

A huge political coalition is needed to keep our planet safe and to fight inequality

By Jorge Serrano,
Director of the Advocacy Department at Fundación Entreculturas, Madrid, Spain

History may well be seen as a succession of excesses of power. Whenever an excess of power sustained by individuals or institutions has been evident, there has always been a more or less explicit "struggle" between those who hold the power and those who don't. In most occasions, this has ended in war or physical violence and has always included real battles of ideas.

Allegations of Luther in the sixteenth century against the excessive power of the Pope, John Locke's proposal to separate the three branches of government that held absolute monarchies in the seventeenth century, Adam Smith's proposal in the eighteenth century to eliminate the unfair privileges of guilds and oligopolies or Marx's complaint in the nineteenth century against the excessive power of entrepreneurs are good examples of these battles of ideas.

In all cases, it took almost a century to crystallize those ideas, but this eventually led to radical changes that finally removed such excesses of power: the denunciation of Luther in the sixteenth century led, a century later, to the thirty years war that significantly reduced the political power of the Pope; The proposal of John Locke in the seventeenth century of separation of the three branches of power and its defense that sovereignty resides in the people, was the origin of ideas that fostered the French Revolution a hundred years later; The proposal of Adam Smith in the eighteenth century to eliminate the privileges of guilds and oligopolies triggered the industrial revolution a century later; And finally the ideas of Marx in the nineteenth century led to the communist revolutions of the twentieth century.

We should wonder now who owns an excess of power today. There is no doubt that banks and financial institutions hold an excess of power that is very difficult to compete with. Today, power is not in papal bulls, or the crown, or guild privileges, or the means of production. Today, power lies in money more than ever before.

And if money is power, economic inequality is a dictatorship. So if we really want a democracy, we must fight against economic inequality or reduce the power of money or perhaps both at the same time.

How is it possible that the idea of inequality that is obviously against the natural idea of brotherhood won the battle of ideas?

During the last three centuries, inequality has been justified as follows: "*The rich, by their natural selfishness and rapacity, only following their vain and insatiable desires, employ thousands of people, dividing with the poor (through their salaries) the fruit of work. Thus the rich are led by an invisible hand to advance the interests of society*". These words of Adam Smith (1759), the father of liberal economics, though perhaps judging the rich too harshly; perfectly describe how the system works: immoral greed is the economic engine that finally benefits society as a whole. All the state has to do is prevent that greed does not lead to agreements between employers to reduce wages and raise prices, which would go against the general interest of society. The problem is that using greed as an economic engine has its risks. It is as dangerous as trying to use a dragon as a means of transport.

Certainly it was the ambition to possess and consume that helped the industrial revolution to take place with its constant technological improvements, resulting in amazing increases in the

productivity of our work. The fruits are undeniable. If we measure extreme poverty with current standards we can say that we have moved from a situation in 1700 in which the whole world's population lived in extreme poverty to a situation today in which "only" one sixth of humanity lives in extreme poverty. Another example of the undeniable progress of the industrial revolution has been the dramatic increase in life expectancy for a large portion of the world population going from 35 years in 1700 to almost 80 years now (in some countries like Sierra Leone life expectancy remains at the same levels as in 1700).

Leaving aside the obvious immorality and injustice inherent to any greedy attitude, we must acknowledge the audacity of Adam Smith and admit that during these three centuries the system has not only generated exorbitant material benefits for the rich but has also led to significant benefits for society as a whole.

Obviously this "miracle" was possible because the amount of goods that are produced each year has been increasing significantly during the last two hundred years (the cake would not stop growing) allowing the rich to significantly increase its portion every year, without preventing a little increase in the portion of people employed by the rich.

From a moral point of view, nothing of what has been said here can justify a miserly greedy attitude, but from an economic and political standpoint, one could argue that this system is justifiable because it allows the pie to grow for all although distribution is very uneven.

But is it possible to indefinitely sustain this growth?

Consider a tiny economic growth of 1% a year. If we maintain this level of growth indefinitely, the world's average income per capita would be as big as 1.000.000.000 euro per year. This is pure mathematics. Sustained growth of 1% over a thousand years leads to multiplying the per capita income by 21.000. Obviously this is not possible as we would need a few hundred planets. Therefore it is obvious that you can't sustain economic growth forever and that at some point growth will stagnate.

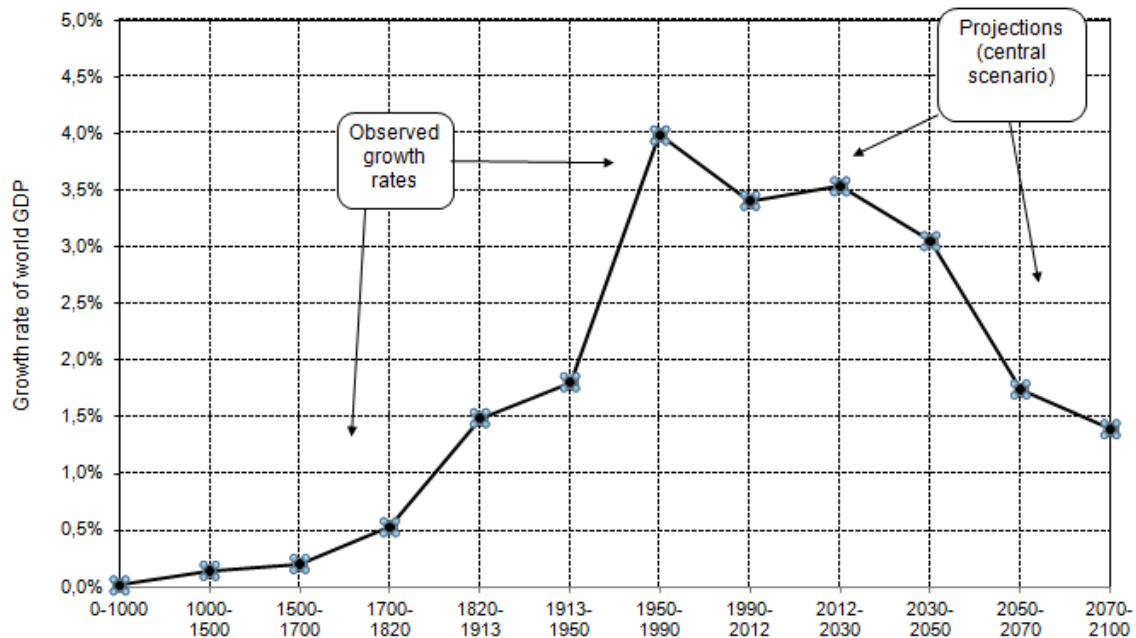
We can certainly improve productivity indefinitely through new technological inventions but we can't increase production indefinitely while we live in a finite world. In other words: "We can decrease indefinitely the time that we need to pick the apples from a tree, but we can't increase indefinitely the production of the tree".

Now that it is clear that we can't sustain growth indefinitely, the question that arises is how far we are from the limit of growth. Anyone with a minimum of environmental awareness is fully alarmed when we see the rate at which the Amazon rainforest is disappearing as a result of intensive cultivation of soybeans to produce feed for cattle worldwide. Eating meat requires ten times more land (for production of animal feed) than eating vegetables, so it is enough that all Chinese people want to eat meat as much as Europeans to say "good bye" to all the Amazon rainforest.

We are also alarmed when we discover that the Aral Sea, that we studied when we were young, has disappeared to irrigate cotton plantations that supply the raw material for the Asian textile industry that produces clothes for almost the whole world population. Not to mention the rate at which we are exploiting reserves of oil, natural resource mines or seas.

Environmental limits mark the limits of our finite planet. We can see them or not, but that will not alter the reality that growth is running out. Let's look at the evolution of global economic growth since antiquity and its projection for this century according to the economist Thomas Piketty.

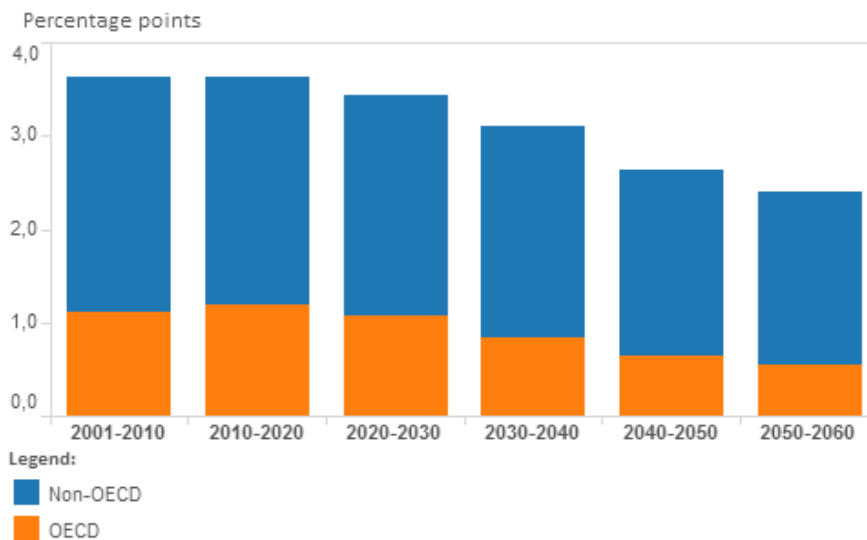
Figure 2.5. The growth rate of world output from Antiquity until 2100



But just in case anyone has more respect for the more conservative projections of multilateral institutions, see below the OECD projections for economic growth for the coming decades:

GDP growth in OECD and non-OECD countries, 2010-2060

Contribution to global GDP growth (annual average, constant 2005 PPP)



We see that the thesis that economic growth is running out is not only defended by a couple of “crazy” environmentalists. All projections of economists and institutions go in that direction because it is just a matter of pure mathematics.

In short, we can increase productivity indefinitely but not production. This means that the amount of work that we are going to need to produce all the products and services that we

need is going to decrease and decrease every year leading to astonishingly high levels of unemployment rates.

The solution to this is pure common sense: if we are more productive, all we have to do is work less. Distribution of work is the only way forward.

By contrast, what is happening today doesn't follow the logic of distribution. The rich keep increasing their share while the cake is not growing anymore. Perhaps one of the best analyses of the current global situation can be read in Thomas Piketty's book "Capital in the XXI century". It warns of the unstoppable growth of inequality since the 80s in virtually every country in the world. Piketty considers that the main causes of increased inequality are slow economic growth and high return of capital. Or what is the same, the cake has stopped growing and the rich keep demanding a greater share. As a way to combat inequality Piketty proposes investing heavily in quality and equitable education and to tax capital globally and effectively.

In the same direction goes the United Nations Special Rapporteur on Human Rights in its recent report on fiscal policies, arguing that states with low taxes (to attract capital) or who fail in their duty to fight against tax fraud are favoring inequality in their own countries and across borders.

The current world situation perfectly reflects the game theory described by the economist John Nash. Only an international agreement to tax capital in all parts of the world, without exception, can lead to the best possible situation. But the incentive to bypass the agreement is always very high because if it is respected by all countries but one, that country will be able to attract almost all the money in the world. The worst possible situation is the one we are currently experiencing today: Every state competing against each other by decreasing their taxes on capital in a "race to the bottom" that is destroying all public policies, and capital is capriciously flowing "at ease".

At this time, the content of the new development agenda that should replace the Millennium Development Goals is being discussed among the governments of all countries around the world. How can we influence this new global agenda to effectively fight against poverty and inequality?

It can be argued that the political power of citizens is not yet globalized as only our votes can influence at national and local level, but this is not quite accurate. The political power of citizens is not only their vote. Citizens exercise their political power through many other ways. A key way is through civil society organizations. We have the advantage of having a civil society that is increasingly global and coordinated through a huge tangle of local, national, regional and global networks.

NGOs are not systems to send money to excluded and impoverished people. NGOs are much more than that. NGOs are organizations that work to create fairer structures. They are, therefore, political organizations. And as political organizations, they should be equipped with a variety of opportunities for political participation for their citizens. This is the way forward. A huge coalition of environmental, social and human rights civil society organizations that channel the political participation of citizens all around the world to push for a logic of distribution in a world that has stopped growing. Because in a world where the size of the cake

has stopped growing due to environmental limits, fighting inequality is the same as fighting poverty.