

*Markets, growth, and industrial democracy
in 21st Century Australia*

The Price of Capitalism



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The Castlemaine Institute is dedicated to building sustainable and regenerative economies. Our work addresses many of the pressing issues impacting Australia's capacity to thrive into the future, including climate change mitigation and adaptation, health and wellbeing, democracy and civil society, housing and land use, biodiversity conservation, arts and culture, and economic diversity and resilience.

We are surrounded by evidence that all is not well in Australia or in the broader world. Despite unprecedented levels of material wealth, we have a mental health system that's straining at the seams; we have homeless people but plenty of empty homes; we have jobless people but plenty of work that needs doing; we have hungry people but we destroy food; and most concerning of all we have a warming planet and an unfolding extinction crisis.

We don't have clear solutions to these problems, or even shared diagnoses. This is, in part, because we have no clear moral compass. There is no clarity or consensus about what it means to live a good life or what kind of a future we want. This moral vacuum has been filled, to a large extent, by consumerism. Consumerism, in turn, is driven by capitalism.

This paper examines what capitalism is and asks if it is the cause of our existential problems, a consequence of them, or the answer to them. Can the problems in our society be addressed by tweaking capitalism, substantially reforming it, or do we need to abandon it altogether for another system of economic organisation?

Our social and economic systems are human fabrications. If they're not working for us, we should build ones that do.

WHAT IS CAPITALISM?

A very simple definition of capitalism is *a system where most economic activity is directed by individuals and private companies in the pursuit of profits.*

Like all social systems, capitalism has a foundational mythology. These myths are worth examining because they are woven into how we think and how we live. There are many foundational myths in capitalism but there are three that underpin a great deal of modern society's narrative:

1. Acting on the profit motive benefits the whole of society.
2. Free and competitive markets are efficient and maximise social welfare.
3. Economic growth is good because a bigger pie means more for everyone.

THE MYTHOLOGY OF CAPITALISM

MYTH 1: THE PROFIT MOTIVE

The pursuit of profits involves combining the factors of production; capital, labour and land to produce goods and services, which are sold in a market. This profit motive has a long tradition of intellectual and moral justification perhaps most famously expressed in Adam Smith's *Wealth of Nations*, first published in 1776:

"It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self-interest. We address ourselves not to their humanity but to their self-love, and never talk to them of our own necessities, but of their advantages."

There is undoubtedly a romantic and nostalgic appeal to this image of the village square and its collection of stores that provide all that is required, organised by nothing more than each producer's desire to make a living. However, the reality of modern corporate capitalism is a far cry from Adam Smith's idyllic village.

The troubles really start when the butcher, the brewer and the baker begin to hire staff. Now when we appeal to their "self-love" and the profit motive we find that they will pay their staff as little as they can while still securing their services, even if that means they live in extravagant opulence while their staff live in poverty. The staff, appealing to their own self-love, want the maximum wages they can possibly secure. Herein lies the fundamental and seemingly irreconcilable conflict within capitalism; that between employers and employees. This is the cause of the current epidemic of wage theft cases and the growth of insecure work.

There is another conflict caused by the profit motive, that is perhaps even more important and more pressing; the conflict between capitalists and our biosphere.

Capitalism inspires people to look for profit in everything and to create a market for anything.

A tree is worth more cut down than standing. A river is worth more dammed or pumped out for irrigation than left to flow naturally. A person is only useful if they can work, consume or raise workers and consumers.

The tendency is to put a dollar value on everything. Natural places now provide “ecosystem services” that can be traded.

MYTH 2: THE EFFICIENCY OF FREE AND COMPETITIVE MARKETS

“The market is a bad master, but it can be a good servant.”

– Sukhamoy Chakravarty

Consider for a moment the network of normal international air travel (in pre-COVID times). Examining the array of screens in any major international airport reveals a staggeringly complex system that allows people to travel to virtually anywhere in the world in a day or two. The power of the capitalist market is revealed when you realise that nobody is in charge of this system. It’s simply a result of many airlines interacting with the demand of their customers and the cost of providing the flights.

On the surface it appears like a miracle of capitalism. However, the reality is much more complex. Many airlines are heavily subsidised in one way or another by their home governments, if not entirely owned by them. Airports operate literally as gatekeepers and the monopolies they have over traffic to and from their cities is a powerful part of the story. Government research and development, primarily for military purposes and space exploration, was responsible for many of the technologies that make this market function, from the aircraft themselves to the computer and communications technologies that coordinate the system. In addition there’s a huge government funded regulatory system that ensures, among other things, passenger safety.

Perhaps the least ‘free market’ element of international airline travel is the country of origin of the passengers and where each of them is allowed to go. To further take the shine off this capitalist miracle, the global airline industry is responsible for two percent of our total greenhouse gas emissions and is contributing to a warming world.

This happens whenever you peel back the façade of what may superficially appear to be free markets. The simple reality is that there is no such thing as the romanticised free market and

there never has been. All markets have rules, many of which are created and enforced by governments.

THE BENEFITS OF COMPETITION

Competition between companies operating in markets is meant to be the driving force of capitalist efficiency and innovation. In economic theory there is a state of perfect competition in which there are an infinite number of buyers and sellers, everyone has perfect information and acts rationally. All the products are identical and there is no barrier to becoming a producer. In this completely fictitious situation profits don't exist because competition drives prices down to the cost of production (including wages). Those companies who have the lowest costs survive and those whose costs are higher go out of business.

Things in the real world are, of course, a lot messier than that. The main source of profits is market power. Market power results from a lack of competition caused by a lot of different factors including barriers to entry (usually the cost of establishing a business), patents, collusion, predatory pricing, advertising and takeovers.

A company that establishes itself in a particular market and makes a lot of profit will have more resources than new companies entering the market. They can outcompete that company through economies of scale, reducing prices to drive them out of business before re-raising them or if all that fails, buy the new company to remove the competition. Predatory acquisition of emerging competitors is extremely common in Silicon Valley.

The result is a few very large companies that dominate the industry and can set prices to maximise profits. Patents also allow price setting for maximum profits because they exclude competition. We see monopolies and oligopolies (dominance by a few companies) everywhere including supermarkets, online advertising, banking, media, microchip manufacturing, social media and computer and phone operating systems to name just a few obvious examples. The massive profit margins on iPhones is due to a combination of the use of patents to exclude competition, the barrier to entry into the smartphone market (requires billions of dollars in investment) and the reliance on cheap labour and lax environmental and labour standards in the countries where manufacturing occurs.

In turn, giant companies can use their market power to drive down their cost of production. The big supermarkets drive the price of farm produce down to the absolute minimum required for the farmers to stay in business. Then they use their market dominance to maximise profit on those same products for their shareholders. The costs fall primarily on the farmers who then cannot afford to pay decent wages to farm workers and have to rely on cheap imported labour. The system squeezes everyone to maximise return to the capitalists who own the company.

MYTH 3: THE GROWTH IMPERATIVE

Economic growth has become the public measure of political, economic and social success (even though profit is the actual measure of success for the capitalists). If a country's GDP is growing

strongly, then it's doing well. Businesses listed on the stock exchange must grow to keep their shareholders happy.

But if we go back to Adam Smith's butcher, baker and brewer, they didn't need to grow, they just needed to continue to make enough money to support the butcher, baker and brewer. Their income just needed to keep up with their costs.

The same continues to be true today. Small individual or family owned businesses have no growth imperative. Continued profitability is enough to keep them viable. However, growth becomes necessary or desirable at the national level for several reasons.

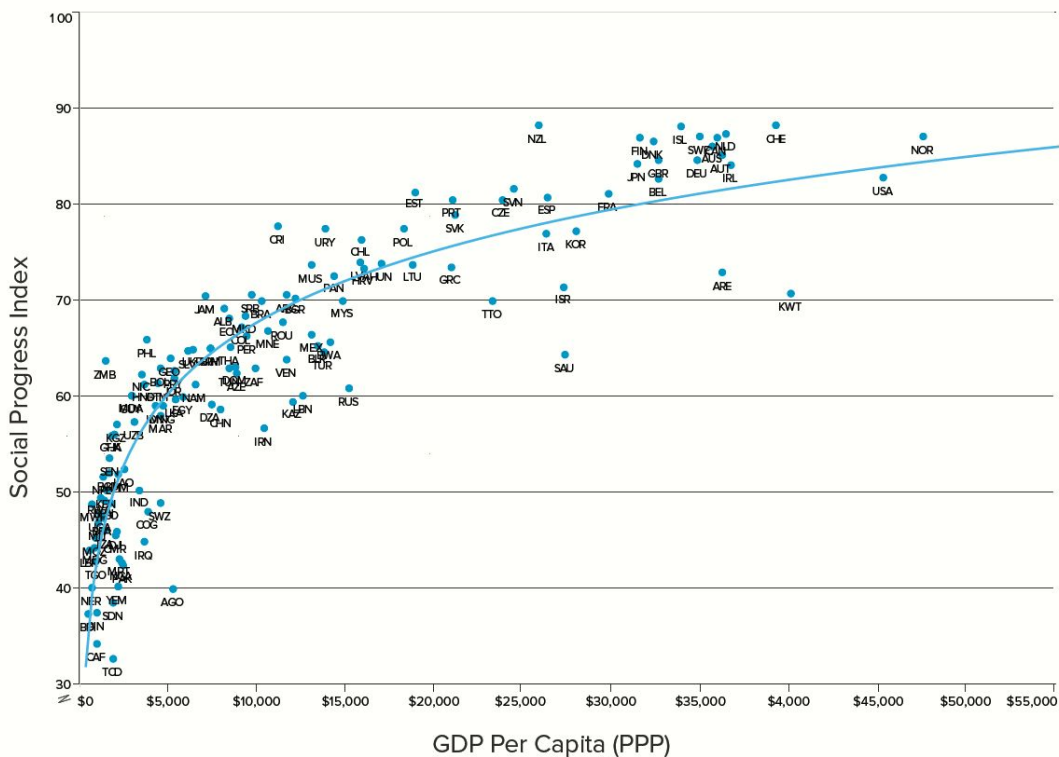
Economists acknowledge that everybody's tastes are different, and therefore we are told that our priority should be to maximise utility, or "preference satisfaction". The more preferences people are able to satisfy, the better off society is. We satisfy preferences as individuals by rationally determining which goods and services will give us the most utility given our income. These assumptions about what is good for human society are baked into our economic system and the society that we have and the narrow political divide between our major parties are very much a consequence of this philosophy.

If the purpose of our political economy is to maximise preference satisfaction, then the priority for economic management should be to simply maximise incomes. The higher people's incomes, the more of their preferences they can satisfy and the better their lives will be. More is always better.

This thinking has fundamental problems at a variety of levels but let's start right at the foundation. Revealed preferences through purchases of goods and services are not necessarily a measure of actual human wellbeing. We know that increasing income has a diminishing impact on wellbeing, either self-reported or externally measured. If you're very poor and do not have access to the basic necessities of life, then increased income makes a huge difference to wellbeing. However, once you get past about 20,000 US dollars per capita, the impact of increasing national income on wellbeing is ambiguous.



Social Progress Index vs GDP Per Capita



Virtually every plot of wellbeing across countries by GDP has this same shape with a clear pattern for poor countries and little or no pattern for high GDP countries. Reproduced from (Camacho & Horta, 2015).

If we truly made rational decisions about the wellbeing impact of purchase decisions the advertising industry would be entirely focused on informing us about products. There wouldn't be ads that simply associate the products with attractive models, celebrities or fun social activities. Instead, advertising is just tricking our brains into brand recognition and positive associations so that when we're trying to choose between a bewildering array of products, we just instinctively reach for something familiar.

The reality is that when we have all of our material needs met, including safety, shelter, food, clothing and transport, the things that improve our wellbeing tend to be non-economic and non-material. They tend to be things like family, friendships, community, and participation in causes larger than ourselves. Advertising and social pressure may make us think we really want that new phone, fridge or bathroom renovation but beyond a very brief honeymoon period they rarely make any lasting difference to our wellbeing. A rich society like Australia should be measuring actual wellbeing and enacting policies that increase it, not using GDP as a proxy for wellbeing.

Most importantly, it should be noted that those who really run the country, the wealthy, aren't really interested in collective economic growth. Their motive is profit. Profit is income for the capitalists, and sometimes it comes at the expense of income for the workers. If we were really running the country for economic growth (not that I'm advocating we should) we would be focused on full employment, education and innovation – none of which we have really prioritised for over 40 years.

There are two other key justifications for economic growth that have some genuine merit: productivity growth and population growth.

Whenever there are improvements in labour productivity you need economic growth to sustain the same level of employment. Imagine a supermarket that implements automatic checkouts and no longer needs to employ checkout operators. If those checkout operators find new jobs (as opposed to taking jobs that would have been filled by others) then the economy has grown. If the economy does not grow to provide them with jobs, then the level of unemployment will have grown instead.

The same is true for population growth. If there are more people, either through natural population growth or immigration, then you need economic growth to avoid increased unemployment and to provide them with goods and services.

There is an alternative response to increases in labour productivity. Instead of producing more with the same amount of labour we could choose to produce the same with less labour by shortening standard full-time working hours while maintaining the same full-time pay.

More on this below.

WHO BENEFITS FROM CAPITALISM'S MYTHS?

Our economic system is called capitalism for a reason. Capitalists designed the system, they **funded the economists who constructed the modern economic paradigm**, they run the system and they benefit financially from it. However, they are also trapped within it.

The economics profession is deeply political, even if many economists don't know it or admit it. The Keynesian revolution¹ that occurred towards the end of World War II and dominated for a quarter of a century afterwards was brought down by a deliberate and concerted campaign by wealthy businessmen in the United States. They funded positions at prestigious universities, sometimes entire departments at universities, and filled them with economists who were inspired by Hayek's *Road to Serfdom*, an anti-government, pro-business challenge to Keynes. Even Hayek himself was appointed to such a privately funded academic position at the University of Chicago.

This was all done in response to the fact that the Keynesian focus on full employment had resulted in low unemployment and increased bargaining power for workers, which in turn had led to a higher proportion of economic output going to salary earners and less to the owners of capital. When workers have substantial bargaining power, they are able to demand wage increases in line with productivity gains. When worker bargaining power is low, productivity increases go instead to profits and to the capitalists. The campaign by the capitalists was successful. Keynesian economic management was brought down around the world and the gains for workers of the post-war period were reversed from the 1970s onwards.



This well-funded campaign was supported by the McCarthy era witch hunts accusing Keynesians of being closet communists. The impact of this pincer movement was profound

¹ See Part 1 of this series *The Budget Will Look After Itself* for more on the Keynesian revolution.

and Keynesian economics textbooks were rapidly replaced with neo-classical texts written by pro-business economists or their unwitting followers. Neo-classical texts, containing the above myths, continue to dominate universities around the world today. However, economics inspired by and building on Keynes' work is making something of a comeback and the lessons learnt from two world wars and the Great Depression haven't been completely forgotten. This battle at the heart of capitalism is still bubbling away under the surface despite the apparent consensus.

The challenging thing to realise is that the system isn't ultimately benefiting anybody. Nobody really stands to gain from destroying the biosphere and nobody would choose to do so. Everyone in society feels worse when inequality rises, even the wealthy. What people are doing is operating within our value system and that value system is about maximising profit and accumulating capital.

There's an exception to the rule that the system doesn't benefit anybody. It works perfectly for narcissists and psychopaths. Their interests are very well aligned with free-market values of selfishness, individuality and greed. High functioning psychopaths make the ideal corporate CEO because they can put profit ahead of any other goal without being held back by conscience or empathy. Other CEOs of publicly listed companies are forced to emulate psychopaths in order to meet their fiduciary responsibilities to shareholders.

'It has always seemed to me,' said Doc, 'The things we admire in men – kindness and generosity, openness, honesty, understanding and feeling – are the concomitants of failure in our system. And those traits we detest – sharpness, greed, acquisitiveness, meanness, egotism and self-interest – are the traits of success. And while men admire the quality of the first they love the produce of the second.'

– John Steinbeck – Cannery Row

Capitalism tells us what our morals *should* be. It's time we reflected on our real morals and built a system that reflects them.

UNDERSTANDING THE CAPITAL IN CAPITALISM

The word capital is used by economists to refer to two quite distinct things; physical capital and financial capital. Physical capital consists of buildings, machines, computers, chairs, roads etc. Financial capital is money.

As mentioned above, in economics we talk about the factors of production. These are land, labour and capital. The factors of production are combined to produce goods and services. Land here represents not just the surface of the planet but all that it supplies – water, timber, mineral resources etc.

CAPITAL IS POWER

Capitalism automatically hands decision making power to those with capital. In fact, it's reasonable to say that, under capitalism, capital is power. The ownership of a business confers the power to set wages, hire and fire and direct the actions of workers. Few private companies give workers substantial influence over decision-making and many are completely authoritarian, with workers simply expected to follow orders.

“The nature of accumulation under private enterprise necessarily generates inequality and is therefore condemned to meeting the trivial wants of the few before the urgent needs of the many.”

Joan Robinson - What are the Questions?

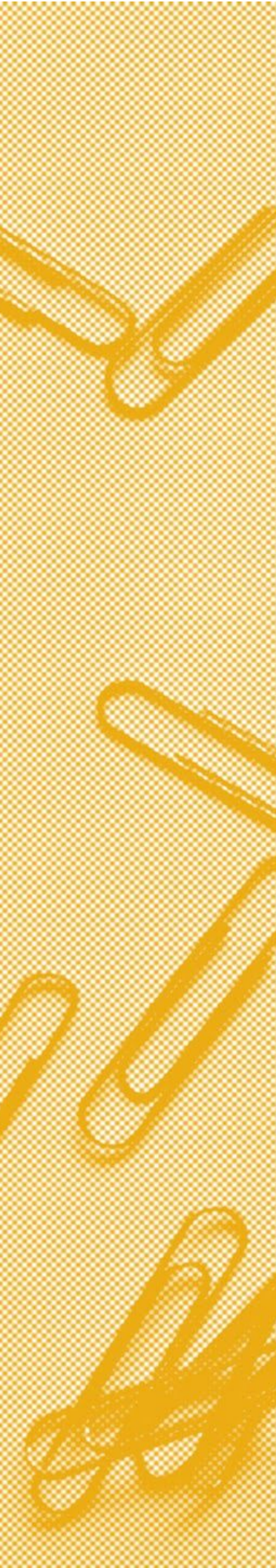
In addition to the power within the company, financial capital confers political power. The capacity to make large donations to political parties and to attend \$10,000 per plate fund raising dinners opens up the halls of political power to the capitalists. Political power can be used to increase the returns to capital. This can take the form of wage suppression, taxation policy, planning decisions (including the zoning of land), and the granting of licenses for the exploitation of natural resources².

Power operates like a ratchet. Actions and actors that attract power will tend to use that power to gain more power still.

THE CAPITAL MAXIMISER

There is a thought experiment about artificial intelligence (AI), first articulated by Nick Bostrom, known as the paperclip maximiser. In this thought experiment, we imagine that there's an AI system used by a company that makes paperclips.

² The trend towards the institutionalisation of political corruption within capitalist societies will be covered in detail in part three of this series.

The image features a vertical strip on the left side with a yellow, textured background. Several yellow paperclips are scattered across this strip, some overlapping and some partially cut off by the edge. The rest of the page is white with black text.

This AI is tasked with increasing paperclip production and is fed all the necessary information regarding paperclip making, including materials, labour, human motivation, supply chains and so on. Critically, it's also capable of learning how to learn and does this at an exponential rate.

To cut a long story short, the AI gets better and faster at making paperclips at a rate that far exceeds human capacity to keep up or to adapt. Eventually, it turns the entire universe into paperclips, with all humans and the biosphere being consumed quite early in the process. The thought experiment, not meant to be taken too literally, was designed to explain that AI doesn't need to have general intelligence and self-awareness to be a threat but can be a threat simply by being single-minded and able to adapt faster than we can react.

It didn't take long after the articulation of this thought experiment for people to realise that modern capitalism is already the paperclip maximiser, but instead of making paperclips we're making capital – the ultimate form of which is money. Our entire collective intelligence system has one overriding purpose – to turn everything into money; trees, labour, water, human babies. Everything. It's also very good at learning how to learn and is extremely good at eliminating threats.

We know that we shouldn't be cutting down all of our forests, depleting our fisheries, poisoning our oceans and rivers or pumping greenhouse gases into our atmosphere, but we're still doing all of those things. Our overriding collective intelligence system, capitalism, is just an amoral capital maximiser. Moral objections and sustainability are just obstacles for the system to overcome and it's much better at overcoming them than we are at constructing them.

Forty years of warnings about global warming has amounted to very little action. It now seems possible that we could avert the very worst of the climate scenarios but not because moral arguments and concerns about the future are winning; our hope has emerged primarily because clean energy has become economically competitive with fossil fuel energy. The Capital Maximiser will shift to renewable energy because that maximises capital, not for the sake of the future of the biosphere.

We've created this beast that we cannot control, and it feels like the best we can do is adapt the world to it. This is why we create "ecosystem services" to give nature a dollar value in the hope that the Capital Maximiser will be able to maximise capital with some wild places and some biodiversity still intact. Many conservationists have reluctantly reached the view that if we don't give nature a dollar value it's doomed. We need to put a price on carbon because if we don't, we'll keep polluting till the planet is inhospitable. We seem incapable of just protecting the future of the biosphere because it's inherently worth protecting and our own survival depends on it.

THE TRAITOR IN YOUR POCKET

Modern capitalism has reached a point where our every move is monetised thanks to the surveillance devices we all carry in our pockets. In return for the use of phone apps we give over our personal data; where we go, what we search for, what we share, what we buy, what we like, what our eyes linger on the longest – which of our ex-partners we look up on social media – everything. In some ways Google, Amazon, Facebook and Apple know more about us than our friends and family do.

This aspect of monetisation, the monetisation of our personal data, is much more insidious than a simple privacy issue. These companies don't only use this information to sell us stuff, they use it to control us. They use what they know about us to maximise our time using their services so that they can put more advertising in front of us and gather ever more data and ever more profit.

"We are more profitable to a corporation if we're staring at a screen, if we're staring at an ad, than if we're spending that time living our life in a rich way. And so, we're seeing the results of that, we're seeing corporations using powerful artificial intelligence to outsmart us and figure out how to pull our attention towards the things they want us to look at rather than things that are most consistent with our goals and our values and our lives."

- Justin Rosenstein, Former Facebook and Google engineer, The Social Dilemma

It's worth taking some time to think seriously about this. Some of the brightest minds of the twenty-first century are dedicated to working out how to maximise the time we spend staring at screens and exposing ourselves to advertising.



THE OTHER ROAD TO SERFDOM

In capitalist societies there are the people who own land and capital and the people who work for the people who own land and capital. The result is that most of us have no choice but to sell our labour to the highest bidder in order to survive. How just this system is, perhaps depends on who owns land and capital and why.

THE RENTIER CLASS

If you own a factory or have a financial stake in a company, your sacrifice to the company is supposedly deferred consumption (waiting). You are allowing your capital to be used by others as a factor of production and you are compensated for that with a share of the income that is produced. However, if you have enough capital that the income from it more than provides for your consumption then you cease to be deferring consumption for future income and begin to simply accumulate capital, which in turn accumulates more capital.

There are two types of capitalists then: the traditional business owners, like Adam Smith's butcher and baker, who run a business that employs others; and the rentier capitalist who lives off land rent or the simple ownership of capital. Of course, the one can blend into the other. A baker who opens a second bakery and employs a manager to run it still works for the company but becomes part rentier. Here we see an inkling of the modern corporation.

Many wage earners aspire to be rentiers because capital accumulation is the measure of success in a capitalist society. In Australia this manifests primarily as property ownership, with the great Australian dream for many reduced to using the equity built up in the family home to purchase a second property and then a third until enough are owned that the newly fledged rentier can live off the rent and the ever-inflating land prices.

SCARCITY, DISTRIBUTION AND INEQUALITY

Economics is commonly defined as the study of how society allocates scarce resources. Land (and associated natural resources) and labour are limited in supply. As a result, we must determine how best to use them, which forms of physical capital to construct from them and which goods and services to produce.

The strange reality of living in a rich modern country like Australia is that scarcity is not at all apparent. A simple stroll through a major city centre or shopping mall exposes a vast array and quantity of products from necessities like food, clothing and medicines to extravagances like jewellery, designer fitness wear or luxury cars. Instead of observable scarcity, there is an almost obscene abundance in Australia. Similarly, with housing, we see homeless people on the streets, but we know that there is enough housing for everyone.

The problem in Australia is not a scarcity of the necessities of life – or even of luxuries. The problem is distribution and the impact of our opulence.

INEQUALITY AND ITS APOLOGISTS

Inequality is often excused as a product of meritocracy, as if ability and effort explain distributional outcomes. This thinking is used to justify poverty and the persecution of the unemployed. However, the moral validity of meritocracy is questionable even on its own grounds. For outcomes to be the result of merit we would need a radical system that creates equality of opportunity. At a bare minimum all children would have to have equal access to education, nutrition and healthcare as we know these things are critical determinants of future prospects. Educational attainment of parents as well as their income and wealth also have profound effects on educational and career outcomes for children. It's telling that the wealthy proponents of meritocracy tend to send their children to exclusive private schools.

Genuine and complete meritocracy would require babies to be taken from their parents at birth and raised collectively, all in the same conditions, same education, same nutrition, same healthcare etc. Those that then succeeded could be said to be doing so based on merit. But this merit would likely have come at least in part from characteristics inherited from their parents. We can take Plato's republic one ludicrous step further and insist, in the name of meritocracy, that all babies must be cloned so as to be genetically identical. Would there be much variation in merit between individuals? If not, then doesn't meritocracy collapse almost completely into the lottery of birth?

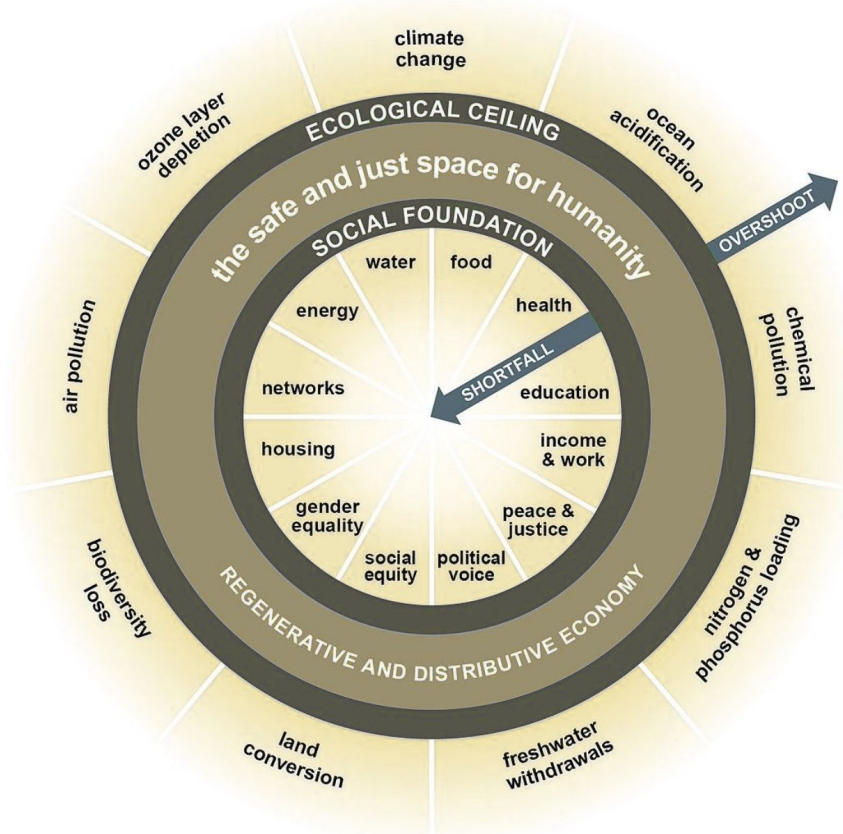
It's clear to see that even if we accept that the system should be a meritocracy, very substantial programs of universal health, education and income support are necessary. The very system of thought that justifies laissez faire capitalism requires very substantial government intervention that cannot exist alongside laissez faire capitalism and inequality.

THE PATH TO FREEDOM AND SURVIVAL

"The decadent international but individualistic capitalism in the hands of which we found ourselves after the war is not a success. It is not intelligent. It is not beautiful. It is not just. It is not virtuous. And it doesn't deliver the goods. In short, we dislike it, and we are beginning to despise it. But when we wonder what to put in its place, we are extremely perplexed."

– John Maynard Keynes, 1933

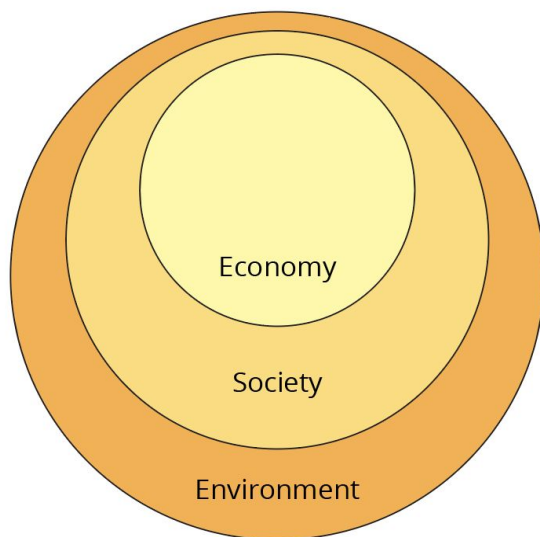
Perhaps one day we will come up with a workable post-capitalist system that's stable enough to withstand the ambition of high functioning psychopaths. However, I don't think we're there yet. If anything, we've gone backwards in our thinking about the economy and capitalism since the 1970s – even since the 40s. What we may be able to do in the short term is bring some of the forces of capitalism into the service of human wellbeing and the survival of the biosphere.



Doughnut economics defines a level of economic activity that is enough to provide for a decent standard of living but not so much that it crosses sustainability boundaries.

A REGENERATIVE POLITICAL ECONOMY

Unfortunately, I don't have a neat answer about how to redirect or derail the Capital Maximiser. There is, however, a great deal of fantastic work going on around the world that's contributing to solving this problem, including Doughnut Economics, Degrowth Economics, the localisation movement, the pluralist commonwealth, the New Economics Foundation, New Economics Network to name just a handful. Heterodox schools of political economy are slowly growing as a challenge to neoclassical economics and the awareness of the problems with the neoliberal political paradigm are becoming increasingly apparent to the general population.



What all of the emerging alternative economy groups and movements have in common is reconnecting with our human values and reconnecting with nature. The discipline of ecological economics recognises that the economic system resides within the social system and that in turn resides within the ecological system. Humans are animals contained within and dependent on the planet's living systems. Indigenous Australians rightly state that there is nothing new about this "new economy", it has been understood and practiced for tens of thousands of years, right here in Australia. As a society we have so much to learn from First Nations People.

It's clear that our extraction and exploitation of natural resources cannot continue to grow indefinitely. We've already crossed several boundaries of sustainability and would need two earths to sustainably support our current level of consumption. A reckoning is coming. We either bring it on ourselves or it will be forced upon us by collapsing ecosystems.

I believe the key to shifting our collective intelligence system away from capital accumulation and growth and towards a regenerative economy is to first decide what else to measure and value. When Nietzsche said "God is dead" it wasn't a triumphant cry of atheism, it was a prophetic warning. With the advent of secularism Nietzsche, an atheist, was worried we would lose our moral compass, we'd have nothing to guide our sense of progress except for selfish ambition.

Here is our modern challenge: to decide what progress should mean; to decide what it means to live a good life in the twenty-first century.



CONVERSATIONS ABOUT THE MEANING OF LIFE

Ultimately what we really need is a better understanding of what Australians want our lives, our society and our world to look like. We should be having conversations locally, regionally and nationally about our values, dreams and ambitions. We should have deliberative forums on important issues where ordinary citizens, informed by expertise, are learning, teaching and making decisions. Indigenous people have been living sustainably on this continent for millennia. Aboriginal and Torres Strait Islander people must be at the heart of these conversations and recognition, reconciliation and healing must be priority objectives.

John Rawls, in his great work *A Theory of Justice*, conjured up a valuable thought experiment. Imagine you are in charge of creating a social and political system, but you do not know what place in that system you will be born into. Would you create a system like we have in modern Australia where people are homeless but there are plenty of homes; where people are hungry but there's plenty of food; where we know our pollution is dangerously warming the planet but we can't stop producing it; where we destroy our biodiversity so some property developer can make millions of dollars in windfall profits when the land is rezoned? Is this the best we can do with our land, labour and capital?

TAKING BACK MORALITY

We need to take the moral foundation of our society back from the capitalists and determine our own moral priorities. The values of corporate capitalism are not our values and they were never designed to serve us.

There are people attempting to have these conversations in Australia about what we really value and what we think progress should look like. The Australian National Development Index (ANDI) and Australia reMADE are both ambitious projects with exactly this mission. We should get involved, support them, facilitate local conversations that feed into national conversations and pay attention to the results. We can also do this in our local communities to guide local government.

"Another world is not only possible, she is on her way. On a quiet day, I can hear her breathing."

- Arundhati Roy

Internationally and here in Australia women and non-binary environmental leaders are driving the climate change fight. Personified in the image of Greta Thunberg and Jane Goodall, there is a sharp reminder of the decades of voices fighting for deeper understanding and value of our precious Earth and its inhabitants. Wangari Maathi, Vandana Shiva, Kate Raworth, Mariana Mazzucato - the list goes on, powerful voices from ecofeminism and other movements with

wisdom ready to be heard. There is an energy toward action, and a bold leadership rooted in fairness, inclusivity and efficacy that people of any gender can learn from and adopt.

At a local level the Voices for Indi community group took the temperature of the federal electorate of Indi, holding kitchen table conversations to listen to local people about their lives, their challenges and their triumphs. The result has been political transformation with the election of local independent federal politician Cathy McGowan and her successor Helen Haines – who genuinely represent the electorate. The Voices movement is spreading with people from India helping groups in other places to replicate their grassroots democracy.

These local efforts are the antidote to feelings of powerlessness. It might be a cliché but thinking globally and acting locally is the path to transformation. The third paper in this series will contain much more on democratic action and reform.

CONVERSATION STARTERS

I believe very strongly that we need to build a vision of a new system together. The days of grey-haired white men like me providing solutions from on high should be at an end. That said, I have plenty of ideas to throw into the mix as conversation starters.

If we're to turn this titanic of a system enough to avoid the iceberg of climate change we're going to have to move pretty fast. That's why in Part 1 of this series, I advocated for the use of a carbon fee and dividend system that puts a high price on greenhouse gas pollution and returns all of the proceeds to the citizens as a dividend. This has the double effect of reducing poverty and creating a powerful incentive for all producers and consumers to rapidly reduce the greenhouse gases that result from their actions.

The trouble is that climate change is just one symptom of our out of control Capital Maximiser and we simply cannot avert every disaster one market mechanism at a time. Within the market-based capitalist system the best framework is probably full-cost accounting. This is where we force companies to include the full cost of their entire supply chain, including all externalities like carbon emissions, social harm and environmental damage. The great challenge with taking a financial approach to environmental regulation is that you have to put a dollar figure on everything. How much is the life of a koala worth? What about a whole population? Is a koala worth more than an endangered lizard because it looks like teddy bear and everybody wants to cuddle them, or should all species be valued the same?

It seems to me that we have to reach a point in the not too distant future where we say "no more environmental destruction" and just stop it altogether. No need for incentives or price signals just blanket bans on destructive behaviours, like clearing native vegetation. We should place Indigenous Australians at the centre of these efforts to connect everyone to Country so that we can integrate society into ecological processes instead of disrupting them. We have more than enough



farmland to feed the world if we focus its use and are deliberate with our consumption decisions. We've got to get better at reusing building materials and switching to renewable resources, such as plantation timber or building materials grown from bacteria or mycelium (yes, these things really are in development).

We need to get better at making long-lasting quality products and repairing, repurposing and recycling. This is more expensive up front than making cheap disposable items (particularly if we outsource the environmental damage and labour exploitation to another country), which is another reason to eliminate poverty. This can be done through reforms to the way we treat land and natural resources.

LOCALISATION

Remember Adam Smith's butcher, baker and brewer and their conflict with workers? The reality is that, in a small village setting, they are unlikely to pay starvation wages to their staff while they live in outrageous opulence because their staff are also part of their community. Their families would all know each other, and such anti-social behaviour would be socially sanctioned. In addition, it's much harder to treat somebody as a number in the cost of your supply chain if you know their parents, their children and you went to school with their family members. This personal connection to our economic decisions humanises them.

CEOs and board members of major corporations can earn millions every year while they pay their staff barely enough to live on only because they are also able to live completely detached from their staff and move in completely different social circles. This casts doubt on the social validity of giant privately owned corporations.

"Our arms have grown so long we can't see what our hands are doing."


- Helena Norberg-Hodge discussing international trade - The economics of happiness

Localising as much of our economic activity as possible also makes the consequences of our decisions clear. When we buy something made locally we can be more confident about whether workers and the environment have been exploited in the manufacture or growing of the product.

LAND

Modern economic analysis has tended to lump land and capital together, but it is worth maintaining the separation because land is fundamentally different from other types of capital. Country is fundamental to all First Nations People and any reforms to how we treat land in our economic system must respect and honour that timeless connection.

Land is in genuine scarcity. With the exception of the occasional bit of island creation, we cannot make more land. The value of land is either naturally created, through its soils, mineral resources, water or living organisms; or it's created by society, through the location of jobs, transport or other infrastructure. Only in very rare instances do the actions of the owner make



land more valuable, such as when agricultural soils are restored through regenerative agricultural practices.

We could tax land rents and natural resources and combine them with a carbon tax and use the proceeds to fund a guaranteed set of basic services for the entire population. We could guarantee that every person has a comfortable home to live in and access to transport. We could guarantee that nobody goes hungry, everyone has access to high quality medical care, including mental healthcare and high-quality education is free, including lifelong learning and retraining.

Going beyond this we could create a system that George Monbiot describes as public luxury and private sufficiency. Such a political economy would focus resources on publicly available leisure and entertainment, transport, and institutions like libraries, and universities.

We're an incredibly wealthy country, we could readily afford to do these things if we felt they were important. We're constantly told we can't afford things but that's just a myth to protect the opulence and power of those who are monopolising our wealth.

An openly experimental mindset is possible when social safety nets are strong. Under our current system only the wealthy can afford to be genuinely experimental because failure doesn't lead to destitution. If we can build a system where failure never leads to destitution for anyone then we will build an experimental and entrepreneurial culture. On top of this we need to build an incentive structure that rewards sustainability and social justice, rather than just pure wealth accumulation. A carbon price is one part of that incentive structure, cooperative ownership of businesses and industrial democracy is another.

COOPERATIVES, UNIONS AND INDUSTRIAL DEMOCRACY

The other key part of the path to freedom is industrial democracy and worker ownership of businesses. A shift to worker owned cooperatives as a way of organising business would genuinely disrupt the inherent conflict between capital and labour. If the workers own the capital, then there is simply a confluence of interest. Decisions about profit reinvestment vs dividends vs wages will be made in the interest of the workers instead of potentially at their expense.

Cooperatives can also avoid the growth imperative because they can decide that reduced working hours is more important to them than increased income. The goal could be material sufficiency with increased leisure rather than material opulence.

We can make the move to cooperative capitalism in a variety of ways. The first and easiest is to support existing cooperatives with your consumer decisions, including banking with a cooperative bank. The next is to try to work for existing cooperatives and the third is to set up new cooperative businesses.

Establishing finance models for worker buyouts of existing businesses is also important as is government support and facilitation for workers to take over businesses being voluntarily shut down or entering administration.

Where working for a cooperative is, for now, unachievable then working towards industrial democracy in traditional company structures must be a priority. Individual workers may find this difficult or impossible, which is one of many reasons they should join their union and ensure one of the union priorities is industrial democracy. Unions can advocate on workers' behalf in situations where doing so as an individual risks employer backlash.

German style codetermination is also a worthwhile intermediate corporate reform on the path to worker ownership. In Germany there are legislated requirements for workers to have representation on boards and in company decision making. Putting workers at the table when important decisions are being made helps to prevent profiteering at the expense of workers and guides decisions that balance profits with worker wellbeing, conditions and remuneration.

We also need to radically alter the legal nature of corporations, returning to a public benefit mandate. Social and environmental conditions should be placed on all corporate registrations to ensure they meet community expectations environmentally and socially.

Another role for unions and worker aligned politics should be to take up the campaign for reduced standard working hours. There is no logical reason for stopping this campaign at the eight-hour day. We can and should push to make the standard work week thirty hours – either six-hour days or four-day weeks. Once that's achieved, maybe we'll want to keep pushing it down to twenty. The only barrier preventing this from happening is our obsession with destructive economic growth and the pursuit of profits.

Reduced working hours is critical in combatting the epidemic of busyness and creating time for family, friends and civic and political engagement.



PUBLIC OWNERSHIP OF KEY INSTITUTIONS AND INFRASTRUCTURE

A great deal of the privatisation that has occurred over the last 40 years has been a disaster. The profit motive has no place in aged care, disability services, healthcare or education, among many others. Government funding models for private provision of key care industries prove time and time again that the profit motive results in companies providing the absolute bare minimum of care to qualify for the money and, in many instances, only the appearance of the bare minimum of care.

We should turn Australia Post into a publicly owned bank with a public benefit mandate, we should renationalise employment services for the unemployed and bring key transport infrastructure back into government control, including our roads and airports. All natural monopolies should be run by the government or by statutory bodies owned by the government, including electricity and water distribution. The privatisation of the electricity generation and distribution system is a key barrier to turning our energy sector into a renewable twenty first century system.

A well-funded, independent public media organisation that is not operating under the profit motive is also critical to a functional democracy. Ideally there would be more than one.

Our universities should be fully funded by public money and decorporatised. The public benefit of university research and teaching cannot be overstated. If we want an experimental and innovative culture and economy and a well informed and critically thinking population, then we must fund basic research and provide secure and worthwhile career paths for our academically inclined citizens. The alternative is an economy that continues to focus on digging stuff up and growing stuff and shipping it overseas.

CONCLUSION

In summary, the current version of state-corporate capitalism that we have hands private and public power to private holders of capital and, as a result, hands them a disproportionate cut of the collective economic pie.

Capitalism has delivered unprecedented material prosperity to many Australians, but the positive wellbeing impact of our increased consumerism is questionable at best. More stuff isn't making us happier, but it is leading to biodiversity loss and climate change.

The mantra of capitalism is "gain wealth, forgetting all but self". Our current system emphasises the private – private ambition, private entertainment and individual choice. but we know that this isn't the path to a fulfilled and meaningful life, it's just a path to consumerism and profit.

We can't expect capitalism to fix capitalism – we need to learn from and adopt other approaches in the next iteration of our economy.

Many people taking small actions will make a difference in shifting power to fairer organisations and towards a regenerative economy - through the way we bank, where we put our superannuation, who we buy from and how we participate in work (for those lucky enough to have any choice). For those wanting to take action but not sure how to start there are individuals and organisations with a hand ready to help.

Movements are underway that are ready to be joined:

- Australia reMADE
- ANDI
- Local Futures
- the Doughnut Economics Action Lab
- New Economy Network Australia
- Citizens Climate Lobby
- Pay the Rent
- Your union

They need adopters, joiners and leaders. There is a place for everyone as well as space for new initiatives – whatever your drive is, whenever you are ready, you can be part of the shift.

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Further reading, listening and watching for those who may wish to understand where some of the ideas and thinking behind this paper have come from and for more analysis of capitalism. The inclusion of works below is not necessarily an endorsement of their content but an acknowledgement of their authors' contribution to debate and to my thinking.

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