

Finance, debt and the ecological transformation: a call for system change

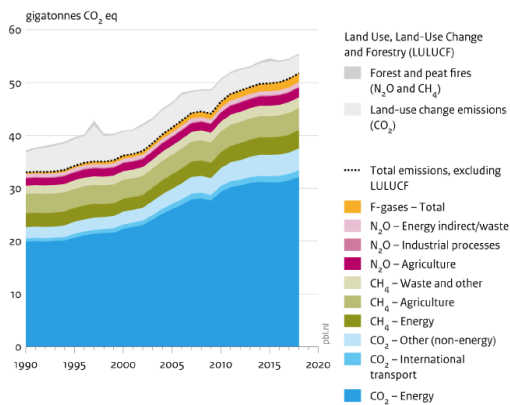
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1. Why a transition?

The eco-socialist transition is not a technical fix, it is an in-depth societal change towards a political economy of work aimed at putting an end to global warming and the destruction of ecosystems caused by greenhouse gases (GHG). This environmental crisis is caused by the "deadly infinity" of capitalism: exponential growth, competition, and profit maximization that together reify the human, "human resources" and nature "natural resources" according to the ordo-liberal 'new-speak'. This crisis is systemic in the sense that its paradigm is a totality that affects the whole of society. The years 2018-19 were, in that respect, remarkable: GHG emissions + 2% (50 Gt of Co2 equivalent) and record concentration of carbon dioxide in the atmosphere (411.41 pp.). The transition is thus urgent; the planet must be 'decarbonised' via a programme of economic and political democracy abolishing capitalism. All models of energy transition require a replacement of fossil energy sources by renewable sources (RES), plus energy savings of about 50% over the next thirty years (2050).

Global greenhouse gas emissions, per type of gas and source, including LULUCF



Source: CO₂, CH₄, N₂O excl. land-use change: EDGAR v5.0 FT2018; incl. savannah fires FAO; F-gas: EDGAR v4.2 FT2018
GHG from land-use change: CO₂ from Houghton & Nassikas 2017, CH₄ and N₂O from GFEDv.1s 2019

Capitalism is leading us into the wall of perpetual warming, so we have to 'change course' and find a different route; we must effect a social, political and ecological bifurcation. This new course requires a rupture to leave the current "normality" behind, that is to say a significant change in political conditions, a shift in the balance of power in favour of the forces of

ecological and social transformation, based on a strong social movement, in a context of crisis of the capitalist system. This rupture will then make possible the transition combining a set of processes of significant and progressive transformations, of anti-productivist and anti-capitalist measures in the political, economic and social fields, with the creation of new institutions. A gradual replacement of the current system will therefore occur after the rupture. This system change will be dialectical, requiring a new balance of power resulting from the class struggle: reinforcement of the forces of change and weakening of the dominant forces, until the forces of transformation become hegemonic, that is to say in the capacity to think and lead change for the eco-socialist transition across the whole of society.

The bifurcation will be based on three "de-commodifications"; that is to say, the placement of work, nature, and money outside of the market. They will become "commons" and will thus be instituted. The bifurcation will be anchored in democratic planning, i.e. an alternative system of institutions that will determine the allocation of available resources and that will be needs-base for the production of public services in education, health, housing, transport, social assistance and urban life. It will be multi-level, with local, regional and national planning iterations. For example, an analysis of the biophysical characteristics of a territory will precede the planning phase. In return, the state will have to guarantee in a sustainable way the means to carry out regional and local plans, which implies the abandonment of competition between territories and a political *praxis* of cooperation outside of market considerations.

The transition will then be enacted on the basis of the following objectives:

1. Electricity production from 100% renewable sources by 2050, combining public ownership, energy commons and citizen initiatives.
2. Agricultural production based on the complete elimination of chemical inputs (organic and sustainable agriculture).

3. Transport modes neutral in CO2 and other forms of pollution by 2030.
4. Democratic financing based on decentralised and socialised banking practices.
5. Socially just transition with the popular forces as the main agent of implementation, focused on the democratic management of all economic and administrative entities (self-management for all).
6. Deep transformation and conversion of the military-industrial complex, transport industries, building construction/renovation; these sectors will be subject to the priorities of the transition in accordance with the objectives of eco-socialism.

These planning imperatives are an urgent matter for programming and financing at European level, which must become the number one budgetary priority for the next fifty years (a minimum of 8% to 10% of GDP per year). We thus need a complete transformation of financing practices and of the currency (money) itself. Let us see what the implications are for this specific sector of the economy.

2. Financialised capitalism, money, debt.

Capitalism is a totality with three components: finance capital, commercial capital, and industrial capital; none of these three components can function without the other two. To claim that finance can be separated from the "real" economy "is an illusion; a bank is no less real than a factory. What characterises the financialised capitalism of the post-1983 ordo-liberal era is the growing hegemony of the financial component over the other two. So today we see large industrial entities (ABB, General Motors, Peugeot, General Electric) making more "financial" profits than "industrial" profits thanks to the interweaving of these two types of accumulation; We are also seeing the major investment banks (Goldman-Sachs, JP Morgan and Morgan Stanley) developing partnership agreements with high-tech giants who invest the profits from their monopolies directly into financial accumulation. Moreover, this process also fosters the concentration and centralisation of capital; thus, according to a 2011 study, among the 43,060 transnational corporations, there is a core group

of 1,318 entities. This core owns the majority of the world's largest blue-chip companies and controls about 80% of global revenue; within this core we find an elite of 6,000 to 7,000 individuals, or roughly 0.0001% of the world population who controlled a wealth of US \$ 100,000 billion in 2011¹. Drawing on the findings of the above study conducted at the University of Zürich, Peter Philips and Brady Osborne of Global Research identified the top 10 most centralised and interconnected global financial companies (cross shareholding), as well as the top 10 companies responsible for asset management, also at the global level. This list includes among others Black Rock (USA), UBS (Switzerland), AXA Group (France), Deutsche Bank (Germany), Goldman Sachs (USA) and Natixis Global Asset Management (France). The board of these companies are made up of 161 directors who are the hard core of transnational finance and who together managed in 2013 \$ 23, 900 billion in assets for clients. 136 of the 161 are men from 22 countries. 73 from the United States, 27 from Great Britain, 14 from France, 12 from Germany, 11 from Switzerland, 4 from Singapore, etc. Most reside in New York, Chicago, London, Paris and Munich. Almost all of them, at one time or another, have been affiliated with transnational financial organisations: IMF, the World Bank, the Federal Reserve Board, and organisations such as the G8 or the G20². This very pyramidal structure results from the consolidation of specific interests; as Jacques Bidet sums it up very well, it is a social and political construct:

"The capitalist pole of the ruling class, mixing shareholders and 'agents of profit', presides over all major transformations Capital therefore articulates a policy of exploitation of labour, appropriation of productive and commercial possibilities, location of production, monopolisation of natural resources, and of all the dynamics that drive the life of societies, an economic power which is increasingly transformed into political domination."³

¹ Stefania Vitali, James Glattfelder & Stefano Battiston. *The network of global corporate control*; (September 2011). <https://arxiv.org/abs/1107.5728>

² Peter Philips & Brady Osborne. *Exposing the financial core of the transnational capitalist class*; (Global Research, 2013). <https://www.globalresearch.ca/exposing-the-financial-core-of-the-transnational-capitalist-class/5349617>

³ Jacques Bidet, 'Le concept de classe dominante, de l'état-nation à l'état-monde', *Actuel Marx* 60 (2016) : 107.

This hegemony is reflected in all capitalist entities by the priority given to *return on equity (ROE)* which is the measure of economic performance from the point of view of the shareholders who drive the 'deadly infinity' of capitalism.

Money (the currency) is an essential enabler of this accumulation process. For the ordo-liberal policy makers and for financialised capitalism, money is not a general equivalent or a means of payment, but actually money as capital. It is thanks to money as capital that the cycle of surplus value realisation M-C-M' (money-commodity-money with surplus value), the basis of industrial capitalism, is transformed into the cycle M-M' (money-money augmented by rent), the basis of financial capitalism. This cycle became dominant with the ending of the so-called Bretton Woods system in 1971 (end of the dollar to gold convertibility) and continues today thanks to widespread credit practices and money creation. For example, between 2000 and 2017, the money supply in the United Kingdom increased fifteen-fold in order to "support" the exponential growth in lending practices. Money is therefore linked to credit and debt; these two being inseparable; To fully understand these different uses of money by financial capitalism, it is important to distinguish between public/sovereign debts and private debts, to understand how they are complementary and used by the ordo-liberal policy makers in the European Union.

The so-called sovereign debt crisis is actually an organised social and political struggle to extend the hegemony of finance to the public sector. The ordo-liberal state is above all a capitalist state creating institutions so that they serve capital. Tax policies are a very good example. In France, the various ordo-liberal governments that have reigned since 1983 have implemented the so-called 'plastic handcuffs' policy which consists of reducing revenues, letting the debt slip away, and then saying that it is 'Europe' which imposes austerity. Thus, the tax cuts granted between 2000 and 2010 to the owners of capital and their servants represented a shortfall for the state of € 108 billion; in addition, if we add to this shortfall

the new 'tax gifts' now granted on an annual basis to capitalist entities (€ 140 billion), the cost of tax evasion (€ 100 billion), and the corporate research tax loophole, we discover a total fiscal gift equivalent to 12% of GDP each year. Plastic handcuffs are very effective: the ordo-liberal state is the main architect of sovereign debt. But that is not the end of it; it is important to note that this public debt is very often turned into financial products since states must borrow from large financial institutions which sell these bonds under various disguises. This process turns debt into a financial flow with the highest-risk securities subdivided ad infinitum and offered on various secondary markets allowing capitalists to instantly turn their assets into money- capital (the stock exchanges). This is where a huge transfer of wealth occurs to financial investors who get rich from interest and speculation on debt. But there is even worse; since the great crisis of 2008, the public debt has been used to bail out the banks and the institutions of finance capitalism which are no longer able to function without state funds. Thus, between 2008 and 2015, 21 European states spent €917.4 billion (bn) to save the financial sector; the French ordo-liberal governments offered €118 bn covering capital injections, support of 'rotten assets' and guarantees of bank liquidity; Italy contributed €97.5 bn; Germany supplied €279.2 bn and Spain 174⁴. These gifts were all approved by the Directorate-General for Competition of the European Commission. A superb paradox for finance: the more money it loses, the more money it earns with a gigantic sleight of hand and institutional robbery at the expense of the popular classes.

Let us now take a quick look at private debt in the sense of the debts contracted by individuals – and excluding corporate debt that is another subject. Private debt is a disciplinary tool in the hands of ordo-liberal power that helps to keep popular and subaltern classes in permanent

⁴ Antonio Millaruello & Ana del Rio, *The cost of interventions in the financial sector since 2008 in the EU countries* (Madrid: Banco de España, 2017), 5.
<https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/InformesBoletinesRevistas/ArticulosAnaliticos/2017/T2/files/beaa1702-art10e.pdf>

will be required to provide the necessary funds at the lowest rates for the launching of work collectives without own-capital following the closure of the stock exchanges. They will develop non-market channels allowing the use of local savings resources for local or regional ecological transformation projects such as citizen-based renewable energy source initiatives. In agreement with worker management practices, the boards of directors of all banking entities will be replaced by local, regional and national participatory councils representing the internal work collectives, the users, the various territorial collectives / committees involved in projects and the municipal or regional elected bodies. Their main role will be to put the banks in direct contact with financing needs, particularly for ecological planning, re-industrialisation, public transport, peasant agriculture, etc. The criteria for the allocation of credits will no longer be short-term profitability and profit maximisation but the contribution to concrete projects for the development of the local economy according to the criteria of sustainable development and eco-socialism. Finance will be at the service of needs and no longer in search of M-M' opportunities at the highest rate. Each year, the banking results will be presented locally and subjected to critical evaluation by users.

Building a people-controlled financial structure with provide the "bifurcation" with the means to begin the energy transition and put an end to the deadly logic of capitalism. Today's ordo-liberalism has a very focused constructivist approach whereby it builds institutions that are essential for the political economy of money-capital (the ECB, the IMF, the WTO and the like). It is now time to design our own constructivist approach and build a credible alternative based on democratic control of the commons and on cooperation. We must design the essential features of the political economy of work as mentioned above: socialised banking institutions, needs-based financing practices, planning institutions. Pro-active construction of the alternatives is the pathfinder toward hegemony. But what is the political and social outlook for such a construction today?

To achieve it we must build a new "social bloc" composed of working people involved in task execution, whatever the industrial or service sectors, administrations, or public services. This means about 75% to 80% of wage earners in employment (today about 90% of economically active persons are wage earners). We must recognise and accept the fact that 'the working class' is today much more diverse and heterogeneous than it was thirty years ago; but that being said, it still exists, and it is not so difficult to define the populations whose interests converge and who are most likely to constitute a coherent socio-political group, provided we proceed methodically. It is to the formation of such a coalition that we must dedicate ourselves. As Jacques Duménil and Dominique Lévy remarked in their recent book about the evolving structure of managerial capitalism:

"The fracture between the high salaries of managers and the low wages of the working classes, as well as the hierarchies within each class, are determined by the positions of each individual vis-à-vis the means of production-socialisation. The analytical procedure of separation between classes or class fractions must be based on a concrete analysis of tasks and respective positions along an obedience-authority axis"⁵.

Only a determined and united bloc can achieve the rupture mentioned in our introduction. We must articulate and link the problems that are at the heart of the political economy in order to broaden the narrow economic and corporate demands that are too often the only things that trade-unions are able to formulate, having along the way lost their 'true north' that used to be the emancipation of wage labour. Let us build the alternative in cooperation with movements, trade unions, political organisations. We must include all those who do not participate in the ownership, direction, and management of the great ordo-liberal transformations that ensure the real submission of work and life under capital according to the totalitarian logic of globalisation. If others want to join us, they are free to do so.

⁵ Jacques Duménil & Dominique Lévy, *Managerial capitalism: ownership, management & the coming new mode of production* (London: Pluto Press, 2018), 55.

The rupture led by our social bloc will likely be the result of a revolution because transforming the political economy calls for a new paradigm: system change. Never has a social class in power accepted to withdraw, and the bourgeoisie, as we have seen on several occasions, will not accept. It is possible that we come to power following an economic blockage caused by a general strike, by way of an election, in reaction to an attempted ordo-liberal coup (as in Greece in 2015), following a crisis of legitimacy of the regime caused by a financial crash or a pandemic; no one can predict these conditions of historical change. In all cases, we will have to be constructivists, just like the ordo-liberals: let us propose new state constitutions with three specific elements. First, the change in the property regime with the primacy of social ownership of the means of financing, production and trade; second, the recognition of the commons, and of the usufruct principle of the commons⁶; and third a new legal framework/code recognising the right to worker control and management in all economic and administrative entities. These three elements are society and state pre-conditions necessary to put an end to the real submission of work and life under capital. Let us be the constructivists of the new political economy.

⁶ Pierre Dardot et Christian Laval, *Commun : essai sur la révolution au XXI^e siècle*, (Paris : Éditions la découverte, 2014), 481.