ecological development. Green capitalism does not challenge the fundamental political and economic system we have. For this reason, it is palatable to the present leaders. Green capitalism reshapes environmental crisis to its own purposes.¹⁰ There is money coming from green value-addition. Green capitalism cannot solve environmental crisis because it is not able adequately value nature.

Green capitalists claim that they do not need slow-growth or no-growth economy because they already use less natural resources and save

4 Nearly all the money in circulation was created in the form of bank loans. We need these loans in order to have money to exchange goods and services. Loans leach vast fees and bonuses from the savers and credit takers.

5 Mainly from foreign exchange markets. Foreign exchange London quoted by David Boyle and Andrew Simms, page 7.

6 <http://webcache.googleusercontent.com/search?q=cache:ifoqMSy6XFQJ:uk.reuters.com/article/idUKTRE68725M20100908+bank+of+international+settlement+13+%25+of+%24+4+trillion+with+nonfinancial+customers&cd=7&hl=fi&ct=clnk&gl=fi>

7 Liquidity has come at the cost of shorter holding periods; more volatility of prices compared with shift in fundamentals; and much greater deviation of prices from measures of fair value.

8 <http://www.bis.org/review/r100909e.pdf>

9 Tax Justice Network 2005: The Price of Offshore, London.

10 Rogers Heather 2010: The Greening of Capitalism. In: ISR Issue 70, March-April 2010.

<http://www.isreview.org/issues/70/feat-greencapitalism.shtml>

biosphere. DuPont, for example, has voluntarily adopted goals of Kyoto protocol and made savings. We must look at the savings they make. What do they do with the climate savings? They put them right back to make more chemicals and growing their business. That is the logic of the capitalism: you have to grow or you loose out in competition. *The climate savings are never retired.*

Heather Rogers in “Green Gone Wrong”¹¹ warns us about green capitalism with its supposedly eco-friendly products and slick marketing by companies like BP and Exxon Mobil, Wal-Mart and others. Organic products are not always organic and fair trade products include unethical processes.

Relying just on market will not work because consumers will never have sufficient *information* to make green and ethical choices. Multinationals and big corporations distort information and market, simply by their monopolistic power and strong influence with links to governments. Stricter regulations with accountability and stronger political consumer movements are required.

There is also a problem in adding true costs of ecological resources to costs of manufacturing and products. According to this rationale, when manufacturers use less natural resources in production, cheaper will the products become. Consumers are expected to naturally gravitate to less expensive and to least resource-intensive products. Subsequently, due to laws of competition, other manufactures would follow.

While it is true that to protect environment, we need to internalise environmental and climate costs, Rogers reminds us that it must not happen at cost of cheap labour. *Otherwise, ecological sanity will bring with it social insanity*: greater economic hardship for the poor.

That is not all. Rogers also asks whether *cost/price integration is realistic*. Where would it start? Where would it end? When calculating environmental impacts of a bag of potato chips, where would it start? In the chip factory or in the potato field? With the manufacturers or in the battle fields that maintain U.S. dominance over global oil supplies? When all is included, products could become impossibly expensive.

Some solutions

We need to have an economy that integrates environmental and social

¹¹ Rogers Heather: Green Gone Wrong: How our economy is undermining the environmental revolution. Scribner 2010.

concerns *without reducing them to economism* and making them just into financial pawns. We need to have an economic system that produces more equal outcomes and encourages local trading and resorts to overseas exchange of products only when these products are not nationally or locally available (now similar products travel long distances back and forth). We need a system that promotes decent work and self-sufficient livelihoods, fair trade and fair tax system. Moreover, we need to abolish monopolies and cut down the mega size of credit institutions.

We need economy but it has to serve the majority of people not just benefit rich minority. We have to stop privatising public spaces and public services. We also need to calculate the value of public services in a novel way so that their long-term worth to people and communities is returned. They are investments for good society, not costs.¹²

During the present crisis, only banks have been propped. Some of these banks are involved in financing fossil fuels such as RBS in UK. Using public money to support banks in trashing the climate embodies the absurdity of the economic and political system we live in. We need to stop using taxpayers' money to finance tar sands, coal and all fossil fuels. And we need to have democratic financial institutions that serve the needs of the people, communities and environment. We must not promote *false solutions* such as bio-fuels, carbon trading.¹³

Societies need financial resources, but it is not enough just to look at the growth. It is not how much more money there will be but *where it flows* to, how fast and who benefits. Money that circulates to real production is like *lifeblood*: it keeps industries and communities alive.¹⁴

We need to *judge government's financial decisions from their effects*: Is money going to production to create tax and more resources that benefit small enterprises and common good? Or it seeps out of the country to tax havens and other unproductive destinations? Same analysis must apply to local level: does money circulate or just seeps out and hollows our local communities and its infrastructure? We must also look at what happens to industries: are they just becoming empty shells that only deliver financial services.¹⁵

Our immediate challenge is with the ongoing crisis. This crisis is also an opportunity. Zizek quotes Mao - of whose policies I have no illusions.

12 Boyle and Simms page 167-168.

13 <http://www.climatecamp.org.uk/actions/edinburgh-2010/why-rbs>

14 Ibid, 103.

15 David Boyle and Andes Simms: The New Economics, pages 60, 86.

Mao said "Everything under heaven is in utter chaos: the situation is excellent." Chaos is a birthplace of new. We do not need more chaos, because it has a terrible price. It is nevertheless correct that in a crisis situation lays a possibility to take even difficult things forward. This may be the auspicious time, which Sri Lankans villagers described to me as time when the lion is afraid of the mouse!