

ANNEX:

AGENDA OUTLINE¹⁰⁸

The text we have seen above, about unproductive capital and new architectures of power, shows that we are facing a systemically dysfunctional planetary system. A strange mixture of abundance of means and fragility of goals. We are technologically powerful, but politically unable to generate a civilized society. A few years ago, we met with Ignacy Sachs, a world-renowned researcher now living in France, and Carlos Lopes, until recently UN Under Secretary-General and the executive secretary of the Economic Commission for Africa, and now professor at the University of Cape Town, to design what would be the major outlines of a functioning society. Not the ideals of the countless utopias that fill our dreams, but a kind of common denominator, which is essential for this society not to fall apart.

A few years ago, in Salvador, during a meeting of the World Social Forum, we spent days discussing these “major outlines” with researchers from diverse origins and orientations, and found that this was a good starting point. If there is a philosophy beneath these ideas, it is that this poor *homo sapiens* tends to glorify himself and to be glorified by how much he manages to amass on this unfortunate planet, showing off his fortunes as if they were so many banners he would have taken from the enemy. The reality is that there are no enemies on this planet, so we had better just look after a better future for all. In a minimally realistic outlook, the measure of success shifts from how much we manage to extract for personal wealth to how much we manage to contribute to the common good, for example, leaving behind us a planet in a better condition and a less conflicted society for our children and grandchildren. Pasteur did not have to be rich to be a man of success and today, he is remembered and respected for his contributions, not for the size of his fortune. This is because vaccines are useful and fortunes per se are not.

¹⁰⁸ The proposals below are part of the text *Crises e Oportunidades em Tempos de Mudança*, published by several editing houses and in several languages. The full text in Portuguese can be found in Ignacy Sachs, *Desenvolvimento, inovação e sustentabilidade: contribuições de Ignacy Sachs*, from Garamond, Rio de Janeiro, 2014.

However, the materialization of a less destructive social universe demands institutional solutions. If another world is possible, we must show that another form of realistic social organization will allow its emergence. The dichotomous view that gave us the bureaucratic state of Eastern Europe on the one hand, and the corporate arrogance exemplified by Wall Street, on the other, is what is in crisis. The modern complex society no longer bears this type of simplification. We must develop more flexible and differentiated processes of regulation, not by strangling decision-making processes, but by bringing them closer to the real needs of society, with more transparency and democracy. As a society, we wish not only to survive, but to have a good quality of life. For that to happen, we need an orderly presentation of the challenges and answers. These are the minimum results to be achieved, alongside the corresponding decision processes.

The proposals or guidelines suggested below have a common denominator: they have already been tested and are being employed in various regions of the world, sectors, or jurisdictions of activity. These are initiatives that have worked, and whose generalization, with the due adjustment and flexibility in view of planetary diversity, are now viable. We have no illusions about the distance between today's political reality and the measures systematized below. However, it seemed essential, in any case, to list the necessary measures in an organized way, since having a clearer goal helps to design another planetary governance. They are not ordered by objectives, because most have simultaneous implications and interactive dimensions. They are points of reference.

1: Retrieving the public dimension of the State

How can we have regulatory mechanisms that work, if the money that elects regulators comes from the corporations that must be regulated? If the agencies that evaluate risk are paid by those who create the risk? Is it acceptable for the heads of a central bank to come from companies that will be regulated and then later return there for a job?

One of the most evident proposals resulting from the last financial crisis, which is mentioned in almost the entire political spectrum, is the need to reduce the capacity of private corporations to dictate the ground rules. The number of laws passed to reduce taxes on financial transactions, to reduce central bank regulation, to authorize banks to make any and all transactions without due oversight, as well as the power of financial lobbies all stress the need to regain the regulatory power of the state. This

is why politicians must be elected by real people, not by corporations, which are fictions in terms of human rights. If we do not have political control over the financing of campaigns and policies that stand for the citizen's interests, short-term economic interests and corruption will prevail. The capture of political power must be reversed.

A widely underestimated dimension of this retrieval is the potential for the decentralization of decision-making and the movement of resources to a local level. The generalized urbanization of the planet brings the possibility for politics to move to cities, where the smaller scale economies of proximity and direct contact between stakeholders allow incomparably greater rationality, and much more democratic procedures, as can be seen in many developed countries and countless cities across the globe. Here, retrieval of the public dimension of the state evolves in the same proportion as politics are appropriated by the citizens.

2: Rethink our accounts

Accounts must reflect the objectives. The GDP indicates how intensively the productive apparatus is being used, but does not indicate the usefulness of what is produced, who it is for, or at what cost to the stock of natural goods. Environmental disasters, the increase of diseases, and the restriction of access to free goods all count as an increase in the GDP. The HDI has already been a huge step forward, but we need to move towards an integrated accounting of the actual results of our efforts, and particularly the allocation of financial resources for development that is not only economically viable but also socially fair and environmentally sustainable.

The methodologies exist and have already been partially used in several countries, sectors, or studies. The expansion of international indicators such as the HDI, the generalization of national indicators such as the Calvert-Henderson Quality of Life Indicators in the United States, the proposals by the Stiglitz/Sen/Fitoussi Commission, the GNI movement (Gross National Happiness) all point to a reformulation of accounts. The adoption in all cities of local indicators of quality of life—see, for example the Jacksonville Quality of Life Progress Indicators, or the IRBEM indicators of the “Nossa Sao Paulo” movement—has become crucial today to assess what really matters: sustainable development and the result in

terms of the population's quality of life. Much more important than measuring the *output*, is measuring the *outcome*.¹⁰⁹

3: Ensure basic income

Critical poverty is the greater drama, both for the suffering it causes in itself and for its articulation with the environmental dramas, the lack of access to knowledge, and the deformation of the production profile in a system not interested in the needs of those who have no purchasing power. The amount necessary to take the poor out of misery is ridiculous when considering the trillions transferred to financial economic groups in the context of the last financial crisis. The ethical benefit is immense because it is unacceptable that millions of children die of preposterous causes each year. The short- and medium-term benefit is great, as the resources directed towards the base of the pyramid immediately stimulate micro and small productions, thereby acting as a countercyclical process, as observed in the social policies of many countries. By expanding demand from the mass of the population, the transfers will generate economic dynamics that end up covering their costs. It will be a win-win situation.

In the longer term, there will be a generation of children who have been fed decently, which will translate into better school achievement and greater productivity in adult life. In terms of political stability and overall security, the impacts are obvious. This is the best-invested money one can conceive, and the experiences of Brazil, and other countries have provided us with all the relevant know-how. The common theory that the poor will cross their arms in idleness if they receive some help is simply not supported by the facts and the notion is deeply rooted in prejudice. In fact, getting people out of poverty stimulates them, and it is, in fact, great poverty and the corresponding lack of opportunities that holds people back.

4: Ensure the right to earn a living

Anyone who wishes to earn their family's bread should have access to work. On a planet where there is an endless number of things to do—including rescuing the environment—the number of people without access

¹⁰⁹ An excellent guide can be found in *Doughnut Economics: 7 ways to think like a 21st century economist* by Kate Raworth. Chelsea Green Publishing, White River Junction, 2017: www.chelseagreen.com

to organized ways of producing and generating income is absurd. We have the resources and the technical and organizational knowledge to ensure that in each village or city there is access to decent and socially useful work. The experiences in the state of Maharashtra in India have proven their viability, as well as the many Brazilian experiments, not to mention the New Deal during the 1930 crisis. These are options where everyone wins: the municipality improves basic sanitation, housing, urban maintenance, food production, and so forth; families will be able to live decently; unemployment insurance expenses will diminish; and society will become better structured and less strained. In the Indian experiment, each village or town is required to have a register of labor-intensive initiatives.

Money borrowed or created in this way represents investment, improved quality of life, and gives excellent returns. The fundamental argument is that it ensures that everyone has his place to participate in the construction of sustainable development. In economic organization, it is essential to think not only about the volume of the resulting product, but also about the social structuring process generated. Industrial ocean fishing may be more productive in terms of the volume of fish, but the process is disastrous for both sea life and the hundreds of millions of people making a living by traditional fishing. The focus on the creation of jobs, in all economic initiatives, has to become central. To have a job is more than putting money in your pocket, it is to have a place in society.

5: Reducing working hours

Under-utilization of the workforce is a planetary problem, albeit uneven in its severity. In Brazil, with 100 million people in the economically active population (EAP), we have less than 50 million formally employed in the private sector, and 9 million public employees. What about the others? The figures do not add up. The informal sector is in the order of 40% of the EAP. Despite the great advances in 2003/2013, a huge part of the nation just "make do" in order to survive. However, when people have high-end jobs they do not have a life because the workload is too heavy. This is not a luxury because there are countless suicides in companies where the race for efficiency has simply become inhumane. Occupational stress is becoming a planetary disease, and the issue of quality of life at work occupies a central space. The social redistribution of the workload has now become a necessity.

The resistance to all of this is understandable, but the truth is that with advances in technology, particularly robotics, production processes have become less and less labor-intensive, and the reduction of the working day is just a matter of time. We cannot continue to set our development on ultra-modern technological islands, while generating a mass of outcasts, because it is about balancing access to income and, consequently, balancing demand. Shortening the working day will not reduce the well-being or the wealth of the population, but will shift it to new sectors. It is important that we become more focused on the use of free time, with more cultural, creative economy, and leisure activities in our lives. We do not necessarily need more cars and more Barbie dolls, what we need is a greater quality of life.

6: A change in individual behavior

In this planet of 7.5 billion inhabitants, with an annual increase of around 80 million, every policy also involves a change in individual behavior and consumption habits. There are a number of ways to organize our daily life that require a change of values and attitudes towards economic, social and environmental challenges: such as respect for environmental standards, moderation in consumption, attention to indebtedness, intelligent use of transportation means, generalization of recycling, and reduction of waste. This dimension of problem solving is essential; it involves appropriate legislation and, above all, active participation by the media.

Today, 95% of homes in Brazil have a television, and the intelligent use of this for information has become fundamental. Faced with the efforts needed to rebalance the planet, it is not enough to reduce advertising that calls for unbridled consumerism. The information dimensions of the media must be generalized. Scientific media has virtually disappeared and the news dwells on the attractiveness of crime and Hollywood/Bollywood, when actually we vitally need a population informed about the real challenges it faces. Much of the change in individual behavior also depends upon public actions: people will not leave the car at home (or give up on having one altogether) if there is no adequate public transport, they will not recycle if there are no corresponding systems for collection, and so on. We need public policies to change individual behavior.

7: Rationalize financial intermediation systems

The final allocation of financial resources is no longer organized according to the end-uses—to spur and guide economic and social activities—but instead suits the purpose of financial intermediaries themselves. This is financialization. Credit activity is always a public activity, whether within the framework of public institutions or within that of private banks that work with money from the public and, therefore, need a charter that authorizes them to make money from other's money. The financial crisis of 2008 has clearly shown the chaos generated by the absence of reliable regulatory mechanisms in this sector. In the last two decades, we have jumped from bubble to bubble, from crisis to crisis, without a balance of power allowing the reformulation of the regulatory system in accordance with the systemic productivity of resources. As long as a more favorable balance of power is not generated, we must battle for effective financial regulation. Money is not more productive where it yields more to the intermediary and we must seek the systemic productivity of a resource that is public.

South Korea has opened a \$36 billion plan to finance public transportation and energy alternatives, generating 960,000 jobs. The positive impact is environmental by reducing emissions, it is anti-cyclical by stimulating demand, it is social by reducing unemployment and generating income, and it is technological by innovations it implements in search of cleaner production processes. It even has an impact that is seldom considered, which is the reduction of the time that people waste in transportation. This is, of course, a matter of public funding, since commercial banks would not have this concern or systemic outlook. Ultimately, resources must be made more accessible so that the objectives of their use are more systemically productive and aim for a more inclusive and sustainable development. Financial intermediation is a means, not an end. In the Brazilian case, this takes the form of a legalized loan-sharking system.

8: Taxation of speculative transactions

One of the most frequently suggested alternatives is the taxation of speculative transactions. In line with James Tobin's old proposal, a rate of, for example, 0.20% on each transaction would drastically reduce the profitability of those who are engaged in the constant movement of capital. This is an action presented by speculators as increasing market fluidity, when in reality it generates herd behavior that throws stock and

commodity prices up and down, while disrupting any organized production planning and productive investment activities. A second important effect of such a rate is that all transactions would be recorded, which would drastically reduce the immense volumes of illegal movements: in particular tax evasion and the use of tax havens. This is a necessary, if not sufficient, measure for the disintermediation of transactions. It would also reduce the various types of leveraged activities that, today, are the main engine of financial institutions. Generating transparency is essential because there is no reason to hide honest earnings.

Among other intermediaries, special attention needs to be paid to those who earn only in the flows via securities that represent rights over other securities and who profits the most from maximizing flows because they are paid by commissions on the volume of transactions. They generate, therefore, volatility and instability, with the monumental volumes that leads, for example, to derivative values in the order of hundreds of trillions of dollars, for a world GDP of 80 trillion. Speculative intermediation—unlike the intermediation of purchases and sales between producers and end users—only worsens inequality and insecurity, while disrupting markets and economic policies.

9: Rethinking the logic of tax systems

A tax policy with balanced collection and which redirects the investment of resources is one of the fundamental instruments available, especially since it can be promoted by democratic mechanisms. The central point is not to reduce taxes, but to charge in a socially fair manner and guarantee an environmentally productive allocation. The taxation of speculative transactions (national or international) should generate funds to ensure funding for essential social and environmental investments. The tax on large fortunes is now crucial in order to reduce the political power of economic dynasties (1% of the world's families own more assets than the remaining 99%). The inheritance tax is fundamental to allow a more balanced sharing for successive generations. Income tax must gain more weight in relation to indirect taxes, with rates that effectively allow the redistribution of income. In particular, we must tax unproductive capital, because as long as financial transactions yield more than investing in production, the system will remain blocked: money, naturally goes to where it earns the most.

It is important to remember that, in general, the great fortunes of the globe are not tied to the planet's increase of productive capacities, but to the

greater acquisition of companies by a single group. This generates an increasingly unstable and less governable pyramid of crossed properties and empires where the major struggle is for control of financial, political, and media power. The tax system must be reformulated in an anti-cyclical direction, so that it favors productive activities and penalizes the speculative ones. It must also be directed towards greater social balance by being strongly progressive and center on environmental protection by taxing toxic emissions that bring about climate change and other disruptions.

Particular attention should be paid to greenhouse gas emission rates, which should play an important role in fund-raising, and may provide resources of prime importance to creating environmental balance. It is becoming clear that the carbon market is simply not sufficient as an emission deterrent mechanism. To establish rates on emissions—already enforced in Sweden, Norway, and Italy—is technically simple, and their widespread use allows private or industrial users to incorporate into their economic decisions the actual indirect costs generated for the entire society, including future generations.

10: Rethinking budget logic

The redistributive power of the State is great and this is evidence through the policies it implements: for example, investments in infrastructure and social policies such as health, education, sanitation, and others that enhance the level of collective consumptions, well as those it can foster, such as energy options, digital inclusion, and so forth. Redistributive policies that involve wages, pensions, credit, pricing, exchange rates, and employment are also fundamental.

The strong presence of corporations alongside political power is one of the main obstacles to balance the allocation of resources. The key is to ensure that all proposals for allocating resources are analyzed under a triple economic, social, and environmental approach. In the Brazilian case, social policies ("Bolsa Familia", social security policies, etc.) have shown that relatively limited amounts of resources are incomparably more productive when they reach the "base of the pyramid". They reduce critical situations and consequently increase quality of life, while stimulating economic activities induced by local demand. Here, economic democratization is essential. The appropriation of decision-making mechanisms for allocating public resources is at the core of corruption processes, involving large corporate caucuses of representatives that are, in turn, anchored in the private financing of electoral campaigns.

11: Facilitate access to sustainable knowledge and technology

The effective participation of the population in the transition to sustainable development involves a dense system of free and public access to the necessary information. The planetary connectivity provided by new technologies enables a broad direct access route. The cost-benefit of generalized digital inclusion is simply awesome because it lightens the load for higher administrative jurisdictions, as communities with access to information become subjects of their own development. The speed of appropriation of this type of technology, even in the poorest regions, can be seen in the propagation of cell phones. The productive impact is immense for small producers who have direct access to markets both with regard to supplies and consumption; thereby escaping the various systems of commercial and financial intermediaries. Generalized digital inclusion is a powerful vector of a process of change that is indispensable today.

The world often forgets that two billion people still cook with firewood; this is an area where there are significant innovations in caloric utilization through improved stoves. Technologies such as the cistern system from the Northeast of Brazil, the use of biomass, less aggressive crop protection systems, and so on are all vectors for changing the culture of production processes. The creation of networks of online technological development centers, with ample capacities, can be found in India, where nuclei were created in practically all the villages of the country. We need to make patent systems more flexible. Access to information is mandatory for the technological changes required by sustainable development. The main factor of production today is knowledge. And knowledge, contrary to physical supplies, is a factor of production where consumption does not reduce an inventory but rather grows it. We are entering a new logic of economic organization: the knowledge economy, where collaborative logic is more powerful and productive than sheer competition.

12: Democratizing communication

Communication is one of the areas that has shown the greatest advances, in terms of its relative weight in the transformation of society. We are permanently surrounded by messages. Our children spend hours exposed to ostensible or disguised advertising. The communication industry, with its fantastic international and national concentration—and its growing interaction between the two levels—has generated a lifestyle shaping

machine: an obsessive consumerism that strengthens elitism, inequalities, and waste of resources as a symbol of success. The circular system allows costs to be embedded in the prices of products we buy, and we are surrounded by a permanent flood of silly messages paid for from our pockets. More recently, corporations use this approach to create a good image of themselves, to present themselves as sustainable and, more broadly, as good people.

The electromagnetic spectrum in which messages navigate is public, and access to intelligent, free information for the entire planet is quite viable. Gradually expanding the mytriad alternative forms of media that pop up everywhere, there is a way to introduce a new culture, other outlooks on the world, diverse and non-pasteurized culture, and pluralism rather than religious or commercial fundamentalisms. The corporate giants of communication are producing an uninformed and insecure society, which is a sure formula for political chaos. The radical decentralization and democratization of the media will liberate the vast regional and local potential for creativity, thereby reversing the widespread pasteurization that prevails today.

13: Redeem the public planning capabilities

A population of 7.5 billion, which increases by 80 million each year, creates pressure on natural resources, explosive inequalities, and a chaotic financial system; this means that we must go back to planning as a necessary governance tool. It is no longer a question of the eternal ideological dispute over the dominance of the State or the private realm, but an understanding that in the mixed society that actually exists, the business, public, and civil society spheres must build a new social context for common welfare. Centralized and state-controlled planning has shown its shortcomings, but without democratic planning, which creates consensus and synergies between the different agents involved, there is no perspective for the governance we need. In the context of the current challenges, we do not lack resources but rather the instruments to use them in a more organized way. Economic, social, and environmental planning is a necessary condition for a more democratic decision-making process, by publicizing the development options beforehand and allowing them to be discussed. The tremendous progress that has already been achieved regarding the technical ability to organize information and to make it available to all levels of society opens up a wide range of opportunities for

a system of resource allocation that is simultaneously centered on common welfare, economic democracy, and management efficiency.

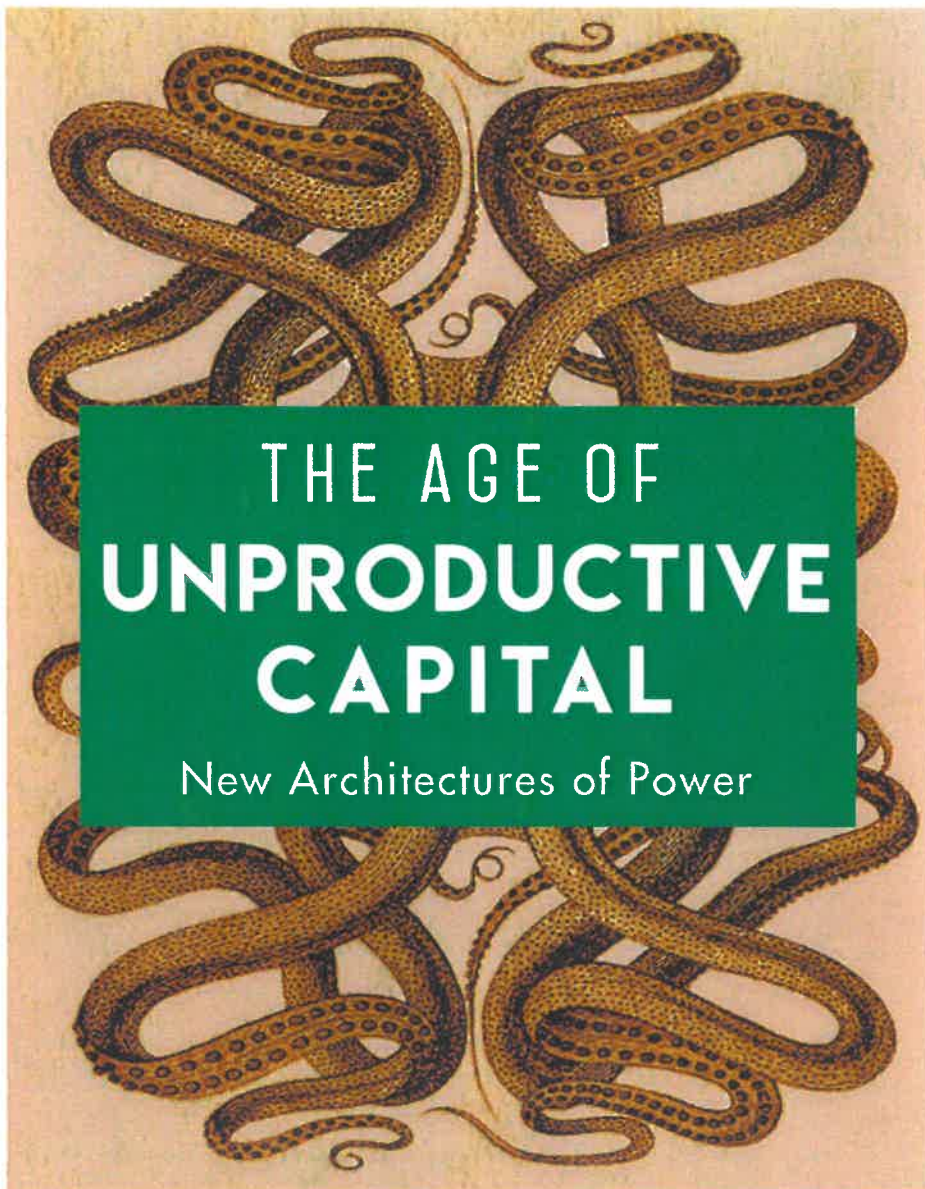
The list of proposals and suggestions can, of course, be expanded. The most encouraging is the impressive multiplication of initiatives in the areas of technology, local management systems, the expansion of organized social movements, solidarity economy initiatives, the use of the Internet to democratize knowledge, the discovery of new forms of less aggressive production, and more balanced forms of access to resources. As such, Brazil has shown that to build a more dignified life for the "grassroots" and the two-thirds of the population relegated to the fringe of society, does not entail any tragedies for the rich. On the contrary, in a more balanced society, everyone will live better. The battle of the elite to block redistribution and to concentrate more privileges only causes chaos for all.

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THE AGE OF
**UNPRODUCTIVE
CAPITAL**

New Architectures of Power

LADISLAU DOWBOR

This book offers a very direct and readable analysis of the main challenges facing our societies today, such as reducing inequality, protecting the planet, and in particular mobilizing our financial resources which linger in tax havens and feed speculation, instead of funding the sustainable development we need. It precisely considers the most important factors, including corporate governance, financialization, capturing political power, and the limits to adequate national economic policies in a world dominated by global finance. The book's presentation of how sensible and productive policies are dismantled will be highly interesting for the international community, whether in the academic, corporate or government spheres.

"[This book is] a revealing and deeply informed study of the enormous power that has accrued to financial institutions and the deleterious impact on the global economy as financial transactions drain the economy and undercut productive investment. Dowbor's focus is on the Brazilian experience, analyzed with care and insight, but the implications, as he clearly shows, are global in scope. [It is a] very important contribution."

Noam Chomsky

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