EDITED BY MAURO MAGATTI

THE CRISIS CONUNDRUM

How To Reconcile Economy and Society

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Mauro Magatti
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Foreword

Ten years after the great financial shock hit Wall Street in 2007–08, it is now generally recognised that at the root of the Great Recession (with its wide-ranging and enduring effects) there is a disconnect between economy and society produced by neoliberalism in the last thirty years. And yet, such awareness is not enough, since a number of questions still remain unsolved: if a model based on debt, consumerism and rising inequalities has proven to be unsustainable, what does growth mean in advanced Western democracies today? What does wellbeing mean for the years to come? What model of growth can be pursued at this turning point? What kinds of production and consumption will become features of the coming decades? How can economy and society be newly reconciled in practice? What are the financial, economic and social paths to a new prosperity?

These questions link a number of interdisciplinary issues—those of inequality, money and finance, wealth and human flourishing—which are rarely analysed together.

If the systemic crisis that began in 2008 calls for a renewal at economic, social and political levels, the authors of this book all converge to indicate that we need to examine a new prosperity. Political and economic institutions (of course profit and non-profit companies included) can join with ordinary citizens to create a new kind of economic and social value, after decades of disembedding. On the one hand, a new prosperity—far from coinciding with unlimited (financial) growth at the expense of human development—means that there cannot be any stable economic development without human development. On the other, our perspective differs from the degrowth one, because overcoming consumerism here is not an ethical starting point, but a consequence of people's participation in the sustainable growth process. That is, in Organisation for Economic Co-operation and Development (OECD) countries, it is only by strengthening different anthropological attitudes that a new kind of development can be generated. This move involves a new exchange between economy, politics and society where sustainability is based on people's contribution via new forms of work, social engagement and consumption. If the institutional innovations described here will be courageously shared and spread, the 2008 crisis can be transformed into an opportunity to reform capitalism and consumption societies, structurally as well as culturally. In the following pages, we offer an interdisciplinary discussion of a way out of the crisis and specific guidelines to enable human development entering the debate on the future of capitalism with a focus both on highly specific topics in different disciplines and on their links to assess the possibility of a win-win relationship between human and economic development. In recent years, this relation has become so pertinent in the international debate that new metrics of people's wellbeing are now being developed. This is certainly good news: wellbeing itself is an economic, political, social, cultural and philosophical issue and we must learn to recognise and quantify it. Following this interdisciplinary inspiration, the innovations proposed here can be considered wide ranging: cultural, financial, institutional, social and political at the same time.

The book comes as a conclusion—as usual opening up further lines of inquiry—to a three-year interdisciplinary research project financed by Università Cattolica del Sacro Cuore di Milano (under the joint direction of professors Francesco Botturi, Luigi Campiglio and Mauro Magatti) focused on the possible ways of overcoming the crisis.[1] Historians, philosophers, economists and social scientists have worked together trying to understand the contributions—and their languages—from the various disciplines. This book is a common effort aiming to develop a multifaceted interpretation of

[1] The mentioned 2012–15 research title is: 'The virtualisation of the economy and its crisis: practices and ways to reconcile economy and society'.

the contemporary crisis. A heterodox and yet highly demanded task represent the main methodological values of this volume.

The two parts of the book—the first focused on the socio-economic aspects and the second focused on the anthropologic dimension—are intertwined by the questions they aim to answer and the different perspectives they adopt. The socio-economic dimension is mainly about inequality, finance and development models; the anthropological one is focused on wealth, consumerism, abilities and commons.

In particular, the first chapter by Mauro Magatti and Laura Gherardi focuses on the 'sustainable–contributory exchange': the possible new exchange arising after the 2008 crisis, towards new business models and citizens' contribution enabled by institutional innovations. Experiments in this exchange are taking place in different contexts: if spread, it can drive a new prosperity in OECD countries on both economic and social levels. This exchange between society, economy and politics involves both material and symbolic resources and enables ressources' sustainability. The previous neoliberal exchange (1989–2008), termed 'financial–consumerist exchange' with its heavy social and economic consequences leading to the 2008 crisis, is also analysed from a historical perspective.

Chapter 2, by John McCombie and Marta Spreafico, shows that one of the major causes of the failure of the neoliberal exchange leading to the 2008 crisis was the increase in income inequality (especially the increase in the share of the top 1 %) in the last 20 years, through an unsustainable increase in household debt, which is likely to depress short-term economic activity. This is why income inequality, correlated with intergenerational mobility and shown to be self-perpetrating, matters to economics. Inequalities are not only a social or political issue, as considered by neoliberal classic economics but an economic issue that Western countries have to face as they enter a new wave of growth.

In Chap. 3, Luigi Campiglio underlines another central issue that Europe notably must face: the rise of new economic divergences inside the Eurozone since the 2008 crisis. One-third of the EU(28) population faced a decrease in gross domestic product while the other two-thirds experienced an increase. The standard deviation of the unemployment rate jumped, just like many measures of material deprivation. As it was unevenly distributed, the European crisis caused a reshaping of economic relationships both inside the EU, Germany being a natural attractor, and outside. The economic crisis has brought the issue of what kind of institutions can cope with the lasting imbalances inside the EU to the forefront. Europe needs to agree on a common direction for a set of shared goals, such as equity and growth for all, to escape the economic trap it faces. National politics resist steps forward but equally fear the uncertainty of stepping back, swinging from rumours of threats to leave the union, to mitigating the hardship of the economic crisis.

Chapter 4, by Massimo Amato, introduces the issue of what role finance can have for sustainable growth by analysing its relationship with money, time and calculation. An increasingly widespread opinion is that one of the major causes of the crisis has been the very weak perception of the real risk of it actually happening, due to the 'financial optimism' created by undue accumulation of sanguine short-term expectations. The theoretical ground for this opinion is that 'liquid markets' tend to create the illusion of prosperity. The author, stressing Keynes' idea of a *tacit decision* about the role of time in the formation of expectations, shows that this tacit decision shifts the 'precariousness of the basis of knowledge' from the facts that happen in time to the precariousness of a 'convention'. The chapter finally explores financial reforms to stop this move from a real precariousness to an ideological-theoretical one.

Chapter 5, by Luca Fantacci, underlines the link between finance and society. Modern financial systems betray the social nature of finance. Finance has come to increasingly rely on what Keynes regarded as 'the most anti-social' of principles, namely the 'fetish of liquidity', which implies the transformation of all relationships into a negotiable security, through the liberalisation of capital markets, the adoption of fair value accounting, the rise of securitisation and other financial innovations. After discussing the theoretical and practical implications of failing to recognise the social dimensions of finance, the chapter explores various routes for its resocialisation.

Chapter 6, by Paul Dembinski, adopts the same perspective. Dembinski shows how the progresses of individualisation during the 'Three Decades of Financial Euphoria' (mid 1970s–2007) where to a large extent achieved through a less visible process of demutualisation of more traditional forms of social coexistence. After discussing briefly the main asymmetries that progressively built up during the 'euphoric years' in the forms of finance-led growth, the author suggests how some of these asymmetries could be tackled by a broader mutualisation and solidarity without destroying the fundamental logic of a market economy. An ambitious programme for systemic recasting is proposed: it is based on replacement of the presently working 'structures of asymmetry' by 'structures of harmony'.

Chapter 7, by Bernard Stiegler, begins the socio-anthropologic part of the book by asserting that algorithmic automation has led to both a decline of wage labour and employment and a cultural proletarianisation, in other words a loss of theoretical and practical knowledge. On the one hand, algorithmic automation influences the imminent disappearance of the Keynesian model of redistributing productivity gains, a model that has until now been the basis of the macroeconomic system's ability to remain solvent. On the other, it has deprived people abilities of function, causing a vertiginous increase in entropy. To invert this trend, the alternative path requires negentropic abilities—originating from the human power of agency—to be widely developed on a massive scale via a reorganisation of economics.

Chapter 8, by Chiara Giaccardi, Monica Martinelli and Cesare Silla, claims that the crisis can highlight some serious shortcomings of the socio-anthropological view at the foundation of the modern capitalist project pursuing its ideal of autonomy and material prosperity for a great number of people. Moving from Arendt's and Simmel's critical notes on individualism and consumption, the authors show that the process of economic expansion through individual liberation on the one hand and the systemic exploitation of desires through consumption on the other have resulted in a condition of personal discontent and collective inequality that threatens the very possibility of prosperity and autonomy for many. Finally, they expose a different vision of individual freedom, one that can constitute a more reliable socio-anthropological ground upon which a much-needed new model of growth may be built.

François Flahault, in Chapter 9, shows the archaeology of the myth of economy as the foundation of human societies since Dumont's thesis, following which modern humans' existence is based upon their relation to things before people. This implies an utilitarian perspective and the economy to be the foundation of human societies; consequently, politics has to justify its choices and actions in the name of economics. The author, considering this widespread belief as one of the major causes of the present crisis, criticises it on the basis of the most recent interdisciplinary research, providing an alternative path.

In Chapter 10, Silvano Petrosino, starting from the idea that the 2008 crisis creates a different conceptualisation of the notion of wealth, exposes the principles of a new anthropology of wealth. The latter is the basis upon which humans' economic activities (always marked by excess: excess accumulation and excess waste) can be understood. This anthropological perspective examines the reasons that drive people to consider a particular object as precious, dear, attractive, worth being owned and collected. The basic question is: what is 'wealth' for human being?

In Chapter 11, Mark Hunyadi states that a liberal ethic is a driver of material reproduction in OECD countries and that the respect of individual rights hides people's inability to criticise the tyranny of *modes de vie*, vis-à-vis the durable expectations imposed on people by the system. The individualist ethic has its origin in the liberal dogma of separation between public and private spheres and it can create a fair but pathologic society. The author shows civil society can appropriate its democratic voice on essential issues, like *modes de vie*, by an institution of the common.

Global, universal, common are notions semantically clarified by Francesco Botturi in Chapter 12. Widely used in contemporary discourse on public affairs, each of these terms is a carrier (perhaps unwittingly) of influential anthropological, social and political conceptions. The author believes that facing the crisis requires criticising the identification of global and universal, because the general 'globe' of technologies is not at all equal to the universal 'world' of the human, the world of identities and relations. Moreover, human relations generate common being, and this lives in forms of community. Without a new experience of communities (familiar, civil, political), a new order is lacking the necessary human resources from which it would be created.

Mauro Magatti

Preface

Friends at the Università Cattolica del Sacro Cuore in Milan have honoured me at least twice over, and far more than I deserve. First, when they planned a series of lectures, seminars and a conference to discuss the financial crisis that began around 2007–08, they invited me to give a *lectio magistralis* on 9 October 2013. Some parts of that lecture feature in this preface. A second honour came when I was asked to contribute this prefatory essay for an associated collection of writings published under the highly appropriate title *The Crisis Conundrum*.

Key Moments in the Crisis

It seems generally accepted that the crisis began on Thursday 9 August 2007, when the large French bank BNP Paribas announced that it would cease trading three hedge funds that specialised in US mortgage debt. This led to the banking system seizing up, as different banks started to worry about their ability to repay even very short-term loans.

Shortly thereafter, the *Los Angeles Times* reported a bank run on Countrywide Bank in the USA on Friday 17 August. A second bank run, on Northern Rock in the UK, started on Tuesday 15 September. The crisis rumbled on. After an initial hiatus, its first phase effectively ended on Friday 14 March 2008, when the US securities and banking firm Bear Stearns was bought out by JP Morgan after yet another run.

Some months later, on Sunday 7 September 2008, the US government bailed out the two sibling organisations Fannie Mae and Freddie Mac that guaranteed many subprime mortgages.[2] Just one week later, the US government refused to bail out Lehman Brothers, which was forced to file for bankruptcy on Monday 15. The very next day, however, the Federal Reserve Bank of New York was authorised to offer an emergency line of credit to the American International Group (AIG), a giant in the insurance business. In the UK, on Wednesday 17, the UK government arranged that Lloyds TSB should rescue the UK's largest mortgage lender, HBOS, which had resulted from a 2006 merger between the Bank of Scotland (Britain's oldest commercial bank founded in 1695) and Halifax, a demutualised building society. Within a month, the banking crisis spread first to Ireland and then to Iceland. The global Great Recession was clearly underway.

Moreover, the crisis is still far from over. *The Economist*, in its issue dated 11 July 2016, has an article entitled 'Why Europe's next crisis may be in Italy', with the second sentence: 'Italian banks' shares have plunged: Monte dei Paschi di Siena, the third-biggest (and the world's oldest), has lost half its value since the Brexit vote' [on 23 June 2016]. Given EU rules, this prompted *The Economist* to ask: 'Can Mr Renzi save both the banks and the bondholders—and his job?'

Meanwhile, books offering accounts of the causes and developments of the financial crisis and subsequent Great Recession abound. Two by central bankers who report the events they witnessed and influenced are Ben Bernanke's *The Courage to Act* (2015) and Mervyn King's *The End of Alchemy* (2016). Popular narrative accounts include Michael Lewis' *The Big Short* (2010) and *Boomerang* (2011). Insider accounts of the collapse of Lehman Brothers and HBOS respectively have been provided by Joseph Tibman's *The Murder of Lehman Brothers* (2009) and Ray Perman's *Hubris* (2012).

[2] These common epithets refer to the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC).

Finally, writing for the economics profession, but from a purely US perspective, Mishkin (2011) clearly intended to provide a definitive account of how the crisis originated and developed in its early stages. Yet he overlooked the bank runs in the USA on Countrywide Financial and Bear Stearns, amongst others. Perhaps he was misled by Gorton and Metrick's (2009) description of the crisis as a 'run on the shadow banking system' due to deleveraging in which the decline in collateral value forced banks to sell off assets in order to reduce their borrowing. While this was no doubt a key part of the crisis, as Geanakoplos (2010) suggests, it nevertheless led to events that did look more like classic bank runs.

Reactions to the Crisis

An early reaction to the crisis in the UK occurred on 5 November 2008 when Queen Elizabeth herself visited the London School of Economics to open a new building. According to the *Daily Telegraph*, the question she raised was why everybody had failed to predict the crisis. The answer should have been what Rajan (2005), amongst others, had actually pointed out as the impending dangers. Unfortunately, he chose to do so at an occasion intended to honour Alan Greenspan. Anyway, as John Kay writes in his book *Other People's Money* (2015, 56–58), Rajan was largely ignored. Kay quotes a 2006 speech in which Ben Bernanke makes the hubristic counter-claim:

> Banking organizations of all sizes have made substantial strides over the past two decades in their ability to measure and manage risks [resulting in] greater resilience of the banking system.

Other writers, such as Chari, Kehoe and McGrattan (2007), in a prominent article whose appearance coincided with the beginnings of the crisis, dismissed business cycles as due to 'wedges' which, like distortionary taxes, lead to market inefficiency. This misses the key point that the economic crisis surely represents a market failure that could and should be blamed on the economics profession.

Another reaction came in two articles published in *Nature*. In the issue dated 30 October 2008 Jean-Philippe Bouchaud wrote a piece pointing out that '[f]inancial engineers have put too much faith in untested axioms and faulty models'. In the same spirit, the issue of 6 August 2009 carried a piece by Doyne Farmer and Duncan Foley that included the ultimate insult that a physicist like Farmer can apply:

> When it comes to setting policy, the predictions of these [equilibrium] models aren't even wrong …

This diagnosis is surely right, but also very incomplete.

Two Attempts at Diagnosis

John Kay's *Other People's Money* offers not only deep insights regarding the crisis, but principally a devastating critique of free market ideology applied to financial markets. It also explains how a seemingly obscure 1997 legal opinion by a Queen's Counsel named Robin Potts allowed the market for credit default swaps to go unregulated for so long. Potts' opinion was that these bets on whether particular companies would default on their debts were neither wagers, which would have been unenforceable as contracts in the UK at that time, nor insurance contracts, which would have been appropriately regulated.

Mervyn King's *The End of Alchemy* is principally a plea for major reform of the existing central banking system, with its current reliance on fractional reserve requirements to bridge, often at public expense, the evident gap between a bank's long-term assets in the form of loans, and its short-term liabilities to customers who keep accounts with the bank. Specifically, he advocates that one should gradually replace the 'lender of last resort' function of central banks with a 'pawnbroker for all seasons'.

Recognising the Need for Financial Reform

After his negative reaction to Rajan's (2005) cautionary analysis, one could argue that Ben Bernanke rose to the crisis once it occurred and used his scholarly expertise in the history of the Great Depression in the 1930s to avoid repeating the earlier mistakes that the Fed had made at that time. So, in March 2009, after the worst of the immediate crisis had passed in the USA, he spoke on 'Financial Reform to Address Systemic Risk'. One paragraph offered the following plea for fundamental reform[3]:

> At the same time that we are addressing such immediate challenges, it is not too soon for policymakers to begin thinking about the reforms to the financial architecture, broadly conceived, that could help prevent a similar crisis from developing in the future. We must have a strategy that regulates the financial system as a whole, in a holistic way, not just its individual components. In particular, strong and effective regulation and supervision of banking institutions, although necessary for reducing systemic risk, are not sufficient by themselves to achieve this aim.

Indeed, if our models of financial markets are 'not even wrong', as Farmer and Foley claim, what should we do about them? Here are three contrasting ways to react:

1. Scientists can adjust theories to explain facts. This is presumably what Farmer and Foley had in mind.
2. Engineers, such as Alvin Roth with his book *Who Gets What—And Why: The Hidden World of Matchmaking and Market Design* (2015), try to create improved facts which are mostly constrained by existing theories.
3. Architects, such as those Ben Bernanke wants to see, use both theory and fact in accordance with each other to combine aesthetic form with function.

[3] http://www.federalreserve.gov/newsevents/speech/bernanke20090310a.htm

Devising a new architecture, especially for banking and financial markets, is a major task for economic theory. Indeed, theorists probably need to do a better job of distinguishing the models they use for description from those they use for prescription. Of course, in any redesign of the dysfunctional financial market system we actually have, one should try to preserve as much as possible the efficiency properties that are usually ascribed to competitive markets, though falsely so for markets subject to unpredicted crises.

Can the Rational Actor Paradigm Survive?

Mervyn King's book makes interesting and extensive use of what he calls 'radical uncertainty', which John Kay also mentions. This concept describes 'uncertainty so profound that it is impossible to represent the future in terms of a knowable and exhaustive list of outcomes to which we can attach probabilities' (p. 9). He writes of 'possibilities [that] are both limitless and impossible to imagine'. Perhaps I may be excused for remarking that Hammond (2007) explores some implications of such uncertainty, and its relationship to the ideas of Joseph Schumpeter and especially George Shackle (see also Hammond 2009). This analysis does suggest that, if the rational actor paradigm so prominent in modern social science is to survive, it will need significant amendments, perhaps along the lines sketched in the last section of Hammond (2016).

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Part I

The Socio-Economic Dimension

1

Beyond the Consumerist-Financial Exchange: The Sustainable-Contributory Exchange

Mauro Magatti and Laura Gherardi

Introduction

This chapter analyses the exchange of material and symbolic resources between society, economy and politics in two historical periods: 1945–1968 and 1989–2008. This analysis aims to identify those elements that can form the basis for a new exchange in Western post-crisis democracies, focusing particularly on the USA given its stable supremacy in the international scene in the last decades and the paradigmatic nature of the US capitalistic model in the contemporary age.

By exchange, we mean a particular composition and crystallisation of the social, political and economic interests within the US community. The kind of social contract that characterises a given historical epoch is thus read as an exchange—here conceived more broadly than political

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exchange[1]—that satisfies social, economic and political interests, at least temporarily and partially. For *social* interests, we mean here the material and symbolic interests of different social groups, considering both up and down the social ladder (groups whose interests, as we will show, often conflict with each other) and as a majority or minority compared to the rest of the population as a whole. We consider *economic* interests as those interests related to the accumulation of capital, in the form of profit and/or income, which find concrete expression in the structural transformations of capitalism. Finally, when we speak of *political* interests we primarily mean the achievement of consent by policy-makers. They act through government policies defining the guidelines of institutional intervention in a given period, for example the levels of public spending or taxation and the recognition of certain rights.

In every phase of history, a different sort of exchange emerges that summarises, at least provisionally, a convergence of some of the social, economic and political interests in the capitalist framework. The engines of exchange are the demands that come from social groups; criticism of the system is a key expression of these demands (Boltanski and Chiapello 1999). Among the factors that push for change the terms of a given exchange, changes in the social demands and in the attempts to answer them (or at least some of them) have a particular importance. Elsewhere we have described these dynamics: 'exchange-crisis-emergence of a new exchange' (Magatti 2009, 2012a; Magatti and Gherardi 2014b).[2] In the current chapter we focus on the intersection between these interests and the resources involved in the exchange, during the period from the end of the Second World War to the present. We distinguish three different phases therein.

[1] In the international political science and sociology debate during the 1980s, the notion of political exchange indicated mainly two types of exchange. The first is the exchange between capital and labour through state mediation, confined to the field of industrial relations. The second is the exchange between voters and elected officials, where the government provides goods in exchange for the social consensus that another party is entitled to give or withdraw (Pizzorno 1993). For the concept of political exchange see also Barry (1976).

[2] The engines of social change are the demands that arise in every historical period, to answer some of which the process of accumulation and government policies change, thus restating the terms of the exchange. For a comparison with the evolution of the spirit of capitalism, whose engine is criticism (Boltanski and Chiapello 1999), see Magatti and Gherardi (2014a).

The first phase, which begins in the post-war period and extends to the symbolic and structural crisis of 1969, is characterised by 'Fordist-welfarist' exchange. In the early 1980s a new exchange emerged, starting the second phase, which is usually called neoliberalism. We propose that that period, beginning in the 1980s is only realised fully after 1989, as a consequence of the fall of the Berlin Wall, although the construction of a global market started earlier. This period ends with the crisis of 2008, which highlighted the unsustainability of this exchange at economic, social, environmental and international levels.

Our reading of this phase visualises two different yet interrelated levels of the exchange: the structural plan, on which the traded goods are tangible, and the symbolic plan, on which the traded goods are predominantly immaterial.[3] The analysis of the structural plan starts from the points of convergence between critical theories of an economic cast—notably Stiglitz (2010, 2013), Krugman (2009, 2013), Reich (2011, 2012)—that re-read the last three decades. The analysis of the symbolic plan begins with the commonalities between some major theories of a social-philosophical mould (Sennett 2003, 2005; Honneth 1995, 2010; Boltanski and Chiapello 1999). The latter have been selected not only for their influence on social theory, but also because they offer a glimpse into the relationships between society, economy and politics, which are our focus. For the sake of linearity of presentation, the nature of exchange on each of the two plans or levels is initially considered separately. Certainly, the exchange model common to Western democracies has had, in the different phases, specific variations in every country.

Starting from the commonalities between the theories mentioned, we will then specify the resources involved in the exchange between social, economic and political interests in both the structural and symbolic plans. We will define the neoliberal exchange as *financial-consumerist* exchange. We choose the term *financial* to emphasise the centrality of the process of financialisation of the economy, or the effects of deregulation and financial engineering. It has paved the way for an equity capitalism

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[3] Privileged examples of symbolic goods that we will return to in this chapter are the possibility of individual expression and realisation of the self.

that has massively extended the possibility of access to credit, and thus indebtedness, especially in the USA.

In the last three decades, faced with stagnant median wages, American consumption was supported by a strong erosion of both private and public savings and debt. This exchange, called 'loans for wages' (Barba and Pivetti 2009), promised increased quantitative freedom to the majority of the population, particularly in the choice between different consumer goods, hence the adjective *consumerist*. For the symbolic plan, this exchange offered to the majority of the population of Western democracies the possibility of a progressive emancipation from traditional ties and a form of individualised self-realisation, whose privileged expression is consumption.

Based on our analysis, we propose that from the ashes of the crisis a new exchange can take place. Our suggestion is that a new model can possibly arise: one based on a different idea of growth and consumption. In relation to this new exchange, which reconnects economy and society, we will try to identify both the positive indications that can be glimpsed today of its rise and those that indicate a resistance to its emergence. We call this new exchange '*sustainable-contributory*' exchange, to underscore the distinctive characteristics, respectively, of the economic and the social spheres. To imagine the new exchange means to respond, on the one hand, to what 'growth' means in the advanced economies, in particular through a redefinition of the concept of value and its measurement and, on the other, to the ways that government policies can offer different social groups new forms of participation, contribution and recognition.

The crisis of Fordist-Welfarist Exchange (1945-1968)

Fordist-welfarist exchange is characterised, in Western democracies, on the economic level by a Fordist form of capitalism, correlated with mass (standardised) consumption, and on the institutional level by the creation of the welfare regime. When applied to the USA, 'welfare' means something different from the kind of direct mediation operated by the state in continental Europe and Scandinavia (Esping-Andersen 1990).[4] Moreover, it also means something broader than government spending for medicare, unemployment insurance and social welfare programmes. The US government, after the Second World War, played an active role in ensuring the rights and conditions favourable to the gradual increase in wages of the majority of citizens. This support, though often indirect, expressed a political commitment to the establishment of an abundant supply of opportunities, conceived as a safety net.

A timely and concise description of the period between the end of the Second World War and the crisis of 1968 is provided by Thompson (2006). Collecting much literature on the subject, Thompson shows that in that historical period the policies of Western societies were typified by social democratic consensus: a strong level of redistribution, a strong social state and some economic planning.

This model rested on the stabilisation of democracy, Keynesian regulation, access to education, full employment and the regular growth of average and median wages.[5] Within the state, which coincided with political authority, the public identities of citizens were denoted by their identification with classes and occupational groups—which often influenced alliances with certain parties. The political dialectic revolved around the different weight given, in the economy, on the one hand to the state and on the other to the free market. Paraphrasing Thompson, but with the vocabulary that we use here, the fight for the distribution of resources involving the different social groups, mediated by the political sphere, was experienced against the backdrop of a substantial consensus over the general terms of Fordist-welfarist exchange,[6] whose strength depended on delivering benefits for everyone within the limits of the nation-state. For example, the idea of strong progressivity of taxation was supported by both the left and the right, thanks to the recognised legitimacy of intermediary organisations such as trade unions.

[4] On the differences between the Anglo-Saxon liberal regime of welfare, characterised by a more marginal role of the state, from the conservative/Catholic/Continental regime and the Scandinavian social democratic regime, see Esping-Andersen (1990).

[5] For a complete description of this model, see Magatti (2009).

[6] This was also thanks to the New Deal, which had created the political conditions for such consent (Krugman 2009, 2013).

To understand Fordist-welfarist exchange, we must consider how tangible and symbolic goods were exchanged in those years between the spheres of society, economy and politics. The relationship between social groups and politics was characterised by a sponsorship of the majority of the population through government policy support, a highly progressive taxation, the spread of an 'individualism of equality' (Schroer 2011) on the cultural plane and new legal freedoms and social rights. Consider, for example, the progress made in those years in the field of the right to work and of civil rights and cultural minorities' rights. The exchange between social groups and the economy was marked, first of all, by access to mass consumption, the protection of unions, and the safety of the workplace—which in the USA is often related to healthcare. Capitalist interests, for their part, were secured by a growing domestic demand as well as a commitment by the state in the form of public investment and military spending.

The roots of the crisis which became evident in the 1970s are to be found in the previous decade. The USA in the 1960s saw the formation of a new left, marked by a criticism of the concept of formal freedom expressed by the institutions of the social democratic consensus, and the formation of a new right, conceiving of social protection as a detriment to economic efficiency (e.g. Lyons 1996; Klatch 1999).[7] On the other hand, in terms of the symbolic plan, the new social movements, including that of feminism, questioned the fundamental axis of social recognition based on the citizen-worker nexus while, hand in hand with this, the widespread nature of greater economic wellbeing weakened the relationship between identity and belonging to a certain social class.

These movements were associated with various new political currents simultaneously. Nationalist, subnationalist, anticolonial and environmental movements contested the equation of a territory equals a state equals a political authority (e.g. Moodod 2005; Parekh 2000). In this climate, the social demands emerging in 1968 were both a desire for greater

[7] According to some critics (e.g. Krugman 2009) the rise of the conservative right in the USA can be explained in part by its exploitation of white revanchism to reduce social spending and progressive taxation. For example, Reagan's speeches often implied that social spending would principally benefit black people.

economic equality and for realisation and self-expression, as opposed to alienation.

We define this latter thrust as subjectivist demand against the pervasiveness of the institutions of Fordist-welfarist capitalism in individual life. It has been thematised as a rejection of all authority and normativity in the name of the centrality of the self and the autonomy of choices and of moral freedom. This demand would materialise, within the relationship between social and political groups, in the struggle for the recognition of differences—in particular the cultural ones—of certain minorities or of 'subaltern groups'.[8] At the heart of the relationship between social groups and the transformations of capitalism, however, the answer to the subjectivist demand was a reorganisation of capitalism under the banner of flexibility in labour relations and modes of production, of personalisation and an increase in consumer goods and of internationalisation.[9] In short, the answer was the constitution of a global market.

Heavy social and economic disorder dominated the 1970s. The explosion of social conflict, the first energy crisis and the saturation of domestic markets made clear that the old equilibrium was no longer tenable. This was especially the case in a situation in which international hierarchies were called into question, while 'stagflation' was a contradictory phenomenon indicating that something was going wrong, both in theory as well as in practice.

As we know, the answer to this crisis came from the neoliberal turn in the early 1980s. The most profound change implied by the new political and economic doctrine was the redefinition of the relationship between economy and society: it was by taking a global instead of a national view of the economy that neoliberalism abandoned the post-war Keynesian vision according to which economic growth is intimately linked to social development. Neoliberal doctrine, by separating the economy from society, holds that social development is a simple by-product of economic growth. It states that if the economy is liberated from all the social and

[8] Regarding which, however, they have not followed adequate institutional policies (Honneth 2010). Later we will examine the question of this 'perversion' of the demands.

[9] On the plasticity of capitalism, defined as the ability to restructure itself in order to block criticism in every phase of history, see Magatti and Gherardi (2014a).

institutional regulations, then growth can be realised and thus social life improved.

This expansive movement has been enabled and supported by public action. The new global market, based on the central role of the government and the American economy, could not have arisen without the birth of a new political and economic vision, international in nature, which formed within and was pursued by the USA. In short, the quest for autonomy of economic interests, that is to break away from a national territory and its social and economic limitations, has combined with the subjectivist demand.

The response was a profound restructuring of economic policy, in order to allow the revitalisation of the accumulation process, no longer conceived in relation to domestic markets but rather to global markets, by definition unchained from national territory. The features of this new exchange—commonly called neoliberal, due to the incorporation of neoliberal doctrine in its structure—clearly stabilised only at the end of the 1980s, that is, after the fall of the Berlin Wall. It is from that moment, with the disappearance of the antagonist economic model, that market liberalisation accelerates itself into the unique model of reference canonised in the so-called Washington Consensus. In this framework, the process of financialisation of the economy has reached maturity.

The process of dismantling the Keynesian framework—within which Fordist-welfarist exchange was contained—has, however, a longer history. As we know, the Keynesian framework was designed to limit the mobility of capital and stabilise the relationships between currencies. The unilateral abandonment by the US government in 1971 of the fixed ratio of gold to the dollar was the very first step in the destruction of this structure, which was based on a highly codified national and international relationship between money and production. From this decision ensued, to mention just a few steps, the Garn-St Germain Act in 1982,[10] the unification of the telematics stock exchanges of New York and London and, in 1986, the negotiation for China's entry into the World Trade

[10] This act, approved under President Reagan, deregulated the financial system and the newly unregulated banking activities and marked the beginning of lending to customers of doubtful solvency, mostly real estate agents.

Organisation's General Agreement on Tariffs and Trade[11] as well as the abolition of the Glass-Steagall Act in 1999.[12] In the USA, these are the years of the Greenspan Fed, whose monetary policy ensured an almost unlimited supply of money associated with the maintenance of very low levels of primary interest rates. As mentioned, the determinant event that marked this change of paradigm and drove the creation of a global market was the unexpected and sudden collapse of the Soviet empire, because it left the development model of the Washington Consensus[13] free of any oppositional counterpoint. At the death of the historical parable of colonialism,[14] the birth of a global market was the lever to boost economic growth beyond the domestic markets of Western democracies that were no longer able to support it.

Neoliberal Exchange (1982–2008) and Critical Theories

Thanks to the progressive liberalisation of capital movements and trade, therefore, the accumulation process was launched at an international level. To echo Harvey (2011), the renovation of the space–time matrix of social life has allowed the process of accumulation to get moving again and to reopen the field of opportunities. This has re-established, within the Western democracies, a political consensus tied to growth. However, the fruits of that growth have not been equally distributed, despite the increase in consumption that was recorded in the last decades.

We mentioned in the previous paragraph that, in addition to the subjectivist demand, the demand for greater economic equality also emerged

[11] This led to the entry of China, a reservoir of cheap labour and the main funder of USA debt, into the WTO in 1999.

[12] The Glass-Steagall Act, enacted in 1933, banned commercial banks from using customer deposits to speculate in the stock market and separated banking and insurance activities.

[13] The Washington Consensus is an economic paradigm that synthesises the new vision of economic policy, one that was then spread by the International Monetary Fund, World Bank and the US Treasury Department (institutions based in Washington) to debtor countries. It has as its pillars trade liberalisation, investment and finance, and privatisation and deregulation.

[14] Unlike some authors, we do not speak here of neocolonialism but rather of the replacement of political and military domination by the USA of the colonised countries with economic control.

Fig. 1.1 The "U" curve of inequality in the USA (*Source*: Piketty [2013])

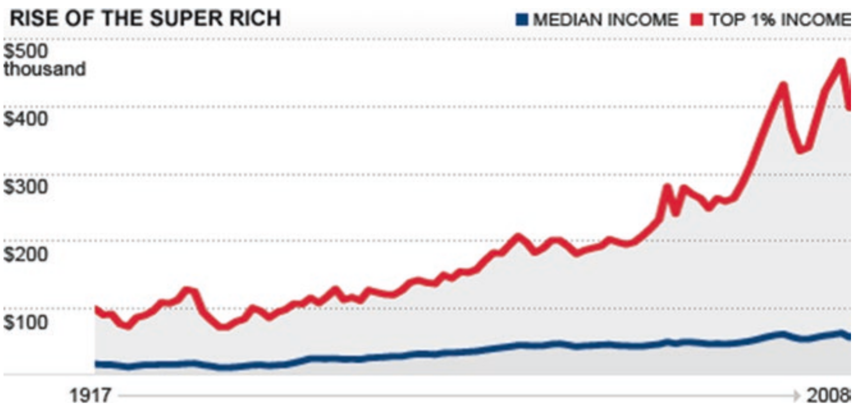

Fig. 1.2 The top 1%'s income as opposed to median income in the USA (*Source*: IRS 2011 on Piketty and Saez [2003])

in 1968, a phenomenon that we will refer to as 'social criticism' (Boltanski and Chiapello 1999). The reply to this criticism has not been a reduction in inequality through higher wages on the basis of gross domestic product (GDP) (see Fig. 1.2), but the granting of the possibility of debt, which has resulted in growing consumption for the majority of the population. The growth in inequality during the neoliberal period, which was particularly strong in the USA, is the pivot of criticism by some economic theorists—Joseph Stiglitz (2010, 2013), Paul Krugman (2009, 2013) and Robert Reich (2011, 2012)—in the re-reading of the neoliberal turn in the USA that they offer. They first converge on the idea that there was a leap in the development model in the 1980s, while recognising its bases in the two previous decades. This idea is based on the observation of the concomitant inversion of fundamental economic trends that began in those years: the first trend was just the increase in inequality, which had decreased over the previous decades. This resulted from the freezing of the growth in median wages, which entered a phase of prolonged stagnation in the face of very strong growth of top wages,[15] which yielded capital income. Figure 1.1, taken from the historical analysis of Piketty (2013), shows the progress of the growth in inequality and its extension in the USA since the '80s.

Other trends that have occurred in the same period are the slowdown in GDP growth, the exponential increase in the indebtedness of households and governments and the growth of consumer spending. On the one hand, in the same period, taxation has become less progressive[16] together with a reduction in government budgets for social spending; on the other, the processes of the relocation of capital and enterprises has become the new norm and the rate of unionisation has diminished.[17] These indicators, which reveal a distribution of material resources far more favourable to the top of the social ladder than in previous decades, are rooted in the US government's policies of external and internal deregulation even more than in the laws of the market.[18] As the three authors mentioned note, in fact, government policies supported the expansive

[15] According to Sennett (2003), neoliberal individualism provides a justification for this extreme gap in the labour market: the recognition of differences between the most talented and the rest. Nonetheless, following this author, the exchange in reality exacerbates the recognition of differences, denying both equality and fulfilment to the majority.

[16] Under President Reagan, the highest marginal tax rate was reduced from 70% to 28%, according to data from the Tax Policy Center (www.taxpolicycentre.org). According to the same source, it reached 40% with Clinton and then back down to 35% with Bush. In addition, from President Clinton on there is simultaneously a reduction in tax rates on capital gains; President Bush lowered the tax to 15% of capital gains.

[17] The rate of union membership fell from over 20% of the workers of the USA in the 1980s to just 11.9% in 2010 (www.bls.gov).

[18] The causes given for this include immigration, the technology driven knowledge divide and the influence of international competition. However, these do not explain the magnitude of this gap.

movement that caused this trickle-up. This course of increasing inequality is seen as the main cause of the crisis of 2008 (because it produced debt by stagnating wages and consumption growth) and also of the current lack of recovery (because it has produced low aggregate demand).[19]

In the post-crisis, after several decades,[20] inequality has returned to the very centre of analysis of the economic plan, through the work of the scientific community and the international press that disseminates the results of research.[21] Institutions such as the IMF[22] and the Organisation for Economic Co-operation and Development (OECD)[23] today renegotiate the trade-off between economic growth and inequality, which was the mantra of the time for justifying those neoliberal policies that favour the wealthy. Contrary to the rhetoric in support of the exchange—that is, that a rising tide would lift all boats *ad infinitum* thanks to trickle-down—there has been a trickle-up (Stiglitz 2010). The promise of a continuous improvement of the material conditions of life of the general population has been disregarded. Even the promise of better living conditions for one's children—a promise that would translate into tangible assets in the future—is a symbolic good that dropped out of the exchange. Economic theories critical of neoliberalism intend to show the unsustainability of the process of granting material resources to those social groups lower down and on the middle of the social ladder. By doing this, these theories denounce as both ineffective and temporary the satisfaction of the mate-

[19] On the link between the shortfall in aggregate demand—and hence in the US economy—and inequality, see in particular Stiglitz (2013).

[20] E.g. Reich reports that after eighty years of remaining off-stage, the theme of inequality has finally returned to the public debate (Reich 2011, 2012) thanks to the diffusion of the press reports stimulating public discussion about the concentration of income, wealth and political power. Consider also, however, that the analysis of the Great Depression of Milton Friedman and Anna Schwartz (1971) and Ben Bernanke (2000) does not contain even a mention of inequality.

[21] For example, in 2012 the *Financial Times* launched a special issue on how the inequality produced by capitalism is a threat to a democracy that is historically rooted in the middle-class majority.

[22] E.g., IMF: 'We find that longer growth spells are robustly associated with more equality in the income distribution …. Over longer horizons, reduced inequality and sustained growth may be two sides of the same coin'. *Inequality and unsustainable growth: two sides of the same coin? IMF staff discussion note* (2011, 1), (www.imf.org); see also IMF *Redistribution, Inequality and Growth, IMF staff discussion note* (2014), (www.imf.org).

[23] E.g., OECD: *Divided We Stand: why inequality keeps rising* (www.oecd.org); OECD: *Growing inequal? Income distribution and poverty in OECD countries* (www.oecd.org).

rial interests of certain social groups that would be provided by neoliberal exchange.

On a symbolic level, the neoliberal expansion led to a weakening of social cohesion, a phenomenon that correlates with growing inequality. Among the critical theories that reconstruct the neoliberal turn on a symbolic level, the lowest common denominator is in fact, to use a Baumanian metaphor, the liquefaction of the social bond. Honneth (2010), Boltanski and Chiapello (1999) and Sennett (2005), among others, understand the dissolution of class and national solidarity as being influenced by the expansive movement discussed above. This has resulted in an extreme individualisation of life stories and in an expansion of choice for individuals, but this expansion of quantitative freedom, which has been a leap in the process of individualisation (Simmel 2013 [1900]), has not, however, translated into a qualitative improvement in people's lives. Because of this, the three authors speak of neoliberal 'ideology': the new organisation of work and production institutes a flexibility that disrupts many lives by bringing about the dark side of uncertainty, the cult of performance (Ehrenberg 1991), mental suffering and the loss of all that endures. The freedom it grants does not sustain life choices, nor does it provide capabilities (Sen 1999): it is, most often, merely a freedom to choose among various consumer products.

Liberal ideology has thus perverted the subjectivist demand that, in the lexicon of these theories, appears as a demand for personal development (Sennett 2003, 2005), for recognition of differences (Honneth 1995; Fraser and Honneth 2003) and for the realisation of the self (Taylor 1992; Boltanski and Chiapello 1999). Although these authors propose a different dynamic as the cause of this perversion,[24] they all define neoliberalism's new model of self-realisation as unsustainable. It is based on a romantic conception of individualism (Campbell 1987), in which a monadic self-developing I gets ever-closer to the original core of one's self thanks to a freedom conceived as being freed from any ties. Elsewhere we have called this 'individualized self-realization' (Magatti and Gherardi

[24] While according to Boltanski and Chiapello these changes in the spirit of capitalism were its response to criticism, Honneth argues that the process of change of capitalism is the result of a concatenation between different processes (e.g. the dissemination of electronic media, structural changes, cultural industry etc.), so that its dynamic can vary every time.

2014a): it substitutes an individualism of equality, such as the ability to develop an individual reflexivity (Schroer 2011), which is characteristic of Fordist-welfarist exchange. In the neoliberal imaginary, grounded on the culture-ideology of consumerism (Sklair 2011), this form of realisation is accomplished in consumer experiences and in relational or professional projects into which the individual enters in succession or in parallel (Boltanski 2005).

The unprecedented rate of social suffering recorded in the advanced Western democracies is for these authors a main indicator of the problematic nature of this model, which offers only a partial answer to the subjectivist demand. They all argue that the non-relational conception of the self—which is modelled on the needs of the accumulation process and which neoliberalism has made the foundation of its anthropology—does not allow for the full realisation of a person. This realisation would require, on the contrary, the recognition of others and of the importance of social ties, because humans are constitutively relational. And so, they emphasise, we need to rethink individuality in a manner compatible with social cohesion—a cohesion for which the reduction of inequality is certainly a fundamental dimension.[25]

In the lexicon of this work, the philosophical and social theories that criticise the neoliberal exchange aim to show that it has not actually bestowed the symbolic resources it promised to social groups at the lower and middle range of the social ladder. Moreover, what few resources it does hand down have actually bound them to conditions that have made their flourishing impossible.

Neoliberal Exchange as the Financial-Consumerist Exchange

The neoliberal exchange coincides with a kind of social contract whose terms are very different from those constituting Fordist-welfarist exchange. What are the main tangible and immaterial resources exchanged between

[25] According to Honneth, the struggles for redistribution are a special case of struggles for recognition, while others (e.g. Fraser 1995; Fraser and Honneth 2003; Phillips 1997; Rorty 2000; Barry 2001) argue that the demand for recognition of cultural differences obscures the need for economic redistribution.

society, economy and politics, as well as the commonalities among the theories we have just been discussing?

Over the past three decades, regarding the relationship between social and economic groups, the security of the workplace, characteristic of Fordist-welfarist exchange, was replaced by flexibility (first of all in terms of contracts, and then time, job and work locations). This change came with the costs and opportunities we have mentioned. Access to consumption transformed into the possibility of personalised and individualised overconsumption, through recourse to savings and (especially) to debt. To compensate for stagnant wages, access to debt was enabled through expansion and through financial innovation (via the overvaluation of diverse assets). Thanks to favourable regulation, the top of the social ladder achieved high profits from capital in this process.

Politics has garnered consensus around this generalised, though uneven and temporary, increase of opportunities, managing the growing social inequality in two ways. That is, first through the introduction of institutional conditions supporting the widespread (public and private) debt and second by exploiting the idea that the necessary and sufficient condition of individual and collective welfare would be an unspecified and undefined economic growth. The 2008 crisis, however, has shown the unsustainability of this model as it has crystallised over the last thirty years.

We call this exchange between politics, economy and society, which assumed a completed form in the late 1980s, financial-consumerist exchange because, within the Western democracies, the consumption necessary for economic growth and for the maintenance of political consensus has been supported by financialisation via debt. While in America the dominant form of this debt is household debt—of which the subprime mortgages are the emblem—in Europe the debt with which they financed consumption and services, directly and indirectly, was mostly public debt.

On a structural level, the basic Fordist-welfarist exchange, or bargain as Reich calls it (Reich 2012),[26] has therefore been replaced by

[26] 'For most of the last century, the basic bargain at the heart of American economy was that employers paid their workers enough to buy what American employers were selling. That basic

the individualist-financial one, which rests on the virtualisation of the economy, on the openness to international trade and, at the same time, on the US international leadership dictating policies favourable to the international expansion of neoliberalism.[27] We have already noted how much these policies, by America in particular, have influenced the transformation of Fordist-welfarist exchange. Internally, not only have many legislative measures weakened organised labour, but policies to reduce taxes on inheritance, on capital income and on the gains of the upper classes have fostered a polarisation of inequality unseen since the first decades of the twentieth century.[28] The relationship between capital and labour is, therefore, biased in favour of capital not only, nor even primarily, because of the economic dynamic.[29]

To explore this exchange on the structural level, we must jointly consider four trends that occurred in the USA over the last three decades: the trend of median wage stagnation together with that of the growth of wealth at the top of the social ladder, and the trend in household debt together with that of consumer spending.

As Fig. 1.2 shows, the salary of the median American worker (male, between 35 and 44 years old) has remained stagnant for the last three decades: in 2008 he received a wage that, when adjusted for inflation, is more or less equivalent to the wage of the early 1970s.[30] At the same time, the gains of the top 1% of the socio-professional ladder have tripled and the growth of large estates and investment income has increased even more radically (see also Salverda and Mayhew 2009). Economic inequalities are measured by the disparity in wages, or employment income, and by the disparity of wealth and income. According to the Economic Policy Institute analysis of Congressional Budget Office data, the 1% has partic-

bargain created a virtuous cycle of higher living standards, more jobs, and better wages. But for the last thirty years that basic bargain has been coming apart' (Reich 2012, 46).

[27] This was achieved primarily thanks to the prominence that the USA held in bodies such as the World Bank and the IMF, which dictated the institutional guidelines of these expansive policies.

[28] See also Piketty and Saez (2003).

[29] Following Stiglitz, much of the current inequality is the result of government policies that have moved the money from the bottom to the top of the social ladder, notably protecting the revenue in all its forms, by means of direct and indirect government subsidies to large corporations and by promoting monetary policies favourable to investment income.

[30] Different estimates range from a few percent up or down (usually from 15% less to 15% more).

ularly benefited since the 1980s, garnering approximately seven-eighths of the increase in income from capital.[31] Government policies, such as low taxation of top earners, have contributed to this growth of inequality.

If we consider household income between 1973 and 2005, the median family income adjusted for inflation grew by just 16%, even despite the entry of women into the labour market. These data reflect the fact that the USA presents today a rate of inequality that has eroded the middle class and its purchasing power (e.g. Krugman 2013),[32] and has become the most unequal OECD country after Turkey and Portugal.[33] The lower and middle classes have not only been denied the fruits of the spectacular productivity gains in the economies of the Western democracies throughout the last decades,[34] they have also been excluded from earnings in the financial markets (See Appendix, Fig. 1.5). Several authors speak of trickle-up or of redistribution of wealth from the bottom to the top of the social ladder: in the last 25 years, 9 percentage points on DPI have moved from 80% of the population in the highest quintile with the bulk of the displacement that benefited the richest 10% (Stockhammer 2012).[35]

Looking now at the trend of debt and consumer spending (PCE) in the same period, the first increases exponentially (Fig. 1.3) as the second rises (Fig. 1.4).

[31] See www.epi.org

[32] The author mentions another important fact: while in the 1970s the percentage of those who receive income near the median (50% more than or 50% less than the median) was more than 50%, but by 2007 it did not reach 43%.

[33] Inequality has been growing in all Western countries, as measured by different standards, since the 1980s. For a comparative analysis see, among others, OECD: *Divided We Stand: Why Inequality Keeps Rising* (www.oecd.org).

[34] From CEA processed data, based on BLS data, it emerges that productivity and costs (current employment statistics), on a log scale relative to the average wage (CPI deflator), remained more or less stationary since the 1970s (or slightly raised when considering output deflator) at around 150 points, while the real output per hour has more than doubled in the same period, reaching in 2013 more than 400 points, 2014 Economic Report of the President (www.whitehouse.gov).

[35] According to the Congressional Budget Office, in 1980 the post-tax income share accruing to the lowest quintile of income distribution was 6.8%; the share of the highest quintile amounted to 42.8%; the second, third and fourth quintiles accounted for the remaining 50%. In 2005, the income share of the poorest quintile fell to 4.8%, the income share appropriated by the richest quintile rose to 51.6%, while the share of the intermediate quintiles dropped to about 44% (www.cbo.gov).

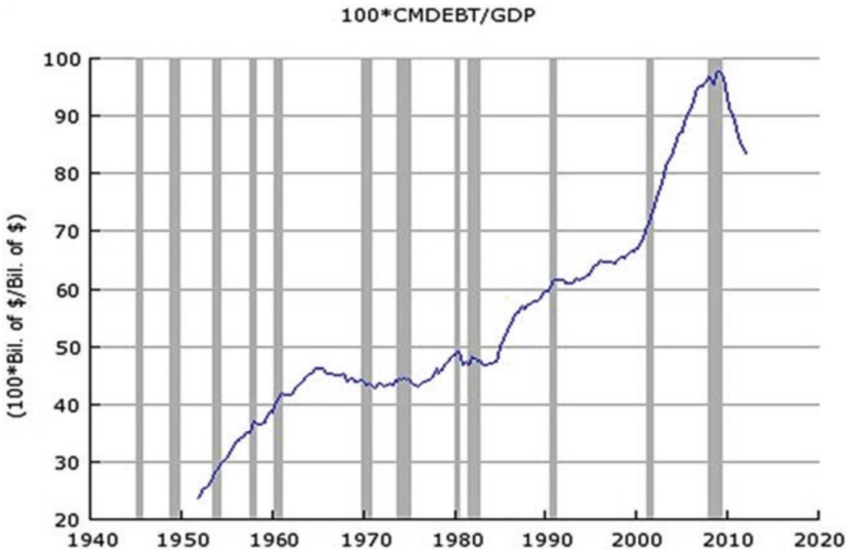

Fig. 1.3 Consumer debt as percentage of GDP (*Source*: St Louis FED [2012], www.stlouisfed.org)

Fig. 1.4 Personal Consumption Expenditures (PCE) as a share of GDP (*Source*: Bureau of Economic Analysis [2011], www.bea.gov)

A further correlation to mention is the one between the rise in household debt in relation to a country's GDP and a weakening economy—considering slowing growth and rising unemployment as key indicators of weakening—at least in the short to medium term (Mian et al. 2015).

The strong growth in household debt began in 1990, when even the entry of women into the labour force stopped generating enough income: from 1990 to 2007 typical household debt increased by one-third, thanks to the growth in property values.[36] The great prosperity of 1945-–1968, the Fordist-welfarist exchange period, has thus given way to the great regression for the period 1981–2007, or the financial-individualistic exchange. Due to wage stagnation, and meanwhile lacking any compensation from capital gains, individuals and households drew down savings and have resorted to debt along the lines of 'loans for wages' (Barba and Pivetti 2009). What happened is that, within that model, finance allowed the temporary disconnection of final demand from the distribution of material resources: 'Finance plays a merely permissive role, unless it is capable of impacting on income distribution, or of "disconnecting" final demand from distribution. The latter case is well represented by the process of the substitution of loans for wages, which, through the easing of households' liquidity constraints and the growth of household debt, characterized the US experience over the three decades up until the outbreak of the financial and economic crisis of 2007' (Barba and Pivetti 2012, 12). The potential stagnation of internal demand led, according to Stockhammer (2012), to two models of compensatory growth: the debt-led model exemplified by the USA and UK, and the export-led approach exemplified by Germany and China.[37] According to this author, in the first model demand was supported by consumer debt and the housing

[36] Consider also that the Americans in the lower 80% had spent about 110% of their income already by the middle of the decade (Delli Gatti et al. 2011). The increase in property value, according to many economists, has helped give families the perception (known in economics as the 'wealth effect') of being wealthy enough to sustain debt, thus pushing consumption.

[37] The rising rate of household spending in the bottom 95% of the income distribution during the Consumer Age rescued the US economy from possible demand stagnation caused by rising inequality (Stockhammer 2012). Consider that the income–debt ratio from 1989 to 2007 almost doubles for the bottom 95%, rising 73 percentage points. The increase for the top 5% was just 20 percentage points (ibid.).

boom; finance therefore temporarily annulled the effect on demand of increasing inequality.[38]

Following this exchange's perspective, the joint interest of the economy and of the policy-makers to support demand—where politics based its approval on the promise of a perpetual-growth economy[39]—met that of a finance system ready to intercept the flow of money from the third world.[40] Financial engineering has created expanded access to credit without credentials via the overvaluation of assets; without this, aggregate demand would be weak, in part because of rising inequality (Stiglitz 2013). We can state this in terms of critical sociology: to ensure a sustainable increase in inequality, which benefitted those at the top of the social ladder, politics and economics have supported the financial expansion with a model of growth based on debt, a model that ultimately proved unsustainable.

A historical precedent—not at the data level, but concerning the dynamics of exchange—is given in the re-reading of the crisis of 1929 offered by Wisman (2012).[41] This author shows how, after the First World War, the dramatic growth of inequality, caused primarily by wage stagnation, prompted households to consume more, reducing their savings and increasing their debts to maintain their relative social status. Maintaining

[38] Following Barba and Pivetti, finance negatively impacted redistribution, helping 'bring about a change in income distribution unfavorable to the expansion of demand, while providing only a temporary disconnection of demand from the distributive change … From the perspective of capital owners as a class, a process of real wages contraction may seem significantly preferable as a route to the expansion of the mass of profits over time than a process of continuous expansion and renewal of productive capacity. The problem is that the former process is unsustainable, no matter whether it takes place directly, through wage bargaining in situations of decreasing wage earners' strength, or whether it occurs through the "hazier" means of the gradual dismantling of the welfare state—that is, through the contraction of indirect wages' (Barba and Pivetti 2012, 139).

[39] Some indicators like GDP supported the idea of a positive evolution of the economy; for criticism of the GDP—that does not represent the living conditions of the average American and does not include the negative externalities of the growth model—see, among others, the *Report by the Commission on the Measurement of Economic Performance and Social Progress*, www.stiglitz-sen-fitoussi.fr

[40] In 2010, then-Fed Chairman Ben Bernanke told the financial inquiry commission that among the factors triggering the crisis a special place is occupied by the Mortgage Backed Securities, which was built to intercept flows of savings from emerging countries, the raw material of securitisation (www.fed.org). It could, therefore, be argued that the premise of the crisis has been inequality also because of the fact that greater inequality helped to create a greater need for credit and this, in turn, has made it possible to intercept flows from third world countries.

[41] Today's great debate over the drop in US household savings in recent decades, in fact, started in the 1990s; in particular, see Bosworth et al. (1991), Gale and Sabelhaus (1999) and Reinsdorf (2007).

their social status is therefore a primary explanation of why individuals and families spend beyond their means. More specifically, this author takes from Veblen (Veblen 1994 [1899]) the idea that consumption is a means to gain recognition and thereby self-esteem (Varul 2006), or a way to translate material resources (borrowed, in these specific cases) into symbolic resources. In this regard, the economic models of the life cycle, the wealth effect or the supply of cheap credit, seem unsatisfactory to many economists. To explain this phenomenon, they resort most often to sociological concepts such as the influence on consumer choices of reference groups (e.g. Cynnamon and Fazzari 2013) or of the wealthy classes.[42]

To this explanation we add here two hypotheses, less explored in the relevant literature. The first hypothesis is that maintaining the standard of consumption has been very important in recent decades because consumption has replaced religion and labour (Campbell 1987), respectively, as a fundamental site of identity and engagement. The subjectivist demand of the 1970s has been channelled into the choice of consumer goods considered to be an expression of self realisation. Therefore, simultaneous to the disappearance of the symbolic importance of work on the exchange (Beck 1999), overconsumption becomes the answer to subjectivist demand by creating the possibility of recognising some differences in identity (Zakin 2012).

Much of contemporary sociological theory considers this an ideological expression (e.g. Bauman 2007; Sklair 2011) from which the production system uniquely benefits. At the heart of the struggles for recognition in the period of financial–consumerist capitalism, the conflicts over distribution that once centred on the idea of economic inequality have lost importance in favour of the conflict centred on the recognition of differences of identity (Honneth 1995, Fraser and Honneth 2003). However, the latter too has found no effective support from institutional policies, beyond rhetoric (Honneth 2010). The symbolic demand, as an expression of human desire (Magatti 2012a), was reduced to the immediate enjoyment of the act of consumption.

[42] In the latter case, the most common reference is to the well-known theories of Veblen (1994 [1899]) and Duesenberry (1959).

The enjoyment, being ephemeral, and thus different from desire, which is permanent, leads to the compulsion to consume. This is capitalism's power as a dynamic system: in each phase, it directs human desire in favour of the accumulation process.

The second hypothesis moves from the observation that if we disaggregate the consumer spending of Americans, we see that spending on life-risk protection—that is, healthcare, pensions and social security sending —comprises 5% of the total increase in spending over the last three decades. The case of pension funds, then, which in recent decades are among the most powerful institutional investors, shows that even work capital has been channelled to support financial expansion.[43] The 5% increase in spending in risk protection constitutes a share of expense equal to the better-known share in real estate.[44] After 2008, the percentage of increase in spending does not vary.[45] This trend reveals that the gradual reduction of government spending on social protection is a significant cause of the increase in spending by individuals and families, thus contributing to the increase in inequality.

The decline in wages also took place, albeit indirectly, in line with the reduction of government budgets available for spending on public services, such as schools, basic research and transport (from 12% of GDP in 1970 to less than 3% in 2011). Research shows that the real estate debt

[43] The portion of savings from accumulated work in the portfolio of pension funds in the world, at the end of 2007, was 17.5 trillion dollars, equivalent to about a third of world GDP that year—of which nearly half is in the wallets of those in the USA (Gallino 2009, 2011). In the last two decades, in countries like USA and UK where such funds have experienced maximum development (Clark 2004), they have become the owners of about one third of listed companies(CGFS: *Institutional investors, global savings and asset allocation*, paper 27/2007, www.bis.org).

[44] The data in 'The Consumer Expenditure Survey—30 Years as a Continuous Survey' regards the changes in the relative shares of average annual expenditures in consumer spending patterns from 1984 to 2008. Out-of-pocket healthcare spending rose from 4.8% of the total in 1984 to 5.9% in 2008. The increase in healthcare spending was driven by the increase in *the health insurance subcomponent*, which rose from 1.7% to 3.3% of total spending. The share of total spending represented by pensions and social security increased from 7.3% to 10.5%. Spending on shelter (including spending on owned homes, rental units and vacation properties) rose over the period from 15.9 to 20.2%. To this is added some items are new to the ongoing survey since 1980, primarily new technology goods, accounting for 2% of total spending. The shares allocated to vehicle purchases (net outlay) and to gasoline and motor oil fluctuated over the period, while the expenditure for food and apparel and services declined over the same period (www.bls.gov).

[45] Bureau of Labor Statistics data (www.bls.gov).

of the middle class is partly due to the desire to buy homes near the most prestigious schools, in order to give children the opportunity to attend them in the face of a strong deterioration in the public education system (e.g. Warren and Warren-Tyagi 2004). And so with this we close the circle of relations between social groups, transformations of capitalism and government policies.

Sustainable-Contributory Exchange: Towards a Post-Consumeristic Society?

The crisis that began in 2008 has demonstrated the unsustainability, both on the material and on the symbolic level, of the exchange that characterised recent decades. Specifically in terms of the material plan, the model of 'loans for wages' suffered a setback at the outbreak of the financial crisis, a crisis for which that system was itself a precondition. The majority of the population, impoverished and crushed by strong inequalities, directly suffered in the crisis: domestic demand has become so low as to depress the economy.

According to many analysts, this problem is not accidental: in the near future, the consumer will not be able to power a new phase of growth in the USA due to lower household wealth, stagnant wages, the credit crunch, declining consumer confidence, the projected fall in government stimulus (Emmons 2012) and other issues. The role of the expansion's engine also cannot be delegated only to exports or to any further opening of trade functional only to the USA—which is no longer the unchallenged power of three decades ago, when it led the establishment of a global market society.[46]

The first response to the crisis by the American government has been to try to continue down the road of expansion; faced with the uselessness of the interest rate as a means to continue stimulating the economy, it now does this through unconventional monetary policies (Magatti and

[46] Think of the economic strength of formerly emerging countries now undermining the international supremacy of the USA, which itself made possible the (neoliberal) exchange within them.

Gherardi 2015).[47] And yet, although instrumental to avoid economic and social collapse, quantitative easing is not the right instrument to solve the underlying troubles of the growth model inherited from the last three decades. On the contrary, it is still widening economic inequality and worsening social deprivation, which should be considered the main bottlenecks to the resumption of growth (Stiglitz 2013). As Wolfgang Streeck recently stated, quantitative easing is simply a way to gain time. The question is: time to do what?

The interruption of expansion, first of all of financial expansion, does not necessarily coincide with a decrease; rather, the challenge is to rethink growth according to a new development model. To exit the crisis means abandoning the myth and magical thinking of the idea of an infinite creation of extra profit (Sloterdijk 2013),[48] instead developing a concept of growth as a process that, by focusing on each person (specifically on his or her capabilities) and the social context (its capital and intangibles) advances human and social development with sustainable steps. The real issue raised by the 2008 crisis—like the late 1960s—concerns the idea of growth we want to pursue. Or, more explicitly, the possibility to take a step towards a post-consumeristic society.

Even in a symbolic plan, the imagery of individualised self-realisation in production and consumption, which culturally sustains the increase of quantitative individual freedom,[49] is called into question by new social issues. These include the demands for greater equality and for contextual realisation of oneself arising in the post-crisis era (Magatti and Gherardi

[47] The use of these new policies reveals the inadequacy of economic theories in understanding what is happening in the economy. If in the 1970s we had stagnation and inflation together, today we have ultra-expansionary monetary policies (with a money supply growth) in the absence of inflation (and even deflation in Europe). As we had in the 1970s for stagflation, we have several explanations for this paradox, but the fact remains that our tools of analysis have to be updated.

[48] 'Speaking of growth, the economic intelligentsia hardly ever thinks about economic growth to be like the care of the vegetable farming, but rather as something fundamentally anti-agricultural and unnatural. In the mouth of man economicus, the word growth implies a hoped-for extra profit, better now or tomorrow morning … in modern times to speak of growth means doubling, tripling, quadrupling. In these expressions, economics and chemistry are fuzzy. They do not think about the crop and the farm, but of a magical extra-profit obtained thanks to the particular use of the money in the form of capital' (Sloterdijk 2013, 16).

[49] The keystone is a reinterpretation of individualism so that it is compatible with the foundational importance of social ties. Inequality and social cohesion are in fact interrelated notions, just like the two levels of the exchange.

2014a). They have found expression in forms of consumption that actually help to enhance the social and environmental dimensions (e.g. Botsman and Rogers 2010; Rifkin 2013) and/or in the latent social conflict crossing advanced democracies, without a concomitant new public discourse yet. In a rudimentary as well as contradictory way, such demands express the need to take a step upwards on Maslow's scale, in which the realisation of the subject gains awareness to be linked to the sustainable contribution he or she gives to his or her own different meaningful social contexts. In Erik Erikson's terms, the 2008 crisis may be the prelude for the emergence of a post-adolescent society (Magatti and Giaccardi 2014). This transformation is evoked not just by cultural demands, but also by the digital infrastructure of contemporary life. These demands, although still fragmented and incoherent, are directed towards overcoming the individualistic model of self-realisation and consumption.

If social demands are the engine of capitalism's transformations, it is by examining these demands that it becomes possible to outline the terms of a new social exchange. Since such an exchange has not yet been systematised (we detect only its earliest traces, in theory and in practice), we can relate its features together only by abandoning the terrain of pure analysis to enter that of the 'sociological imagination', as Wright Mills put it. It is as if to say that, today, one can just glimpse a new exchange—one that is not pre-determined to come into being, because its implementation requires a clear political will to support it.

This new exchange hinges on the idea of shared or contextual value, or rather of the production of a linked economic and social value. Interestingly, it is theorised, from very different perspectives within the economic sphere, by Porter and Kramer (2011) and, from the social sphere, through the idea of contribution, by Stiegler (2010 [2009]), and social generativity by Magatti and Giaccardi (2014). Already there are entrepreneurial, political and social subjects—involved in developing the human, social and environmental resources so depleted in the neoliberal phase—who are today creating this type of value.

In the economic sphere, a revised notion of sustainability is gaining attention. This notion is conceived, in the post-crisis, as a strategy that redefines the role of business and the value it produces as jointly economic and social. Michael Porter, the prophet of the long value chain in the 1980s, is now convinced that 'in key areas, the value chain of an enterprise inevitable influences—and is influenced by—many social issues, such as the use of natural resources and water uses, health and safety, working conditions and equal treatment in the workplace … many so called externalities inflict internal costs of the firm even in the absence of a regulatory or resources taxes … the new thinking reveals that the congruence between societal progress and productivity is far greater than traditionally believed' (Porter and Kramer 2011, 71). Within the international economic and managerial literature, this shift from the production of a mere financial value to the production of shared or contextual value is most often defined as a transition from shareholder value to stakeholder value. Different analyses indicate the existence of new business models, characteristic of the post-crisis (Magatti 2012a; Mayer and Kirby 2007), which focus on resource regeneration. Also, thanks to the success of the capability approach (Sen 1999), the notions of sustainability and shared value, which initially emerged in relation to the exploitation of environmental resources, have now been extended to include the enhancement of human and social resources. All around the world, the new business orthodoxy is responding to the demand for a contextual realisation of oneself, and this reformulates the exchange between social and economic groups within the framework of a sustainable economy. Along these lines, a new model of development—one in which economic value and social value are reunited in the long term and which, therefore, includes the interests of future generations[50]—may find its own way.

From a very different perspective, convergent orientations are now observed outside the firm, at a grassroots level. According to Stiegler (2010 [2009]), the possibilities created by the web foster the emergence of 'networks of contributors' whose main ambition is to be actively part of the construction of shared meaning and value, beyond the strict distinction between producers and consumers. The cultural presupposition of this new cultural orientation is, as Stiegler suggests, the notion of 'contribution', defined as a new system of subjective and collective psychic

[50] These future generations, a subject which not surprisingly has emerged in recent years as a reference within the international economic and social literature, could be considered the fourth pole of interest in the new exchange. The vocabulary of the latter emerges in the international discourse on sustainability and development in democratic contexts.

identification: 'The economy of contribution is the stimulation of desire through the reconstitution of systems of care founded on contemporary pharmaka and constituting a new commerce of subsistence in the service of a new existence' (Stiegler 2010 [2009], 121). The economy of contribution can also be defined as a new relationship between the social system and the technical system, in which the first appropriates the possibilities offered by the second: it is based on the development of different forms of knowledge—that is life skills (*savoir vivre*), know-how (*savoir faire*), and theoretical knowledge (*savoir théoriser*).

The economy of contribution indicates an emerging model of co-production and co-consumption, of which the open source is the best-known example. It has three distinctive elements that hold interest for us. The first element is the central figure of the contributor—who is neither the consumer nor the taxpayer nor the donor—who embodies conscious participation in activities that create value beyond any immediate translatability into money. The relationship between businesses and consumers changes when it is conceived not only as customer relations, but also as a relationship with contributors, according to cooperative arrangements—which remain to be defined, but are fundamentally guided by the idea of care. The second element of the economy of contribution is that, by reversing the trend inaugurated by neoliberalism, it aims far beyond being only an economy of subsistence, aiming instead to be more broadly an economy of existence, in which individuals and communities may reconstruct anew their own capabilities. The third element relates to the inability to fully monetise the value produced by the contributors, a value which exceeds the merely financial. To ensure that all positive externalities are valued, it is necessary to retrieve the idea of recreational activity, understanding it as free from the market (which also can have economic effects), and to overcome the tyranny of the measurement of any social action aimed to render it calculable. 'The externalities must be economically cultivated and valorized even though, like values, they cannot be reduced to the calculability of the economic indicators of a market economy. They require a new conception of economic value and its measurement, such that it is reducible to calculation. This culture is a libidinal as well as a commercial economy which requires new mutualization mechanisms, a new form of government power and new objects of public property' (Stiegler 2010 [2009], 51).

The contribution function is, therefore, like that of production in neoclassical economics: the way in which resources are allocated among different possible uses among various activities and participants. It combines commercial and non-commercial activity and, above all, it does not value only that which has a price. This is because it is not only concerned with the monetary conversion of demand and work, but also includes social development. On a micro level, this can, for example, be connected to the mode of action of the participants in an organisation; at the macro level, it translates as a principle of political economy oriented towards collective co-creation and social value.

For this reason, the economy of contribution allies itself with innovations that jointly enhance the capabilities of both individuals and society. In the symbolic plan, this possibility of contextual self-fulfilment is also an element of exchange between social groups and the economy, and certainly influences the tenor of industrial relations. On the economic and political level, it deals with the capabilities of people and leaves room for their own creation of value, and for those bottom-up innovations and positive externalities that new technologies make possible today. Michael Porter's shared value and Bernard Stiegler's economy of contribution have opposite cultural backgrounds and it would be misleading to try to combine them, but surprisingly they converge on some crucial points. As we have noted, a growing number of firms may be interested—under specific conditions—in moving towards a more sustainable way of doing business. At the same time, there are new cultural and technical conditions that may support a 'contributory turn' in mature democracies. Above all, the growing risk of what Larry Summers has recently called a 'secular stagnation' could urge the search for new solutions. This may call for a new equilibrium between economic, social and political interests.

In the spread of the sustainable-contributory exchange, politics must play a primary role. In a moment when the illusion of an unlimited expansion has been unmasked, politics is back in the forefront of the public arena. Indeed, the easiest solution is to recreate conditions for a new wave of financialisation. Alternatively, it might be tempting to impose the severe doctrine of austerity: to navigate the stormy seas of post-2008 globalisation an adequately equipped boat is needed. But except for a few cases—such as Germany—you cannot compress the wealth of the middle classes for years and heighten inequality just for the sake of efficiency which produces benefits only for a few.

A solution may be to build infrastructure and stabilise shared value. This means, first of all, to support people's capabilities and contributions—considering this as an investment and not as a mere cost—and to create contextual conditions which simultaneous improve both economic opportunities and citizens' wellbeing. It also means offering economic actors the opportunity to operate in challenging environments of greater dynamism and integration, where better human resources are formed and attracted and where you can count on constant investments in education, research and development as well as physical and administrative infrastructure. Also, incentivising businesses that develop diverse resources, including new public–private partnerships, can help to legitimise these firms as institutions.

Along these lines, politics can promote the flowering of places—through public investment and investments in community—and enable the production of a plural and distinctive value that grants a relationship with the rest of the world. To sustain the competitive advantage of the value of places, which allows them to enter and remain within global networks, value in open economies must not only be produced but also stabilised. This requires policy to address a binding—between the social and economic, meaning and function—that heads in the opposite direction from the purely expansive movement that characterised the financial–individualistic exchange. To produce value means to respond in a very practical way to the challenge each specific human community has to cope with in order to relate to all the others. By orienting and supporting the approach towards such a challenge, politics may actually contribute to a new kind of reconciliation between economy and society, strengthening personal freedom beyond mere consumerism, that is creating the institutional conditions suitable for significant contributions by individuals, social groups, associations and firms to the production of contextual value.

Using a metaphor, the main argument for a sustainable-contributory exchange is the growing need to raise 'human earth' within the 'sea' of the globally integrated technical and economic system. This need, fundamentally political in nature, may be implemented at different levels: by a single organisation (a goal a number of new firms all around the world aim to pursue), by a local community and/or a community of practices, by a nation. The Schmitian category of 'land' (Schmit 2006) is redefined here as a place containing value, a place not of dispersing but of depositing. It exists only where it performs a work of cultivation—the investment in its own citizens and contributors—that allows the creation and sedimentation of value. Only the cared for, loved, worked 'land' can become 'place'—human earth—that produces sustainable value and diversity, and thus competitive advantage as well as social expression.

The economy of contextual values—which a sustainable-contributory exchange relies upon—is based jointly on the principles of efficiency, as a condition of existence, and of personal and social creativity, as a condition of possibility. It considers social integration as a precondition for system integration in which the joint interest is determined by priorities that define the shared options for development. The economy of contextual value is therefore composed of plural freely chosen orders of priorities, adopted and shared by social groups (network of individuals, families, businesses, associations, communities) whose borders are both porous and dynamic. At its centre, the exchange between politics, economy and social interests takes the form of alliances—in this, the economy of contribution makes possible a new form of win-win relationship—to produce shared value. The goal is to allow territories/communities/groups to enter into relations with the surrounding world without losing internal consistency.

The shift towards a sustainable-contributory exchange—under the condition of a less unequal income distribution—can lead Western countries to a new prosperity. The sustainable-contributory exchange, in fact, is liable to reverse the process of proletarianisation that neoliberalism has produced in advanced societies. That is, in the material plan, the strong domestic economic inequalities which in 2008 equalled those of 1929 and, in the symbolic plan, the exacerbation of individualisation, the loss of skills and the assimilation to consumerist culture.[51] The new exchange

[51] The Gini index in the USA marked a value in 2008 that was similar to that recorded in 1929 (www.gini-research.org). Such inequalities, as shown in Fig. 1.4, have even expanded in the post-crisis.

inverts the logic of financialisation, which considers consumption as the only economic fuel. Such a move may be considered the first step towards the emergence of a post-consumerist society, where consumption, though remaining essential to prosperity, becomes a by-product of economic growth rather than its prime engine because it is supported and guaranteed through widespread participation in the production of shared value, in a framework that maximises not just the quality of production, but also the quality of life, not only systemic efficiency, but also social integration, social generativity and the enhancement of personal capabilities (rather than work exploitation).

The sustainable-contributory exchange may be able to intercept and rearticulate the interests of social, economic and political groups. But it requires a number of social, economic and institutional conditions which are simply not available right now. And yet, as the historical experience suggests, the loss of the equilibrium upon which capitalist societies have been organised between 1989 and 2008 calls for new solutions. The years to come will determine if advanced democracies will be able to take a step forward, by opening a season of innovation in the way of doing business,

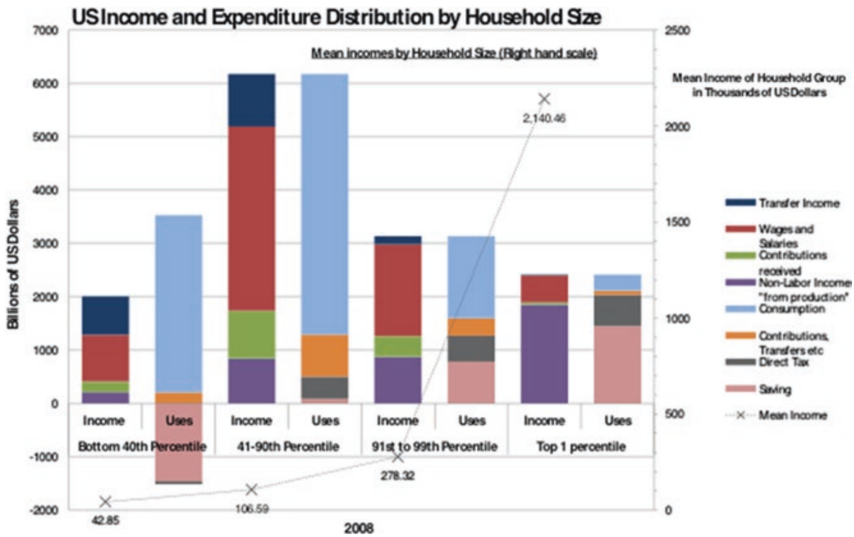

Fig. 1.5 US income and expenditure distribution by household size (*Source*: Taylor et al. [2004])

Fig. 1.6 Wage and salary as a share of GDP—grey bars indicate recessions (*Source*: Federal Reserve Bank of St Louis [2014], www.stlouisfed.org))

Fig. 1.7 Households saving rate and after tax income distribution (*Source*: NIPA and Congressional Budget Office on Barba and Pivetti [2009])

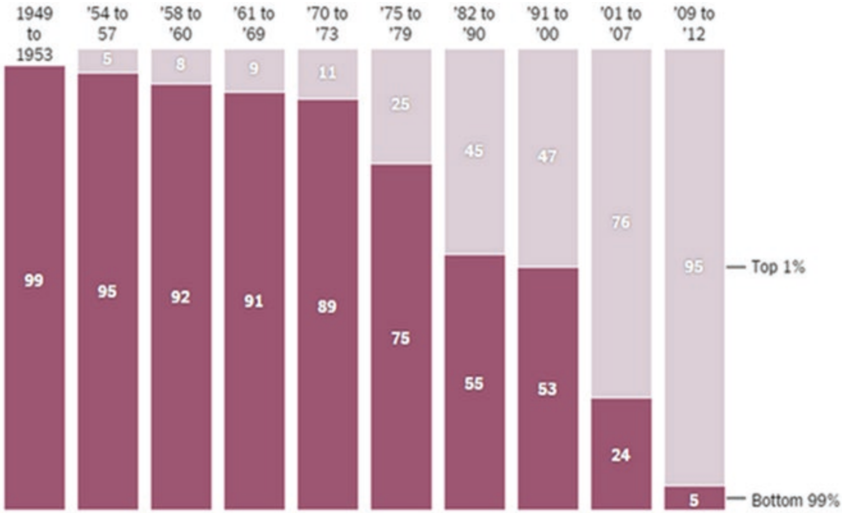

Fig. 1.8 Percentage share of income gains in USA (1949–2012) (*Source*: Pavlina R. Tcherneva calculations based on data from Thomas Piketty and Emmanuel Saez and N.B.E.R. www.pavlina-tcherneva.net)

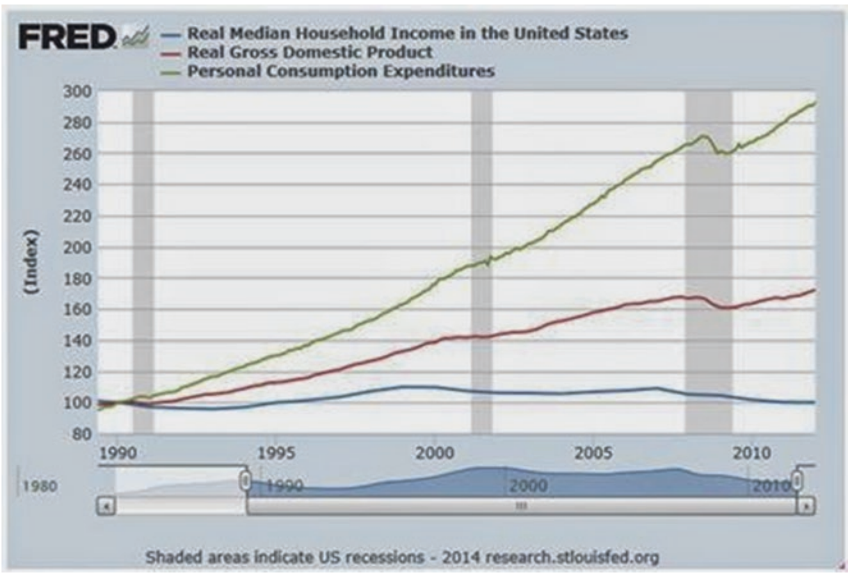

Fig. 1.9 Median household income and personal consumption expenditures (USA) (*Source*: Federal Reserve Bank of St. Louis [2014], www.stlouisfed.org)

in social and cultural attitudes and in institutional logics and architecture. If not, the next deeper crisis might force the changes we need.

Appendix

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2

On Income Inequality: The 2008 Great Recession and Long-Term Growth

John McCombie and Marta Spreafico

Introduction

'Capital is Back' is the title of an influential paper by Piketty and Zucman (2014) that considers the broad sweep of capital inequality from 1700 to 2010 and, notably, its rise over the last three decades. But perhaps, equally importantly, income inequality is also back. By now it is almost superfluous to discuss the remarkable impact that Piketty's *Capital in the Twenty-First Century* (2014) has had not only in academic circles, but far more widely. It has received plaudits ranging from economists such as Robert Solow (2014) and Paul Krugman (2014) to influential economic and financial commentators such as Martin Wolf (2014) and John

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Cassidy (2014). It has generated a large number of comments and debates from all spectrums of economics including both neoclassical and heterodox economists (see, notably, the articles in the 2013, 2014 and 2015 issues of the *Journal of Economic Perspectives* and the 2014 volume of the heterodox journal *Real-World Economics Review*). There has also been a special session devoted to the book at the 2015 meeting of the American Economic Association with discussions by Mankiw, Auberbach, Hasslett and Piketty. There is no doubt about the exceptional quality of the scholarship of *Capital in the Twenty-First Century*, the careful marshalling of the historical statistics and readability of the book.[1]

Other notable economists have recently raised concerns in publications over the current levels of inequality in the advanced countries. These include Stiglitz's (2012) *The Price of Inequality*, Atkinson's (2015) *Inequality: What can be Done?* and Deaton's (2015) *The Great Escape: Health, Wealth, and the Origins of Inequality*.

Nevertheless, income inequality has been largely neglected in mainstream economics. Thomas Kuhn (1970) has emphasised the role of the textbook in delineating the paradigm, or disciplinary matrix, and in determining what 'puzzles' are important. The latter is especially determined by the exercises at the end of textbooks, such that the methodology of the discipline is acquired by ostentation and not by explicit methodological rules. Thus, the fact that there is no discussion of income inequality in the standard macroeconomics (or microeconomics) textbooks suggests that, at least until recently, it has been seen to be of little economic importance.[2] To the best of our knowledge, there is no discussion of inequality in any of the popular first-year or second-year economics undergraduate textbooks.

While there is a literature on optimal taxation, consideration of income inequality raises questions of equity and the distribution of income that

[1] There was a well-publicised criticism of some of Piketty's statistics in the *Financial Times*. It seems that these were of a second order of magnitude or simply wrong and did not undermine the broad thrust of the arguments of Piketty (Wade 2014, 5).

[2] As Milanovic (2013) dramatically put it: 'Before the global crisis, income inequality was relegated to the underworld of economics. The motives of those who studied it were impugned. According to Martin Feldstein, the former head of Reagan's Council of Economic Advisors, such people have been motivated by envy. Robert Lucas, a Nobel prize winner, thought that "nothing [is] as poisonous" to sound economics as "to focus on questions of distribution".'

is desirable from society's point of view. These were a major concern of the classical economists, originating most notably with the writings of Bentham and the consequentialists. But the marginal revolution and the use of ordinal, rather than cardinal, utility, in effect, denied the possibility of interpersonal comparisons of utility. This was also reflected in the supposed normative/positive dichotomy in economics, with mainstream economists primarily concerned with the latter. Thus, the questions of the appropriate degree of income and wealth inequality were left to the political philosophers such as Rawls, Sen, Doworkin, Nozick, Arneson and Cohen (Milanovic 2013; Roemer 2009). It ceased to be of central concern to mainstream economics.

Certainly within orthodox economics, the underlying assumption of validity of the marginal productivity theory of distribution, introduced in the introductory economics textbooks and adopted widely in neoclassical theoretical models, reduces the need to consider the equity considerations of the distribution of income. As John Bates Clark (1899, v) memorably wrote many years ago, '[i]t is the purpose of this work to show that the distribution of income to society is controlled by a natural law, and that this law, if it worked without friction, would give to every agent of production the amount of wealth which that agent creates'. A defence of the rapid increase in the remuneration of the top 1% along these lines, using the theory of the marginal product of labour, is to be found in Mankiw (2013), but see the counterargument by Solow (2014) and a critique of this philosophical position by Baumann (2014). John Bates Clarke's statement implies that this 'wealth' is what every agent *ought* to get. Moreover, a further implication is that any attempt to alter the free market distribution of earnings will lead to a trade-off between efficiency (including long-term growth)—because of its effect in distorting incentives—and the efficient allocation of resources, or the 'great contradiction' as Okun (1975) termed it.

Nevertheless, there are three reasons why income distribution, notwithstanding its earlier neglect, has become a more important issue in recent years (see, for example, Oxfam 2013). The first is the finding using cross-country data that many indices of social pathology are directly related to the degree of income inequality. Wilkinson and Pickett's (2009) controversial book, *The Spirit Level*, presents a great deal of evidence on this issue, but we will not consider it further in this overview.

The next concerns the relationship between the degree of income inequality and the short-run level of economic activity, leading to a revival of the stagnationist thesis of the 1950s. In particular, the rise in income inequality in the USA over the last thirty years has led to an increase in household borrowing by a large majority whose income had stagnated in real terms over this period. The positive effect of this borrowing was that it contributed to maintaining the growth of aggregate demand, given the high savings of the top 10% and 1%. But this inexorable rise in household debt, according to this thesis, brought with it the seeds of its own destruction. The unsustainability of the debt has been seen by some as exacerbating the Great Recession, if not precipitating it (Cynamon and Fazzari 2013; van Treeck 2013).

The third concern stems from the finding by a number of studies by international organisations such as the Asian Development Bank (ADB), the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF) and the World Bank that greater income inequality is associated with lower economic growth (ADB 2012; Berg and Ostry 2011; Cingano 2014; OECD 2011; Ostry et al. 2014). As we will discuss later, an important finding is that the data do not support the hypothesis that redistributive policies in the face of the increasing inequality cause any decline in growth. Hence, the supposedly reduced incentives of the higher income earners do not cause lower economic growth rates; in fact, the converse seems to be true. Even a much weaker finding that there was no statistically significant relationship between inequality and growth would be sufficient to demolish the argument that redistribution away from the rich to the poor affects incentives and causes lower growth rates. There is little empirical support for Okun's (1975) equity–efficiency trade-off or his analogy of the 'leaky bucket' (i.e. redistribution from the rich to the poor will involve some costs as money is transferred by the government in the leaky bucket).

In this chapter, we shall first consider these last two potentially important adverse effects of increasing income inequality. We next consider the empirical evidence concerning the causes of inequality and, finally, we conclude.

Increasing Inequality as a Cause of the Great Recession

What can be said about the impact of increasing inequality on the level of short-run economic activity? Interestingly, there was concern about the increasing build-up of household debt in the USA to unsustainable levels in the years immediately preceding the crash. Piketty (2014, 297) noted that without a doubt the increased inequality contributed to, rather than necessarily caused, the financial crisis.

> 'The reason is simple: one consequence of increasing inequality was virtual stagnation of the purchasing power of the lower and middle classes in the United States, which invariably made it more likely that modest households would take on debt, especially since unscrupulous banks and financial intermediaries, freed from regulation and eager to earn good yields on enormous savings interjected into the system by the well-to-do, offered credit on increasingly generous terms.'

When considering the interaction of aggregate demand and income inequality, we find there is a contradiction between what standard economic theory would lead us to expect and what actually occurred. A rapid increase of the share of income accruing to the top 5% should have led to a rise in total aggregate savings. This is because those with higher incomes are normally assumed to save a greater proportion of their income. But this did not happen. The higher savings of the top 5% were more than offset by the collapse in savings of the bottom 95% and also by their increased borrowing for consumption expenditure (largely on consumer non-durables). In other words, the change in the inequality in consumption was considerably less than the change in income inequality. The increase in household debt had the immediate beneficial effect of generating the growth of demand necessary to maintain full employment in the USA, but at the cost of long-term problems. This is because, as a consequence, the increase in the household debt-to-income ratio became so large that it eventually became unsustainable.

The increase in debt was encouraged by the low interest rates, the result of the world savings glut and especially, in the USA, the inflow of capital. It was also aided by the development of financial instruments, such as the securitisation of low-income subprime mortgages and, more generally, financial deregulation and the increase in structured finance. Furthermore, the search for high returns by the wealthy led to asset and housing bubbles. These may have given the misleading impression that the debt was largely sustainable, as the bubbles were seen by many commentators as being driven by fundamentals.

Thus, it is difficult to gain a complete picture of the causes of the Great Recession without examining the role of the interaction in the increase in inequality and household debt. While much attention has been focused on the USA, this pattern was also replicated in the European Union countries to a certain extent, although the outcomes were very different in, especially, the Eurozone (Fitoussi and Saraceno 2010). This issue has attracted a great deal of recent work and all we can do here is to outline the main arguments (see, in particular, the comprehensive survey by van Treeck 2013).

Cynamon and Fazzari (2013) focus on the savings and income of the top 5% and the remaining bottom 95% of the income distribution in the USA. They find that, after remaining stable until about 1980, the debt-to-income ratio rose steadily, accelerating after 2000, until falling sharply with the crash of 2007.

The growth of aggregate demand in the USA became increasingly dependent upon the growth of domestic consumer spending of the bottom 95%, with, in turn, its growing reliance on borrowing. They calculate that if the bottom 95% had maintained their savings rate at a benchmark figure, which would have ensured that the degree of household debt was sustainable, there would have been a shortfall of aggregate demand of about 8% of gross domestic product (GDP) in the peak years of 2005 and 2006. The crash and the collapse of expenditure and borrowing of the 95% group led to an equivalent fall of 8% of demand of GDP by 2009. The importance of the increase in income inequality is that if the share of income of the bottom 95% had not declined, there would not have been a collapse in the savings rate and a concomitant rise in debt to maintain the desired pattern of expenditure. Table 2.1 shows the increase in household debt as a percentage of GDP for a selection of advanced countries. Only Austria, Germany and Switzerland escaped a large build-up in household debt.

Table 2.1 Household debt as a percentage of GDP: OECD countries, 2000–08

	2000	2008	Change 2000–08 percentage point
USA	70.21	96.35	26.13
United Kingdom	75.16	107.43	32.27
Greece	19.83	55.29	35.46
Spain	54.22	88.06	33.84
Portugal	74.96	102.34	27.38
Italy	35.29	53.61	18.32
Germany	73.41	61.70	−11.71
Austria	47.13	55.04	7.91
Switzerland	74.76	77.70	2.94
France	47.46	64.56	17.10
Belgium	40.85	50.25	9.40
Netherlands	86.98	119.81	32.83

Note: Ireland 2001–08
Source: Stockhammer (2012)

Consequently, the Great Recession may not have occurred or, at least, may not have been so severe in some countries if the degree of income inequality had not increased as much as it did. It is interesting that there is a remarkable similarity between what happened to income inequality and the household debt of the bottom 95% in the run up to the 2007 Great Recession and in the period 1920–28, immediately prior to the Great Depression. In both periods, with the onset of the crises, there was an increase in the household default rate, and there is an element of history repeating itself. Nevertheless, there was one significant difference, which was that from 1936 to 1944 there was almost a complete reversal of the inequality gains of the top 5%. This has not occurred in the USA to date (Kumhof et al. 2013; see also Galbraith 1954).

An interesting debate was generated by Rajan (2010) over the precise nature of the relationship between income inequality and demand. We have seen that, in the short run, the increase in inequality was, if not the initiating factor of the crash, a substantial cause of the exceptional depth of the recession because of the debt it generated. Rajan (2010) places the blame for this squarely at the door of the government. He argues that rather than make the subsidy of easy credit explicit, it was dressed up as furthering the American dream of home ownership for all.

This leads to the important question: why exactly did the household debt-to-income ratio rise so much? The orthodox explanation is in terms of the representative agent maximising intertemporal utility under conditions of risk. Rational agents optimally allocate their current assets, current income and intertemporal work effort to maximise their lifetime consumption. Thus, as the capital markets became more efficient, consumption was smoothed to a greater extent by greater lending and borrowing. '[A] very influential view up until the Great Recession was that the rise in measured inequality reflected mainly a high dispersion in the transitory components in income, which households could insure against through credit markets' (van Treeck 2013, 7). Indeed, two exponents of this view go so far as to suggest that the development of the availability of the credit markets actually developed in response to the greater volatility in transitory income (Krueger and Perri 2006). Thus, the fact that there was less volatility in consumption expenditure is interpreted, it must be emphasised prior to the Great Recession, as being due to the efficient working of the credit markets. Hence, given the paradigmatic assumptions of this approach, according to this view, there was no major cause for concern over this extensive borrowing as late as 2005 and 'the results of Krueger and Perri (2003, 2006) were literally treated as accomplished facts by the press' (van Treeck 2013, 10). See van Treeck (2013, 7–10) for a critical discussion of the empirical studies on this issue.

The consensus of opinion now, however, seems to be that rather than the result of a conscious government decision *per se*, a là Rajan, the increase in borrowing was a direct result of the increasing wealth of the top 1%, to a not inconsiderable extent driven by the financial sector and deregulation. The greater emphasis on providing, especially, subprime mortgages and the effect of rising house prices, both led to widespread refinancing and equity withdrawal. (For a detailed study of financialization and US private consumption, see Bibow 2010.) A large proportion of new and remortgages were used for consumption purposes, leading to a rapid increase in household debt. The debt-income ratio in the US rose by 68 percentage points for the bottom 95% between 1989 and 2007 (Cynamon and Fazzari 2013). It is also interesting to note that in 1983 the top 5% was more indebted compared with the bottom 95%, by 15 percentage points, but by 2007 the debt-to-income ratio of the bottom group had increased to 140%, which by then was twice as high as the top group (Kumhof andRanciére 2010, 7–8). A corollary of this is that the income inequality from 1980 to 2006 increased more rapidly than consumption inequality.

The alternative explanation for increasing indebtedness to Krueger and Perri's intertemporal consumption smoothing model is that the consumption level of a household is primarily determined by the expenditure patterns of other households and reference groups. The types of goods bought by the wealthy cascade down the income ladder, generating similar demands by poorer households (Frank 2007). People are influenced by the type of expenditure patterns of income groups that are above, rather than below, them on the income ladder. Preferences are thus endogenous and are affected by social references and norms. This approach is an extension of Duesenberry's (1949) relative income hypothesis, which at one time rivalled Friedman's permanent income hypothesis. Consumption also has a persistence effect in the face of falling incomes and is influenced by social factors and habits other than just the level of income.

Hence, with the development of new types of goods, the demonstration effect means that those in the lower income group will strive to obtain them. Given stagnating real incomes and in the absence of the ability to increase their income through increasing the household participation rate, the bottom 95% will take the option of dissaving and borrowing to purchase these positional goods (van Treeck 2013).

Of the two competing explanations, it seems that the orthodox one is not compelling. Empirical evidence suggests that the increase in inequality was due to changes in permanent, and not transitory, income (Kopczuk et al. 2010). Consequently, borrowing for consumption smoothing seems implausible. The composition of the two income groups, that is the 5% and the 95%, remained the same (there was little intergenerational migration between the two groups) so there was little movement between the groups due to exogenous shocks. Furthermore, it is difficult to see how rational individuals would interpret a sustained low income growth over a number of years as transitory. In conclusion, it seems that the increase in income inequality has had an important impact on the level of economic activity.

Does Income Inequality Harm Economic Growth?

One argument about the effect of income redistribution is that it is harmful for economic growth. High incomes provide incentives for innovation and entrepreneurship and are justified in terms of increasing the efficient use of resources and the dynamism of the economy (Lazear and Rosen 1981; Mankiw 2014). Some of the early literature maintains that a certain degree of inequality is helpful to the functioning of a market economy through capital accumulation, as it gives high-saving capitalists more income (Kaldor 1956, 1961; Lewis 1954).

However, if the extremely high share of income of those at the top of the ladder is nearly all derived from extracting economic rents, then the implications are very different. Questions of equity arise. Given the concerns expressed in the introduction about the harmful social and economic effects of increasing inequality (Wilkinson and Pickett 2009), there is a case for reducing income inequality on these grounds alone. Moreover, as education is one of the key drivers of economic growth, if redistribution takes the form of increased government expenditure in this area, it may actually increase the growth rate. Consequently, an important empirical question is the relationship between income inequality and growth.

Considerable research has been done, in light of recent events, to unravel the various relationships and the direction of causation. Clearly, if market income inequality is inimical to growth, redistribution will lead to a win-win situation; the poor will be made better off and at the same time the growth of output will increase. While econometric evidence is never conclusive (Summers 1991), the evidence now strongly suggests that greater inequality is harmful for growth. This implies that there is a case for government intervention. The most appropriate forms and degree of government intervention are less clear. Early studies that come to this conclusion include, *inter alios*, Alesina and Rodrik (1994) and Persson and Tabellini (1994). In general terms, it can be argued that their conclusions have been supported by more recent studies using better datasets and more appropriate estimation techniques (notably the System GMM estimator). Most important are the studies by Berg et al. (2008), Berg and Ostry (2011), Ostry et al. (2014) and Cingano (2014).

Alesina and Rodrik (1994) examine the relationship between countries' average growth rates and their initial income distribution at the beginning of a long time period. They find that the lower the level of income inequality at the beginning of the period, the higher the subsequent growth. This suggests that higher income inequality impedes growth.

Barro (2000, 2008) and Easterly (2007) also give support to the hypothesis that greater inequality negatively affects growth. Barro confirms that the Kuznets curve is a clear empirical phenomenon and that an inverse U-shape relationship between income inequality and GDP per head is stable for the period 1960–2000. Moreover, using a cross-country growth model, a negative impact of income inequality on economic growth is also confirmed. Easterly's (2007) paper focuses on the effect of historical structural inequality. Structural inequality is defined as inequality that is determined by historical events such as colonisation by conquest, slavery and the distribution of land by the state or colonial power. In other words, the elite group is created by these mechanisms and is not affected by the functioning of the market.[3] Then, the causal relationship between inequality and development is tested using measures of factor endowments as instruments, following Engermann and Sokoloff's (1997) hypothesis that 'factor endowments are a central determinant of (structural) inequality, and (structural) inequality in turn is a determinant of bad institutions, low human capital investment, and underdevelopment' (Easterly 2007, 756).

Turning next to the studies of the more recent period, Berg and Ostry (2011) commence with the observation that the growth paths of many developing countries are rarely smooth, exhibiting periods of fast growth over several years, followed by long periods of slower growth or stagna-

[3] Market inequality, instead, is the disparity due to market forces, which allocate income unevenly across individuals.

tion. Berg and Ostry (2011) provide a useful summary of Berg et al. (2008) (subsequently published in 2012). The development problem is not how to kickstart a period of rapid growth, but how to sustain it. The advanced countries and Asia generally have relatively soft landings after a period, or spell, of sustained growth, whereas African countries more often than not experience severe collapses or hard landings. Berg and Ostry consider whether the distribution of income has anything to do with these different growth regimes. In particular, they test whether the degree of income inequality affects the duration of a growth spell, that is, 'the interval starting with a growth upbreak and ending with a downbreak' (Berg and Ostry 2011, 3). They first determine the degree of correlation between the lengths of the growth spells over a large sample of developed and developing countries and the average distribution of income. The latter is measured by the Gini coefficient over the relevant period.

They find that a higher level of income inequality is related to a shorter duration of fast growth, suggesting that a greater degree of income inequality has an adverse effect on the overall rate of growth. The hypothesised channels through which greater income inequality may hamper sustained growth are credit market imperfections that may present an obstacle for the poor to finance their education, the concentration of political power in the hands of the elite and a greater risk of political instability. Because of data limitations, Berg and Ostry (2011) first undertook a variable-by-variable analysis, considering the possible determinants of shorter growth spells separately. They find that the following are correlated with longer growth spells: political institutions with strong constraints limiting the actions of the executive branch; improvements in primary education and reduced child mortality; a greater ratio of bank deposits to GDP; more trade liberalisation, greater financial integration (foreign direct investment, in particular); higher shares of manufacturing exports; lower macroeconomic volatility (currency depreciation and inflation); fewer external shocks (trade reductions and increased US interest rates) and low income inequality. This largely confirms the results of much of the previous literature on the determinants of cross-country disparities in economic growth.

What is particularly important is that the income inequality variable has the largest effect of all these variables on the duration of the growth spell and is highly statistically significant. As many of these determinants might be correlated with each other, the joint effect of these factors is then examined and the income distribution still remains extremely important. Income inequality is not just acting as a proxy for the other factors.

Berg et al. (2012) further investigate the duration of the growth spells. After identifying structural breaks in the growth paths of 140 countries that define growth spells, they begin their empirical analysis by estimating a proportional hazard model. This estimates the probability that a growth spell will end in the next year, conditional on its current length, together with a number of socio-political factors that exist at the beginning of the growth spell and ones that also change over the period.

Of particular interest is the finding that income inequality 'survives as one of the robust and important factors associated with growth duration.… A 10-percentile decrease in inequality—the sort of improvement that a number of countries have experienced during their spells—increases the expected length of a growth spell by 50 per cent' (Berg and Ostry 2011, 13).

What can be said about the role of income redistribution? A contrary argument is that those countries with a high level of market inequality could also be the ones that have the greatest redistribution. If the latter distorts incentives, risk taking and reduces capital accumulation and such like, then it is this, and not income inequality *per se*, that reduces growth. Importantly, Ostry et al. (2014) have been able to test this hypothesis and have rejected it. They use a cross-country dataset (Solt 2009) that allows them to distinguish between *market inequality* (before taxes and transfers) and *net inequality* (after taxes and transfers). They compute the redistributive transfers (the difference between the Gini coefficient for market and net inequality) for a large sample of countries. They find that redistribution is correlated with market inequality to such an extent that there is no significant relationship across countries between market inequality and net inequality (i.e. the inequality of income after redistribution).

These data allow them to study the role of income redistribution on the pace of growth and the duration of growth spells. First, using panel regression analysis, the average growth rate of GDP per head is regressed on the level of initial income, net inequality and redistribution, which is the baseline specification. Next, several controls, such as physical and human capital, population growth, the quality of political institutions, external shocks and measures of openness to trade, are added. The results reveal that a higher level of inequality lowers economic growth, whereas redistribution has no statistically significant effect. This holds true even with the inclusion of these additional determinants. Redistribution favours economic growth through its effect on reducing net inequality.

Cingano (2014) also distinguishes between market and net inequality and considers whether the changes in the share of income held by poor and affluent households (the gap between low income and high income households) may affect economic growth. Using panel data for 31 OECD countries, and controlling for country and time-fixed effects (System GMM estimations), growth of GDP per head averaged over a time interval of five years is regressed on GDP per head at the beginning of the period (as a standard control for convergence), a number of controls for human and physical capital, and inequality (the Gini index), all measured at the beginning of the period. The estimates show that, in these OECD countries, net inequality (inequality of disposable income) negatively affects economic growth, whereas gross inequality (market inequality) has no effect. When both net and market inequality are included, only the former has a (negative) statistically significant impact. This means that the redistribution introduced to reach a given level of net inequality has not hampered economic growth (as also found in Ostry et al. 2014).

The overall conclusion is that high income inequality is bad for growth and redistribution will increase the growth rate.

Empirical Studies on the Causes of Inequality

Understanding the causes of income inequality, *per se*, has recently become increasingly important. Income inequality has become a major policy issue as the gap between the rich and the poor keeps on widening, which is happening in most OECD and Asian countries (ADB 2012; OECD 2011; Oxfam 2013).

Confining our attention first to the OECD countries, real disposable income, on average, has increased by 1.7% per year during the two decades prior to the Great Recession (OECD 2011). In most of them, however, the share of household income held by the wealthiest 10% has grown faster than that of the poorest 10%. At present, in the advanced countries, the average income of the richest 10% is about nine times greater than that of the poorest 10% (in the 1980s, the ratio was 7:1). For Italy and the United Kingdom, the ratio is 10:1; for the USA, the ratio is as high as 14:1(OECD 2011).

The 2011 OECD report 'Divided We Stand: Why Inequality Keeps on Rising' examines the driving forces behind this rising income inequality. It starts from the analysis of the drivers that may affect wage and earning inequalities, studying the role played by the trends in globalisation, technological change and the change in labour market institutions. It also considers the effect of tax-benefit policies and public services in offsetting market-based (pre-tax) inequality.

Household income distribution depends on the evolution of earnings as wages and salaries account for three-quarters of households' income. From the early 1980s to the start of the Great Recession in 2007, in 16 out of 23 of the OECD countries, the decile ratio of the 10% highest-paid workers to the 10% lowest-paid workers has risen. This was due to both increasing earnings shares at the top and decreasing shares at the bottom. But high-wage earners saw a particularly rapid growth in their incomes (Atkinson 2009). In terms of the overall distribution, top-wage earners have been drifting away from those in the middle faster than the lowest earners have been falling behind the middle earners.

The more recent OECD (2011) report provides an extensive analysis of the determinants of wage inequality. The following results were obtained using regression analysis, where the dependent variable is the decile ratio (D9/D1) of weekly earnings among full-time workers (i.e. a measure of wage dispersion) and the independent variables are a set of globalisation indicators (including measures for both trade and financial transactions), an indicator of technological progress (proxied by the expenditure on business sector research and development [R&D] as a share of GDP), a set of labour market institutional variables and policy variables, and a vector of controls (the sectoral share of employment, education proxied by the percentage of population with post-secondary education, the share of female employment and the output gap).

Trade integration has no distributional effect at an aggregate level. This is confirmed both when imports and exports are measured separately or further disaggregated. However, increased imports from low-income developing countries worsen wage dispersion in those OECD economies with weaker employment protection legislation. Both *de jure* and *de facto* measures of financial integration have no significant impact on within-country trends in wage disparity. It seems that inward FDI tends to reduce wage dispersion, whereas outward FDI tends to increase it. Moreover, to the extent that increases in trade are accompanied by greater financial flows, there may be an interplay between trade exposure and inward FDI.

On the one hand, business expenditure on R&D, which, as we noted above, is sometimes taken as a measure of technical progress, adversely affects the degree of wage dispersion. On the other hand, an increase in the supply of skilled labour and the share of employed women tend to offset the increase in wage inequality. Hence, this partly reflects the well-known race between education and technology (Goldin and Katz 2009).

The weakening of labour and product market policies and institutions adversely affect the trend in wage dispersion within countries. More lenient employment protection and product market regulation, and reduced tax wedges, have increased wage inequality among full-time workers. As far as employment legislation protection is concerned, its impact on increasing wage inequality is entirely due to the reduced employment protection for temporary workers.

When, instead of the D9/D1 decile ratio, the dependent variables are the D9/D5 and D5/D1 decile ratios of earnings, it is again found that trade exposure has little impact on both ends of the wage distribution. Both increased outward FDI and technical progress adversely affects the higher part of the wage distribution. More flexible product market and employment protection regulations are again related to an increase in wage inequality, but only in the lower part of the wage distribution. The upper half of wage distribution is more sensitive to changes in average tax wedges and union coverage. Lower unemployment replacement rates increase wage inequality, with similar quantitative effects on lower and upper wages. Both the rise of female employment and the up-skilling of the workforce are associated with inequality reduction in the two halves of the wage distribution.

How have the trends in economic globalisation, technological change, and policies and institutions impacted on inequality across the whole working-age population, not only via wage disparities among the employed, but also via the gap between the employed and the non-employed? The evidence shows the crucial role of education in offsetting those factors leading to greater wage inequality. The up-skilling of the workforce has largely compensated for the increase in wage dispersion due to technological change, regulatory and institutional arrangements. Over the period studied, this was found to be the only factor able to not only reduce wage dispersion among the employed, but also to increase employment rates.

Social security payments have been an important factor in helping households maintain their living standards. The dispersion of net incomes (after taxes and benefits) shows less inequality than marketplace income inequality. Redistribution through social policies has increased over time, but so have those households requiring support, reducing the effect of the former. These redistribution schemes reduce inequality on average by a quarter, with the greatest degree of income redistribution in the Nordic countries and the smallest in Chile, Iceland, Korea, Switzerland and the USA.

The concern with increasing income equality is also found with respect to the rapidly growing Asian economies to such an extent that Balakrishnan et al. (2013) describe it as the 'Achilles' heel' of Asian economic growth. These concerns have also been documented by the Asian Development Bank (ADB) (2012) and a parallel with the advanced countries can be found.

Over the past 30 years, or so, Asia's growth rates have been remarkable and most Asian economies have grown faster than other emerging countries. The positive outcome of this has been a considerable increase in the living standards and a reduction in poverty.

Notwithstanding this, the gap between the rich and the poor has widened, suggesting that the benefits of economic growth have not been shared equally by all the people on the income ladder; in other words, economic growth has not been inclusive and 'pro-poor' (Balakrishnan et al. 2013). According to official estimates, the Gini coefficient of per capita expenditure[4] of the People's Republic of China went from about 32 in 1990 to 43 in 2008; in India, it increased from 33 in 1993 to 37 in 2010; in Indonesia, from 29 to 39 (ADB 2012). Considering Asia as a whole, the Gini coefficient worsened from 39 to 46 (ADB 2012).

In a global context,[5] Asia's Gini coefficient is on average lower than that of Sub-Saharan Africa, Latin America and the Caribbean countries. But

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[4] Measures of inequality are based on per capita expenditure in most Asian economies and in Sub-Saharan Africa. They are based on incomes per head in OECD and Latin America countries.

[5] It must be taken into account that income-based and expenditure-based measures of income inequality are used. The Asian Development Bank Outlook (2012) observes that 'income-based inequality measures tend to run higher than expenditure-based ones' (50).

once changes in inequality are considered, while the Gini coefficient has declined in most Sub-Saharan African countries and Latin American and Caribbean economies, it has increased in developing Asia (ADB 2012). Inequality in developing Asia is higher than that of the OECD countries (ADB 2012), which, as we noted above, are experiencing increasing inequality driven by the top of the income ladder as well.

What are the drivers of inequality in Asia? According to the *Asian Development Outlook* (2012), the three key drivers of Asia's remarkable growth—globalisation, market-oriented reform and technological change—together with differences in terms of opportunity, have determined the sharp increase in income inequality. On the whole, these have impacted on income inequality through four channels.

First, although efforts have been made to improve the average achievements in education and health, inequalities in these areas remain considerable. Inequality in education and health unfold with inequality by wealth quintile. Secondly, the gap between the wages of skilled and unskilled labour has increased, as in the advanced countries. Thirdly, during the mid-1990s to mid-2000s, the labour income share has declined. One explanation is that this happened because technological progress has been 'labor saving and capital using' (ADB 2012, 66). Finally, the last driver of inequality is the spatial dimension. The increasing income gaps between provinces and states, on the one hand, and between urban and rural regions, on the other, constitute a significant part of observed inequality in Asia (World Bank 2009).

Conclusions

Income inequality seems to have been largely neglected in mainstream economics because of the pervasive acceptance of the neoclassical postulates that markets are assumed to be competitive and workers are paid their marginal products. If this is correct, then any attempt to redistribute income, however desirable for social reasons, will lead to a misallocation of resources and a reduction in both the level and growth of output.

If the large incomes of those at the top of the income ladder, which cause a high degree of income inequality, are due to rent extraction, then redistribution will *not* cause growth rates to fall. In other words, there is no equity–efficiency trade off. The evidence discussed suggests that greater income inequality actually impedes growth, both for developed and developing countries. Over a shorter timescale, it was found that in the USA the increase in income inequality led to greater borrowing and household debt by the lower and middle income groups immediately prior to the crash of 2007. This maintained the growth of aggregate demand and output, but brought with it the seeds of its own destruction as the household debt became unsustainable.

Inequality may be excessive, although this is inevitably a normative judgement, but it is unlikely to be reduced anytime soon in the USA (and indeed in the UK). In the advanced countries, there is unlikely to be any major change in the share of the top 1%, given the undue political influence this group holds on the political system. Hacker and Pierson (2010) have shown, for the USA, how unequal influence on the political system was a major factor in the policies that led to the increase in income inequality. Bartels (2008), Gilens (2012) and Gilens and Page (2014) present substantial empirical evidence demonstrating how the wealthy elite determine the whole political agenda. The median voter theorem bears no resemblance to the actual political process. Bonica et al. (2013) provide a survey that confirms these views.

The magnitude of inequality today is not the inevitable outcome of the market forces. Economic (government) policies do shape society's distribution of income and different policies may help to achieve a more efficient and egalitarian society. We know that there is a close relationship between parental education and income status and their children's economic and social outcomes (see, among others, Huggett et al. 2011). This, combined with the systematic relationship between inequality and economic (and social) mobility, has led to an increasingly divided society and persistent inequality (Stiglitz 2012).

We cannot imagine a world without inequality, as inequality has accompanied every human society. Indeed, a certain level of inequality is necessary to provide the incentives to compete, undertake education and take risks. But, as the latest experience has shown, beyond a certain threshold, inequality starts to undermine the stability and the efficiency of the economic system and to threaten our societies. This happens when inequality provides the means to maintain and take advantage of acquired positions and is the result of rent seeking (Milanovic 2011).

Recent events have shown that there can be no divergence between the functioning of economies and societies. It has been made apparent that income inequality does matter and that distributional issues should be a major concern to both economics and macroeconomic policies. This has thrown up several theoretical and empirical challenges. We must begin from this point.

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3

European Recession and the Emerging Two-Speed Europe

Luigi Campiglio

Introduction

Two-speed Europe proposals have always been conceived, in the past, as means to an end, namely European convergence for a closer Europe unity. The proposals were on the table before the inception of the euro area, but rejected for the fear that this arrangement could undermine European unity, rather than foster it. The goal of '*E pluribus unum*'[1] (Campiglio 2012) for the European countries should be the outcome of a historical process, rooted on a solid core of common values and founding new institutions of checks and balances. The onset of the euro area succeeded in its goal of economic convergence until the 2008 crisis: afterwards the USA, the European Union (EU) and the euro area (EA) took different paths. The poor collective management of the second European crisis, since 2010, caused a

[1] The chapter discusses the problems to be addressed in order to pursue the goal of European unity.

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chain reaction of consequences leading to a sharp European divide of economic performances and standard of living, and the formal exit of the UK from the EU. The timing of the enlargement process was also unfortunate, because the European crisis prompted an upsurge of unemployment and internal migration from the Southern Europe countries, where consumption and investment severely contracted—as the consequence of austerity economic policies—and laggard European countries where gross domestic product (GDP) and consumption per capita was much farther away from the top-ranking economies. Increasing internal labour mobility was a crucial requirement for an optimal currency area, smoothing the upsurge of European unemployment. Migration from outside the EU, pulled by the European imbalances of an older demographic structure, or pushed by conflicts and war, and a young demographic, laid bare the inadequacies of European institutions in facing unexpected contingencies. The problems of increasing economic inequality and material strains in Europe came to the forefront: while the top income decile went through the recession without loss, the low–middle income deciles slipped downward. Europe has been united only by a steady downfall of inflation, to the point of a moderate deflation.

European Crisis, Unemployment and Internal Migration

The enlargement of the EU borders, in 2004 and 2007, shortly before the 2008 economic crisis, was a defining moment, which brought about a 30% increase of the EU population, mainly from countries in central and Eastern Europe (Fig. 3.1). It was also an unfortunate moment because shortly after 2010 a second economic crisis battered the EU, especially in the Southern countries, where a sharp drop of GDP, domestic consumption and investment prompted a surge of unemployment rates. The European recession entailed a clear-cut European divide of standard of living: from 2010 to 2015, consumption per capita fell for less than half of the EU population, and increased for more than half (Campiglio 2016), an improvement with respect to 2010-2014, when the balance between losing and improving countries was almost exactly

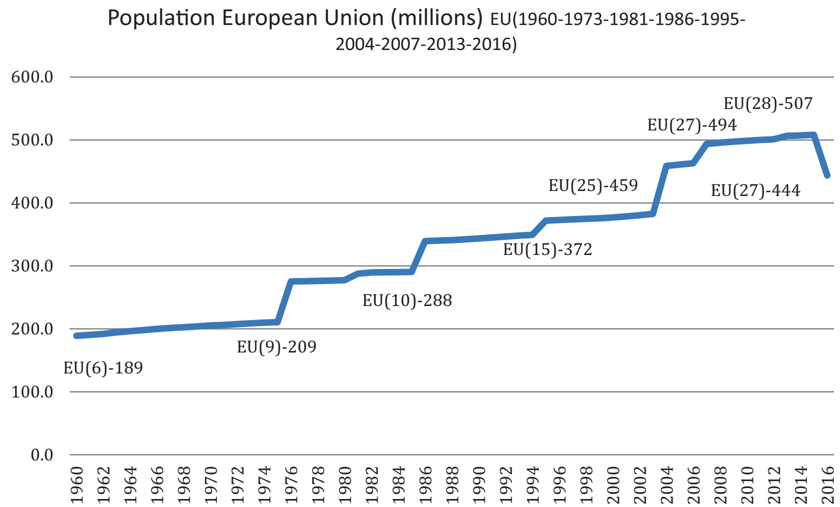

Fig. 3.1 Population European Union (millions) EU(1960–1973–1981–1986–1995–2004–2007–2013–2016) (*Source*: our calculations on Eurostat database, Insee and United Nations)

hal and half. But the Brexit referendum, in 2016, redefines the border of the EU and the exclusion of the UK (13% of EU population) brings back the European divide to half and half, between losers and winners, halting the economic and social convergence. If we consider the EA, the divide is more puzzling: all the countries whose consumption per capita declined or remained constant, from 2010 to 2015, are member states of the EA, with only the exception of Croatia. All the countries outside the EA improved the consumption per capita (with the exception of Croatia): member States of the EA which improved their consumption per capita, in ascending order, are (above €15,000 per capita) Belgium, Denmark, Ireland, Finland, UK, Germany and Sweden. Taking as a reference the EU without the UK, the loser countries comprised 51% of the total population, while taking as a reference the EA, the loser countries comprised 66% of the population. The comparison of the rates of change of population and GDP gives a first insight into the impact of migrations.

The European recession caused, mainly, an upsurge of the unemployment divergence between the member states of the EU (Fig. 3.2): the free

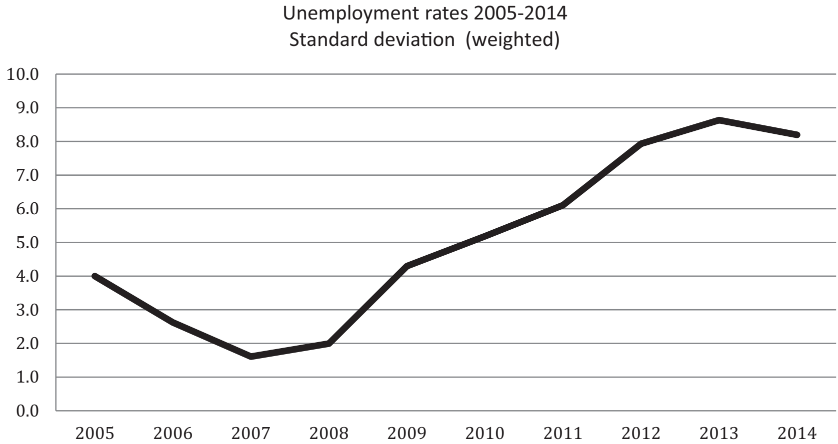

Fig. 3.2 Unemployment rates 2005–2014 Standard deviation (weighted) (*Source*: our calculations on Eurostat database; Note: the weights are the number of unemployed for each year in each country)

movement between EU countries of workers and persons can smooth the divergence and reduce the divide. Eurostat provides a measure of net migration,[2] which is negative (outflow) for most of the Eastern countries (like Bulgaria, Romania, Poland, Latvia, Lithuania) and South Europe (like Greece, Spain, Portugal), or positive (inflow—like in Germany, Austria, Belgium, UK, Sweden, Denmark). It is possible to show a non-linear relationship between the unemployment rates and the EU internal migration: in 2015 countries with a low unemployment rate attracted net positive migration, while workers in countries with a high unemployment rate pushed out workers and recorded a negative outflow. A convergence process also seems at work: countries where the unemployment rate decreased, from 2010 to 2015, like the UK, recorded positive inflow, while the countries where the unemployment rate increased, like in Italy, recorded a decrease of inflow.

[2] Eurostat's definition of the 'crude rate of net migration plus adjustment' is calculated as 'the ratio of events to the average population … the result is expressed per 1000 persons (average population) … the net migration plus adjustment is the difference between the total change and the natural change of population'. Eurostat Metadata (tsdde230).

Because labour supply is an implicit demand for consumption, a more direct approach is to look at the relationship between the net migration rate and the consumption per capita: in 2015 Luxembourg, Germany and Austria are the European countries with the highest net inflow of immigrants and a higher level of consumption per capita, while most of the countries with a consumption per capita below €15,000 recorded a net outflow. The pattern of internal European migration is composite: Lithuania, Estonia and Latvia receive immigrants from other Eastern countries outside the EU, while simultaneously a flow of emigrants go to other countries. Poland is one of the most successful Eastern countries, but still, at the same time, with a significant outflow to other European countries, like the UK, Ireland and Germany; citizens from Romania choose Spain and Italy.

The Mundell concept of optimal currency area (OCA) took as a practical application the asymmetric economic structure in Canada, when faced with an asymmetric external shock, as well as the proposal of a common currency for the initial six European members, which signed, in 1957, the Treaty of Rome. In the treaty, the freedom of movement of workers was a political issue, being one of the four basic freedoms upon which it was founded. Mundell argued that a high freedom of movement, in terms of factor mobility was the essential ingredient of a common currency, and the extent of factor mobility would define a feasible political region. He concludes: 'The question thus reduces to whether or not Western Europe can be considered a single region, and this is essentially an empirical problem' (Mundell 1961, 657–65).

The European crisis shows that the political and economic aims of free movement of people and workers need to be understood according to the underlying motivations, which for convenience are usually collapsed into 'push' and 'pull' factors: unemployment or conflicts are examples of 'push' factors, while better jobs and salaries or a pleasant environment are examples of 'pull' factors. If we consider the previous relationship between consumption per capita and net migration rates in 2015, we can further ask the question whether a falling standard of living between 2010 and 2015, measured by the percentage of change in the per capita consumption, is the 'push' factor behind which we expect to be a negative net outflow in the corresponding period. A non-controversial signal

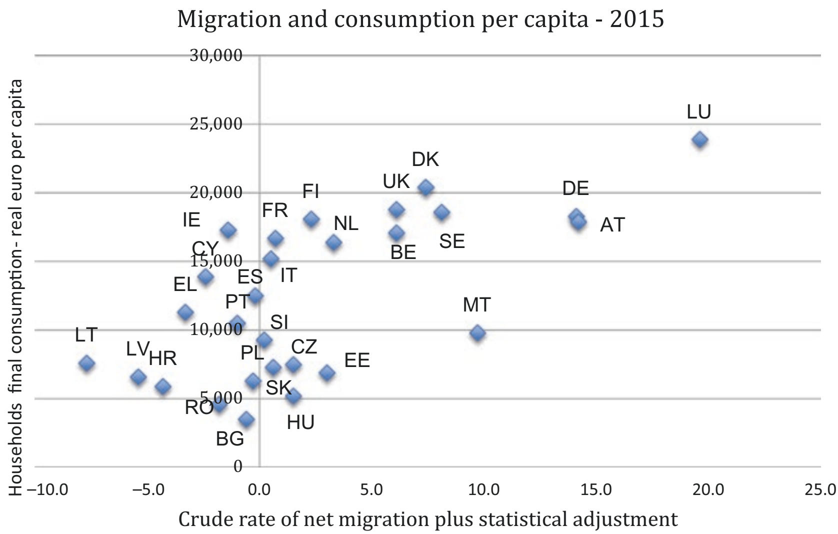

Fig. 3.3 Migration and consumption per capita—2015 (*Source*: our calculations on Eurostat database)

of a 'push' factor can be identified when the changes of net migration and consumption per capita are both negative, and symmetrically a signal of a 'pull' factor when the changes are both 'positive' (Fig. 3.3; Table 3.1).

Migration and Purchasing Power Differentials

A positive relationship between price level and real income across the countries in the world is a basic textbook regularity of international economics (Krugman and Obstfeld 2009): the theoretical foundation can be traced to the interaction between tradable and non-tradable goods, along the countries' growth path, as in the Balassa-Samuelson effect. The question we address is whether a similar relationship exists within the EU and the EA. Figure 3.4 confirms that the same positive relationship between the price level and consumption per capita holds in 2013 also for the EU(28) (Luxembourg is not included, because it is a large outlier). The same pattern is confirmed considering the GDP per capita in place of the consumption per capita.

Table 3.1 Ranking of EU countries by consumption per capita

GEO/TIME	2015	2015–2010	Δ% 2015–10	Pop 2015	Δ% 2015–10	GEO/ TIME	2015	2015–2010	Δ% 2015–10	Pop 2015	Δ% 2015–10
Greece	11,300	−2,400	−17.5	10,858	−2.35	Belgium	17,100	100	0.6	11,258	3.86
Italy	15,200	−1,000	−6.2	60,796	2.71	Denmark	20,400	200	1.0	5,660	2.26
Cyprus	13,900	−800	−5.4	847	3.40	Hungary	5,200	200	4.0	9,856	−1.59
Luxembourg	23,900	−800	−3.2	563	12.13	Slovakia	7,300	200	2.8	5,421	0.57
Spain	12,500	−600	−4.6	46,450	−0.08	Bulgaria	3,500	300	9.4	7,202	−2.96
Slovenia	9,300	−500	−5.1	2,063	0.78	Czech R.	7,500	300	4.2	10,538	0.73
Austria	17,900	−400	−2.2	8,576	2.69	Ireland	17,300	400	2.4	4,629	1.75
Portugal	10,500	−400	−3.7	10,375	−1.88	Finland	18,100	500	2.8	5,472	2.25
Netherlands	16,400	−300	−1.8	16,901	1.97	Poland	6,300	600	10.5	38,006	−0.05
Croatia	5,900	−200	−3.3	4,225	−1.80	Romania	4,600	700	17.9	19,871	−2.09
France	16,700	0	0.0	66,415	2.72	UK	18,800	700	3.9	64,875	3.78
			EU (−)	228,068		Germany	18,300	800	4.6	81,198	−0.74
						Malta	9,800	800	8.9	429	3.70
						Sweden	18,600	900	5.1	9,747	4.35
						Estonia	6,900	1.300	23.2	1,313	−1.50
						Latvia	6,600	1.300	24.5	1,986	−6.34
						Lithuania	7,600	1.800	31.0	2,921	−7.02
									EU(+)	280,383	
									(−) UK	215,507	

Source: Our calculation from the Eurostat database

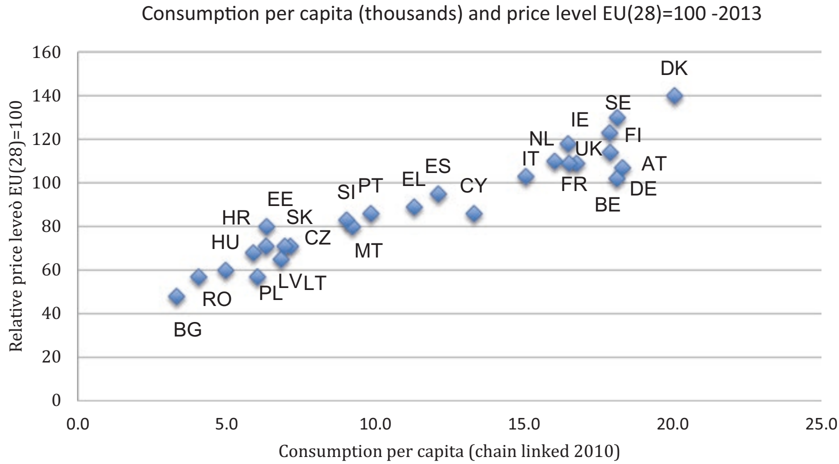

Fig. 3.4 Consumption per capita (thousands) and price level EU(28) = 100–2013 (*Source*: our calculation on Eurostat database)

If a citizen of Romania moves from his country to Germany or UK and finds a job in industry or construction he will increase his hourly earnings (in euros) 7–8 times what he would be paid in Romania. Correspondingly, the price level for consumer goods and services is 2 times higher in Germany and UK than in Romania.[3] Housing costs are 2.6 times higher in Germany than in Romania, and 4.3 times higher in the UK. The price level can be estimated about 2 times higher in Germany than in Romania, and about 3 times higher in the UK. Moving from Romania to a job in Germany would improve the real standard of living in Germany four-fold, while moving to the UK about three-fold, in the case of permanent residency. For a Romanian, the successful migration to Germany would be a quantum leap. If the migrant is temporary, while the family remains in Romania, the worker could send home the part of his salary exceeding his living expenses in Germany. The purchasing power of the euro, given the price level of the Romania, would be at least two times the corresponding level in Germany. Romanians were, in

[3] Eurostat: 'Consumers price levels. Price level varied in 2013 from 48% of the EU28 average in Bulgaria to 140% in Denmark', News Release, 97/2014, 19 June 2014.

2015, among the top five immigrant citizens, by size, in Italy, Germany, Spain, Denmark and the UK.

The preceding exercise in purchasing power is meaningful if the worker has a choice between a job in his country or in another European country; it is much less meaningful if the worker is facing a high unemployment rate in his own country. Therefore, the labour mobility to other European countries can ease the European labour market, reducing the unemployment rate in the country of origin, especially for the younger population, and improving the economic activity and the standard of living of migrants. Migration flows caused by the European recession are an attempt to escape poverty, or the risk of poverty, relative or even absolute. Angus Deaton comments on the less developed countries: 'The effects of migration on poverty reduction dwarf those of free trade. Migrants who succeed in moving from poor countries to rich countries becomes better off than they were at home, and their remittance help their families do better at home' (Deaton 2013, 323). In this sense, migration should help to reduce inequality; much of this depends however on the size of flows and the job opportunities.

Economic crisis sped up the migration flows, inside the EU and from outside, with a corresponding change in the economic and political landscape. In the UK an unexpected turnaround occurred with the referendum of June 2016, when a (slight) majority of voters triggered the withdrawl of the country from the EU. According to the opinion poll carried out in May 2016 by the Eurobarometer on public opinion, immigration was considered the most important issue facing the EU in 20 countries (out of 28), with a majority of 51% in the UK feeling that way. At the national level unemployment was the main concern in 11 countries, like Spain, Cyprus, Portugal, Croatia, Greece, France, Slovenia, Finland and Italy,[4] closely reflecting the unemployment rate of each country.

By birth, in 2015 (1 January) 18.5 million people who were born in a country of the EU(28) were living in another country of the EU(28). Of people living in the EU(28), 34.3 million had been born outside it (10.4% of the total EU population). The countries with the highest

[4] European Commission (2016) "Standard European Barometer 85, Public opinion in the European Union", Spring.

number of outside migrants and the share with the country population were the following: Germany (10.2 million: 12.6%), the UK (8.4 million: 13%) France (7.9 million: 11.9%), Spain (5.9 million: 12.7%) and Italy (5.8 million: 9.5%).

By citizenship, there were 15.3 million persons living in one of the EU(28) member states with citizenship in another EU member. The number of people residing in an EU member state with citizenship in a state outside the EU(28) was 19.8 million. There is a clear gap between these numbers: indeed, the number of people residing in the EU(28) who were citizens of non-member states was 19.8 million, while the number of people residing in the EU(28) who had been born outside of the EU was 34.3 million. The two groups can be taken as an indication of permanent and temporary migrants.

Growth Paths for European Countries with Price Level Differentials

Wages in Germany are 4–5 times higher than Poland—depending on the sector—while the price level of goods and services in Germany is 2 times higher than in Poland. Migration from Poland to Germany, if sustained by adequate knowledge and competences of the migrants, can lead, simply by properly matching, to an improvement of productivity, real wages and purchasing power. Indeed, labour productivity is measured as the value added per hour worked, of which wage is the major share. The goal of improving productivity and competitiveness in Germany, as explained by the 2013 Annual Report of the Bundesbank, is better achieved, in comparison with other European countries, hinging on innovation and 'employment-friendly stance for most of the last decade, making it easier for industry to keep and extend high-quality production stages of the value chain in Germany, despite labour costs, by international standards, remaining at high level' (Deutsche Bundesbank, Annual Report 2014, 43).[5] Higher productivity, or more precisely better competitiveness, is the ability to produce and sell products at higher prices (and value added),

[5] Deutsche Bundesbank Eurosystem (2014) 'Annual Report 2013', Frankfurt am Mein.

which the customer is willing to pay, recognising the higher content of 'quality'. A higher price level does not necessarily imply a higher inflation rate, but rather allows a buffer to absorb unexpected cost increases without incurring the risk of losing market shares.

The 'quality growth path' in Germany implies at least three economic consequences:

1. EA is based on a German 'inflation standard';
2. Germany's large enterprises lead innovation in world competitive markets;
3. A large market for quality and innovative products allows for a wider variety of products and services and more stable prices for each variety.

We collected comparable data for the inflation differential of each country with respect to Germany, matching the available data with the business size, measured in terms of the employment share in large enterprises (defined as 250+ employed); we also added the data for the UK and Sweden. The first result is confirmed by the data, with Germany being the country with the lowest inflation rate. Germany is indeed the 'inflation standard' for all the EA countries. The policy of internal devaluation has been implemented in Greece, Spain, Portugal and Italy while the inflation differential with Germany decreased, since 2012, and, earlier on, in Ireland since 2008.[6]

It is by now clear that the inflation differential with respect to Germany will never be filled, unless pursued for many years internally and the concurrence of favourable structural conditions. Only France has a very limited differential, but the best one can hope for the other countries is to avoid a further widening of the gap: devaluation is a costly policy, in terms of lost economic activity and social disruption. It is worth noting that Sweden, even being outside the EA, could be taken as an inflation standard almost as strong as Germany: indeed, the quarterly correlation

[6] IMF (2016) Country Report No. 16/256.According to the report, 'The rebound of the Irish economy has been exceptional'; T.A. McDonnell and R. O'Farrell (2015) 'Internal Devaluation and Labour Market Trends during Ireland's Economic Crisis', Nevin Economic Research Institute, Working Paper Series 2015/28, July.

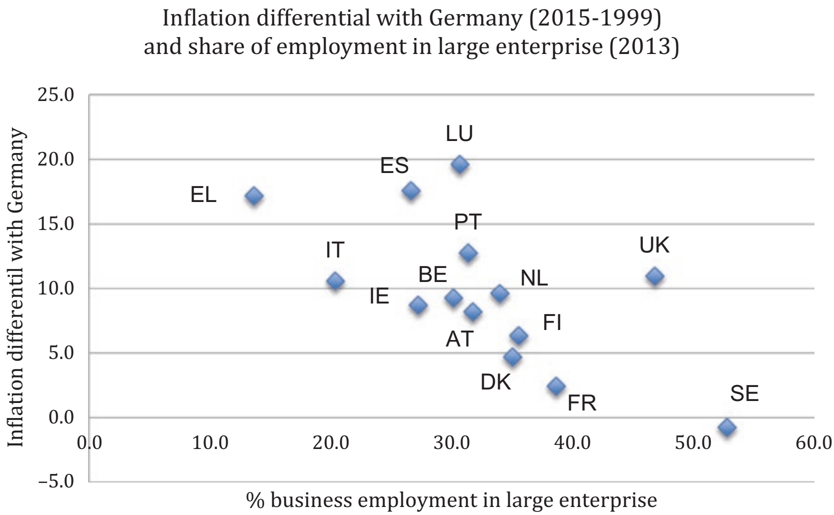

Fig. 3.5 Inflation differential with Germany (2015–1999) and share of employment in large enterprise (2013) (*Source*: our calculations on Eurostat database. In the case of Ireland the data for enterprises refer to 2008)

of the annual rates of change between the two countries is 0.9. According to Eurostat data, in 2013 the share of employment in 'large' firms was 53% in Sweden, 47% in the UK and 38% in Germany.

The size distribution of enterprises is also crucial for the lower tail of the size distribution, regarding the so-called size of class zero, that is enterprises with no paid employees.[7] The class zero is crucial because in this case earnings of the self-employed and the price quotes for the services coincide: price flexibility or rigidity of prices coincides with those of earnings.

The timing of enlargement of the EA was more careful than that for the accession to the EU, causing an overlooked asymmetry and overlapping of rules. The free movement of people had real consequences on unemployment, migrations and economic activity in the entire EU, overlapping with the ruling of the European Central Bank on the EA, leaving the non-euro members formally outside (Fig. 3.5).

[7] Eurostat (2011), 'Key figure on European business with a special feature on SMEs' Pocketbooks, ISSN 1830-9720 European Commission. In 2007 'the relative contribution of the size class zero enterprise to the industry, construction and service workforce was highest in Italy (20.4%), the Czech Republic (15.9%), Spain (12.4%) and [notably] Sweden (11.9%)' (19).

The ‘Poor’ and the ‘Rich’ in the Economic Crisis

The economic and social fractures prompted by the European crisis, since 2010, are hardly detected by summary indicators like the Gini index; we need, therefore, to revert to more refined measures, which can capture overlooked dimensions, like time, persistency, monetary and in-kind consumption.

Looking at the shape dynamic of the income distribution by income decile, it is possible to analyse the changing patterns of inequality before and during the European recession, selecting some specific issues. The ‘leave’ vote of the Brexit referendum can be better understood looking at the evolution over time of the upper and lower tail of the income distribution, before and after the European economic crisis. For each decile we consider, with longitudinal data, the share of the population remaining in the same decile in 2010 and 2013, and compare the shape of the distribution with the share of the population in the same decile in 2005 and 2008. The movement of the distribution shows which deciles of the distribution were hit the hardest and measures the degree of income mobility between the two periods. The public debate before the referendum was mainly focused on the issue of immigrants, reaching the highest concern in the public opinion just before the vote: as previously detailed above, 51% of the public opinion in the UK considered immigration as the main issue facing the EU and also, for the majority, the main issue for the nation. The issue of migration has been carefully analysed in the UK, weighing costs and benefits, without reaching a common shared conclusion. Perhaps the only convergence was the inadequacy of house supply and the ensuing price and rents increases, mainly in the London area.[8]

On the basis of the EU-Silc income survey, it is possible to detect a widening gap between the highest and lowest income decile (10° and 1°) and a growing share for the (stable) high-income earners (10° decile), which increased 10 points from 2008 to 2013. More precisely, 59% of

[8] ‘Are Migrants an Economic Benefit to the UK?’ by Migration Watch UK, 20 June 2016: the report argues that, on balance, migration is a net fiscal cost; ‘The Fiscal Impact of Immigration in the UK’, by the ‘The Migration Observatory’, at the University of Oxford, 27 March 2016. The report finds a slight positive contribution. A comparison between countries can be found in ‘International Migration Outlook 2013’, OECD Paris, 2013.

the income earners in the 10° decile in 2010 were still in the 10° decile in 2013, while a lower share (49%) of the income earners in the 10° decile in 2005 were still in the 10° decile in 2008. The difference between the population share remaining stable in the 10° decile and the population remaining stable in the 1° decile was 29% in the period 2013–2010, up from a corresponding difference of 15% in the period 2005–2008. The 'rich' fared definitely better than the 'poor' (Fig. 3.6).

Moreover, taking the difference between the shares of the 10° and the 1° decile for the main European countries—a specific selection of the average income distance measured by the Gini index—we find that the UK is the country where the inequality between the share of stable rich (10°) and the share of stable poor (1°) increased the most. It is also possible to analyse the decile movements 1 decile up and 1 decile down; in the case of Italy the result is that during the European recession, the bottom 40% of the population shifted to a lower income decile or remained in the 1st decile, while the upper 60% improved its income position or remained at the top 10° decile (Campiglio 2016). The pattern of worsening monetary inequality during the European crisis was similar in many other countries, like Spain, Portugal, Sweden or had no improvement, like in Germany.

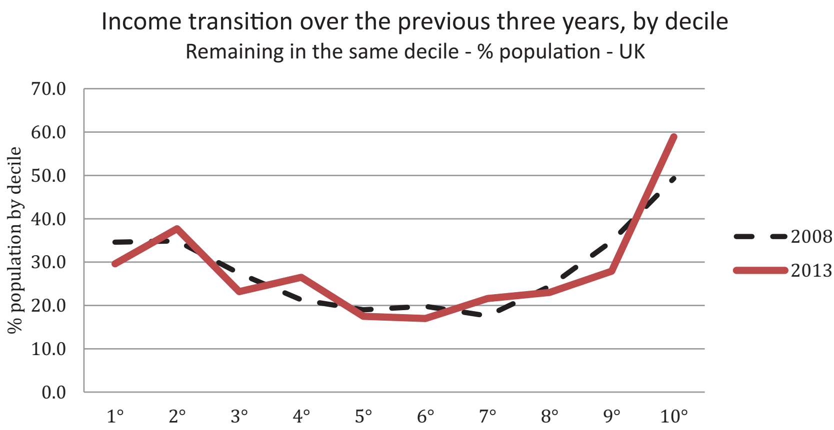

Fig. 3.6 Income transition over the previous three years, by decile remaining in the same decile—% population—UK (*Source*: our calculation on Eurostat database)

The inequality of monetary distribution provides only a partial picture of the real income distribution in the European countries; we need to take into account in-kind, or non-monetary, redistribution, as in the case of health care services provided by the public sector. We measure benefit in-kind as a percentage of GDP in 2013, for all schemes of social protections: the countries with a percentage above 10% are, in descending order, Sweden, Denmark, Finland, France, the UK, Germany and the Netherlands, while for the other European countries the percentage is below 10%, in Spain 7.6% and Italy 7%. To grasp the relevance of this issue we consider a specific measure of economic strains, provided by the EU-Silc survey, which is the frequency of 'households making ends meet with great difficulty' and we match it with: (a) the percentage of households with heavy financial burden due to housing costs, (b) the percentage of the population with the inability to afford a meal with meat, chicken, fish (or vegetarian equivalent), (c) the percentage of the population at risk of poverty (cut-off point: 60% of median equivalised income after social transfers), (d) the Gini coefficient of equivalised disposable income, (e) the inability to face unexpected financial expenses of the 'poor', in percentage of the population, (f) the inability to face unexpected financial expenses, in percentage of the population, and (g) the GDP percentage of in-kind public provision (Table 3.2).

Table 3.2 Correlation between indicators of income strains, income inequality and poverty

	Ends	Housing	Meal	Poverty	Gini	Unex poor	Unex tot	% GDP in-kind
Ends	1.000							
Housing	0.680	1.000						
Meal	0.556	0.277	1.000					
Poverty	0.626	0.498	0.378	1.000				
Gini	0.622	0.527	0.340	0.862	1.000			
Unex poor	0.688	0.533	0.614	0.441	0.542	1.000		
Unex tot	0.727	0.558	0.662	0.478	0.564	0.935	1.000	
% GDP in-kind	–0.558	–0.686	–0.538	–0.468	–0.533	–0.589	–0.645	1.000

Source: Our calculation based on Eurostat database

The correlation matrix shows some interesting associations. The percentage of total social benefits provided in-kind has a significant impact on all the strains considered. In sum, a higher level of in-kind public provision improves disposable money income, reduces poverty, inequality and uncertainty. The case for universal in-kind provisions, provided by the public sector with a limited coinsurance, seem difficult to dispute. Therefore, health and education were severely restrained by the austerity policies in Europe, and the signs of the correlations measure the reduction on the households' disposable income.

Where Have All the Flowers Gone? Demography Matters

The world's population is slowly stabilising, however along quite different paths. The world's population was estimated at 7.3 billion in 2015 and projected, by the United Nations in its 2015 revision, to 9.7 billion in 2050 and 11.2 billion in 2100. Admittedly, the long-run demographic projections are uncertain, and for this reason constantly revised, but the margin of error for the next 30 years should be limited. The main area of uncertainty is Sub-Saharan Africa, which would increase from almost 1 billion in 2015 to 2.1 billion in 2050 and projected to almost 4 billion in 2100. Northern Africa, estimated at 224 million in 2015, should increase more slowly to 354 million in 2050 and projected to 452 in 2100.

The European population is instead moving in the opposite direction, declining: the United Nations estimates the population at 738 million in 2015, 707 million in 2050 projected to 646 in 2100. A recent official report on the near future of the German population is telling and worrying on many issues: the working population is projected to drop from 49 million in 2013 (20–64 age bracket) to 44–45 million in 2030, depending on the assumption of one or two hundred thousand immigrants each year. 'Even annual migration of 300,000 immigrants will not be able to stem the decline of the working-age population. An increase in the birth rate to 1.6 children per woman would only have a stabilising effect on the number of people of working age from the 2040s onwards'.[9]

Economic growth has been the major factor driving the world's population toward its stabilisation and a number of estimates show a negative relationship between the fertility rate decline, and the level of GDP per capita. 'The period from 1960 to 2010 was surely the fastest decline the world will ever see. With the important exception of Africa, women in developing countries moved from having around six births during their lifetime to having closer to two births. This fertility decline alone would make the last 50 years one of the most exceptional periods in demographic history' (Lam 2011). In less developed countries, fertility rates were one child higher than the number of children wanted, while in the European countries almost the opposite is true. In Germany the ideal fertility rate is 2.1 and the effective total fertility rate is 1.4 (but improving) while in Italy the ideal is 2 and the effective fertility rate is 1.4 (OECD 2011).[10] In fact, the gap is wider if we exclude the contribution of immigrants. For less developed countries two crucial factors drove the decline of fertility rates: declining infant mortality, closing the gap between actual and wanted fertility, and the family's effort to guarantee an adequate level of formal education for their children. In the OECD and European countries, instead, the private investment costs for raising children, ensuring their flowering as adults, were often out of reach for the average family's disposable income.

For the less developed countries, fertility rates and GDP interact: the decline of infant mortality is a benefit of health improvements, a better standard of living and a higher level of GDP per capita, while in turn a well-educated young adult—20 years later—can enable a much higher growth and potential innovation.

If the average household disposable income is reduced, the gap between effective and wanted births widens, while the available investment drops: the GDP–birth relationship can then become procyclical, as happened for most European countries during the European crisis (Fig. 3.7).

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[9] 'Germany's population by 2060. Results of the 13th coordinated population projection', (2015), Federal Statistical Office, Wiesbaden.

[10] Data from the OECD Family Database (2016).

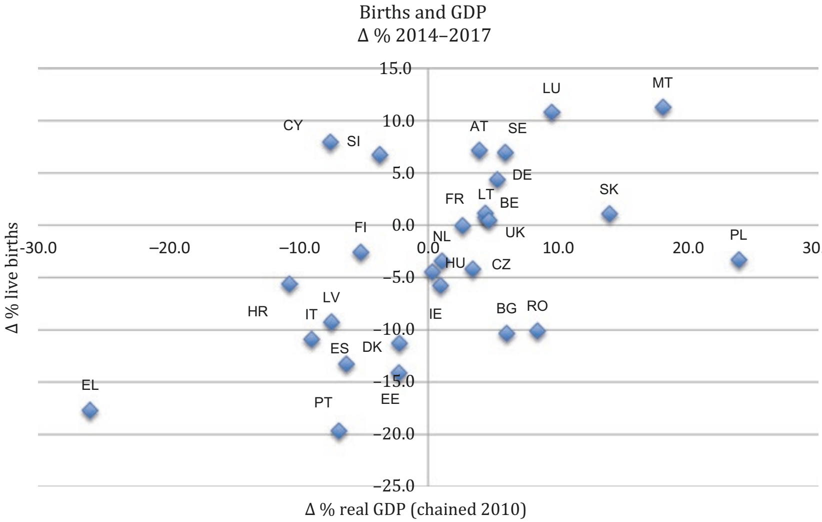

Fig. 3.7 Births and GDP Δ% 2014–2017 (*Source*: our calculations on Eurostat database)

The contribution of immigrants' newborns, by mother's citizenship (EU(28): 14%) or mother's country of birth (EU(28): 19%), is significant for many European countries. Newborns of mothers with a foreign country of birth were, in 2014, 31% of the total newborns in Austria, 27% in Sweden, 26% in Germany and the UK, 22% in Italy and Spain, and 21% in France; 27% were 'foreigners' from another EU(28) country. Newborns of a mother with a foreign country of citizenship were, in 2014, 26% in Austria, 19% in Italy, 18% in Germany, the UK and Spain, 16% in France, and 15% in Sweden; 40% were citizens of another EU country.

The world fertility decline cannot stabilise the fertility level at its replacement level of 2.1 for each country. France and Ireland are the only two countries in the EU whose fertility rate was consistently close or slightly higher than 2, over the period 2005–14, and therefore very close to the replacement rate of 2.1. In Sweden and the UK the fertility rate was high, in the range 1.8–1.9. An interesting result is the negative relationship between the Human Development Index(HDI)[11] and the

[11] The Human Development Index, is an index normalised between 0 and 1, calculated by the United Nations Population Division as the geometric mean of three-dimensional index related to

fertility rate: a cross-section analysis confirms the negative relationship as the HDI move from a lower level, including the fall of the fertility rate below the replacement level. However, when the index reaches a high threshold the negative relationship reverses and becomes positive, with a renewed increase of fertility, even if it is still below the replacement level (Myrskylä Kohler and Billari 2009). We updated the same estimate[12] with world data for 133 countries in 2013 and the results are confirmed: we estimate a quadratic relationship with a turning point at a HDI = 0.89. The point of interest is the possibility to rank the European countries, within the EU(28) and within the 133 world countries selected (Table 3.3). The analysis of the data raises new and puzzling questions. The main positive result is that a scattered plot of the European countries shows a clear positive relationship, Romania and Bulgaria being outliers. Germany is also an outlier, in the sense that its HDI value should imply a higher fertility rate; the good news is that according to the most recent data the fertility rate in Germany increased to 1.47 children per woman, the highest value measured since the German reunification. It is possible to check for a negative relationship between annual fertility rates and the unemployment rates after the unification; since 2011 the relationship became even stronger, and the further reduction of unemployment rates in 2015 is behind the increase of live births to 738,000. A low and decreasing unemployment rate is a powerful driver for families wanting to have more children.

The sharp economic recession in Sweden, in the 1990s, resembles, on a small scale, the larger scale of the 2010's European recession. In Sweden there was a massive increase in unemployment associated with cutbacks in virtually all the social policy programmes. The unemployment crisis was especially tough for the young adults, immigrants and single mothers (Bergmark and Palme 2003). It is no wonder that the fertility rate in Sweden, after reaching a high of 2.1 in 1991, plunged to a low of 1.5 in 1999.

health (life expectancy), education (years of schooling) and the standard of living (gross national income per capita, 2011 PPP $).

[12] I re-ran the estimates for 133 countries with comparable data available, jointly with Matteo Calvi, while he was completing his dissertation on the economic impact of the 'core' generation, defined as the population in the 20–39 age bracket. The dissertation covered all the world countries, with cross-section and historical time series estimates.

Table 3.3 EU(28) HDI and fertility rate (2013)—world and EU ranking

World rank	EU rank	EU country	HDI	Fertility rate
1	1	Norway	0.942	1.85
4	2	Denmark	0.923	1.73
5	3	Netherlands	0.920	1.72
6	4	Germany	0.915	1.38
8	5	Ireland	0.912	2.01
13	6	Sweden	0.905	1.91
14	7	United Kingdom	0.902	1.92
19	8	Luxembourg	0.890	1.57
20	9	Belgium	0.888	1.79
21	10	France	0.887	2.01
22	11	Austria	0.884	1.44
23	12	Finland	0.882	1.80
24	13	Slovenia	0.878	1.58
25	14	Spain	0.874	1.32
26	15	Italy	0.873	1.43
27	16	Czech Republic	0.868	1.45
28	17	Greece	0.863	1.29
29	18	Estonia	0.859	1.56
31	19	Cyprus	0.850	1.46
32	20	Poland	0.840	1.30
33	21	Slovakia	0.839	1.34
34	22	Lithuania	0.837	1.60
35	23	Malta	0.837	1.43
38	24	Portugal	0.828	1.28
41	25	Croatia	0.817	1.51
42	26	Latvia	0.816	1.44
45	27	Romania	0.791	1.53
50	28	Bulgaria	0.779	1.50

Source: Our calculations on UNDP, World Bank and OECD database

In the next decade the fertility rate slowly recovered and again reached 2 in 2011, completing a long fertility rate cycle lasting 20 years. In the meantime, the welfare system has undertaken a radical transformation, and Sweden emerges as a family-friendly country.

'Fortunate' Germany

Germany is a 'fortunate' and smart country: it is fortunate because the membership of China in the World Trade Organization, since December 2011, opened up the huge Asian market and its rapid international success went along with the piling up of an outstanding current account surplus. It is 'smart' because its international successes were based on the high quality of its products, automotive products being the flagship of its smart strategy. Germany was fortunate because it was determined and ready to start with the 'right' products at the 'right' moment, seizing the economic opportunity of a lifetime. The inception and success of the euro, just two years before, gave a further impulse and credibility to its growth, but as Machiavelli suggested, 'fortune' is inevitably intertwined with being 'smart', and the European economic crisis was, on the contrary, the unfortunate consequence of a poor economic policy after the 2008 crisis, and a reminder that the up and down of the economic fortune, within a common economic area, should be commonly shared.

Germany went unscathed through the recession of the South European countries, thanks to a remarkable increase of its exports. In 1999 the share of exports of goods and services with respect to the GDP was 27% in Germany and, for countries of comparable size, was 26% in France and Spain, 24% in the UK and 23% in Italy. In 2015 the share of exports to GDP jumped to 47% in Germany—20 percentage points higher—while in the other countries the export share increased to 30% in Italy and France, to 33% in Spain, while the UK lagged behind with a moderate increase to 27%. Germany has successfully managed its way out of the crisis, however at the cost of being more vulnerable to shocks external to the EU, for a country of its size. In comparison, the corresponding share of the exports of goods and services with respect to the GDP is 18% in Japan and 13% in the USA. We can make sense of the exceptional increase of Germany's export ratio as a demand–supply evolution, on two grounds: (a) the first is to interpret the value as a signal of a stagnant domestic demand, caused by the falling demography, especially for the 'core' generation (20–39 age bracket), which has contracted 25%, in spite of increasing immigration, (b) the second is to enlarge the economic area which gravitates around the German economy. If we consider the entire EU area, excluding Germany, then according to our estimates the ratio falls to 20%, still higher than Japan and the USA, but more reasonable. If, more realistically, we consider only the countries with a close trade relationship with Germany, we could select as a criterion the share of total exports going to Germany (more than 20%) and the export rate of growth to Germany. In this way we would reshape an economic area which would include the Czech Republic, Austria, the Netherlands, Poland, Hungary, Luxembourg and Slovakia (Campiglio 2015). It is puzzling to check that for these countries the ratio for export/GDP is of the same order of magnitude as Germany: the reshape does make economic sense, but still gives more weight to the hypothesis of a stagnant domestic demand.

Since 2008 Germany's current account balance steadily improved from 5.6% of the GDP in 2008, reaching 8.5% in 2015; from 2008 to 2013 Germany's trade balance with the other European countries remained positive but declined by half, due to the austerity measures. At the same time, Germany's trade balance with countries outside the EU jumped from 20 to 100 billion, surpassing the trade balance with the EU. In 2014 and 2015 the EU trade balance resumed its increase, remaining below the non-EU trade balance. The EU has thus become the second relevant market area.

In fact, the main export countries were, in 2015, the USA, France and the UK, while the main import countries were China, the Netherlands and France; the countries with the main trade balances were the USA, the UK and the Netherlands. More insights can be grasped by splitting the value change of import and export, in quantity and prices: different price dynamics in the period are an indication of changing terms of trade associated with an evolving structure of commodities. Quantity changes are the official estimates of the weight of quantity movements (in kg) and the corresponding value ratio is used to measure the price changes.

Table 3.4 Germany's import and export for selected area and countries (1999–2015)

Δ% 2015/1999	Extra-EU	Intra-EU	China	US	UK	France	Italy
Import							
Value	116.1	111.2	439.4	49.3	33.6	54.1	50.2
Quantity	7.7	48.4	146.6	33.6	–5.7	2.2	46.5
Price	100.7	42.3	118.7	11.7	41.7	50.8	2.5
Export							
Value	188.9	107.0	935.8	123.4	107.0	75.8	51.5
Quantity	65.7	45.1	329.2	3.4	42.3	7.6	12.2
Price	74.3	42.7	141.3	116.1	45.5	63.3	35.1

Source: Our calculation based on Eurostat database—trade by HS2–HS4

The unit value of the composite commodity traded by Germany's firms is systematically higher for exports than imports, mainly for the international trade outside the EU. The USA is the most important partner, with a relevant improvement in the terms of trade (Table 3.4).

Deflation: The Risk of 'Generational Stagnation'

In 1991, when the asset price bubble in Japan burst, the inflation rate was 3.3%, and after four years of steady downfall, became negative in 1995, at –0.1% (OECD). It was the beginning of a moderate deflationary regime still holding after 20 years. In 2011, when the European economic crisis set in, the inflation rate in the EU(28) was 3.1%, and after four years of steady downfall, similarly to Japan, the annual rate of change became negative for the first time in January 2015, even if the year average in 2015 was zero. Since then the annual inflation rate has been wobbling around zero and a regime of a slight creeping deflation set in (–0.1% in May 2016 and zero in June 2016 according to Eurostat). In 2016, escaping the deflationary pressure in the EU has become the main concern of the European Central Bank.

A better understanding of the causes underlying the deflationary pressures can grasped by focusing on the price dynamic of four countries, which represent the different patterns of the European crisis: Germany, which went unscathed through the recession; Italy and Spain which were severely hit by the economic policy of fiscal consolidation and austerity, and France which managed a middle way, slightly closer to Germany. An econometric estimate over the period 1999q1–2013q4 shows a significant positive relationship between the annual quarterly inflation rates and the annual quarterly rate of change of real private consumption, and oil price. In the case of Germany, the unemployment rate is also significant with a negative sign (Campiglio 2015). Then we split the period in two, before the 2008 crisis and after the crisis, from 1999q1 to 2007q4 and from 2008q1 to 2013q4 to measure the inflation elasticities with respect to the annual rate of change of real consumption. The results confirm the positive sign, with a relevant jump in Italy, an increase in Germany and France, and a stable coefficient in Spain. These coefficients pose the question of what is the threshold for consumption fall associated with a zero inflation rate, after which a price level decline, in other words when deflation sets in. Comparing the threshold measure of the implied consumption drop with the effective consumption drop, we find that the ex post consumption drop clearly exceeds the threshold in Italy; in Spain, which exhibits a sharp rise and fall of consumption, the high threshold is below but close to the ex post consumption drop.

Nominal price levels are rigid downward, up to a lower point of consumption drop. Germany's and France's rate of change for consumption are positive in both periods, well beyond their implied threshold, and therefore to make sense of their mild deflation we need an appeal to a contagion process inside the EU; of course contagion is relevant but we cannot avoid noticing that low inflation or a creeping deflation is an international issue, beyond the EU.

We are forced to ask whether there are some underlying structural factors driving inflation rates downward in all the countries. To this aim it is useful to analyse the pattern of inflation rates for wide economic areas in recent years, according to the World Bank classification and data.

It appears clear that low inflation or creeping deflation has been a distinctive characteristic of the high-income countries. Inflation rates were increasingly higher for the upper middle-income countries (which include China, Brazil and Russia) and still higher for the low and the lower middle-income countries (which include India) (Table 3.5).

Table 3.5 World inflation rates (CPI) for selected economic areas (2015)

	2011	2012	2013	2014	2015
High income	3.4	2.6	1.4	0.9	0.3
Upper middle income	5.4	4.1	2.8	3.1	1.9
Lower middle income	6.8	5.1	5.7	5.2	3.9
Low income	8.0	6.6	4.2	3.8	3.6
World	5.0	3.9	2.7	2.7	1.4

Source: World Bank database

The countries of the EU were almost all members of the high-income countries, except Bulgaria and Romania included in the upper middle-income class. The creeping deflation of the EU, and the different patterns of the other countries in the world, could be explained by the households' behaviour along their life cycle path and the hump-shaped pattern of their consumption: aggregate demand is the result of the share distribution of households by age, which, in high-income countries, is strongly influenced by the increasing life expectancy and the growing share of old age population.

To eliminate the impact of old age population, we select the population in the 20–39 age bracket, which, for good reasons, can be called the core generation, giving lively energy to economic growth, as consumers as well as workers. Germany is a case in point: the core generation has fallen by six million (-25%), from its turning point in 1993 to 2015, including the immigrants. Despite the demographic fall, GDP has instead grown steadily, thanks to the sharp increase in the exports of goods and services, whose ratio to the GDP increased from 24% to 27% between 1991 and 1999, and surged from 27% to 47% from 1999 to 2015.

Figure 3.8 plots the size of the core generation by broad geographic area, selected by the United Nations (2015 revision) according to the GNI per capita in 2014 estimated by the World Bank. We can check that in 1950 the size of the core generation in the major world area was about the same, 240 million in high-income and upper-middle income countries, 229 in the low-middle income countries.

In the high-income countries the core generation reached a plateau of 380 million in the 1990's, while the core generation of the upper-middle income has probably reached a plateau around 750 million after 2010. The size of the core generation of the lower-middle income countries increased in line with the upper-middle income countries until the year 2001, overtaking it afterward, and reaching 920 million in 2015.

Returning to a world of 'good' inflation, as a signal of brisk demand, would require therefore an economic policy which should go beyond the monetary policy, as the USA's enduring imbalances show, with the support of a fiscal policy which reduce inequalities and restore economic opportunities and upward mobility for the core generation.

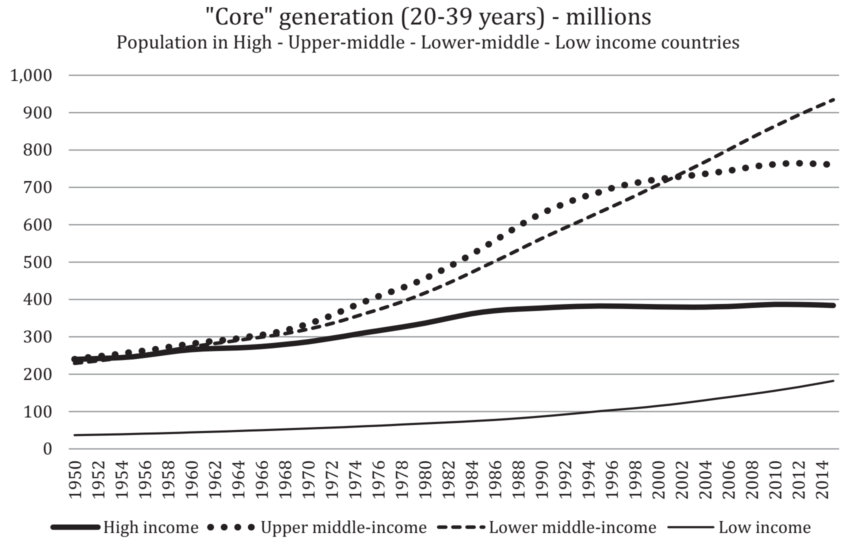

Fig. 3.8 'Core' generation (20–39) for selected areas—from 1950 to 2015 (*Source*: our calculations on World Bank and United Nations database)

Conclusions

Two-speed Europe has been the main consequence of the poor economic policies implemented to sort out the European economic crisis, which in fact turned into an economic divide the economic convergence achieved before the 2008 crisis, paving the way for the formal exit of the UK from the EU. With the UK out, half the population of the EU improved their standard of living, while for the other half the standard of living worsened or remained the same. Surging unemployment rates have been the central imbalance within the EU, widening the gap between countries with high unemployment and countries with low unemployment. During the European economic crisis, increasing unemployment rates were associated with decreasing, even negative, GDP growth changes at a country level, which, in turn, were associated with procyclical decreasing live births, in many countries associated, not surprisingly, with an increasing share of young unemployed. Higher unemployment prompted a surge of internal labour movements towards low unemployment countries. Migration from outside the EU also increased, pulled by the demographic imbalances of the European countries and pushed by war and conflict in the immigrants' home countries.

Structural issues were also underlying the European crisis. The enlargement of the EU borders, in 2004 and 2007, shortly before the 2008 economic crisis, was a defining moment, which brought a substantial increase in the EU population size, mainly from countries of central and Eastern Europe. The goal of '*E pluribus unum*' became more challenging, because the economic diversity widened, with no clear commitment to speed up the convergence process. Internal devaluation and austerity proved to be self-defeating policies, even for the major countries of the EA. Low inflation or creeping deflation set in in Europe as a structural problem, rather than cyclical: the generational stagnation of the young could be a silent driver of the weak aggregate demand of the high-income countries. Slow growth in high-income countries implies that private investments decline because incentives are weaker, except in growing emerging countries. Escaping stagnation in European countries requires a big push of public investments, both in infrastructure and the young, to jump-start the inverse chain reaction of increasing disposable income and consumption. Innovations create employment and are carriers of technological innovation, productivity and a better standard of living, while educated young are the most effective drivers of innovation carriers.

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4

From One Precariousness to Another: The Ideological Role of Financial Calculation in the Outbreak and Perpetuation of the Crisis—Preliminary Considerations Based on Chapter 12 of the *General Theory*

Massimo Amato

It is an ever more widespread opinion that one of the major causes of the 2007 crisis was the very weak perception of the real risk of it actually happening. According to this opinion, this was due to the generalised optimism created by undue accumulation of optimistic short-term expectations. The practical ground for this opinion, as well as the theoretical explanation for its emergence, is that 'liquid markets' (i.e. markets where the intensity of the exchanges is based on, and systematically reinforced by, liquidity available in the form of ready and easy money) tend to create the *illusion of prosperity*. This illusion creates and accumulates, far before its actual occurrence, the conditions for the explosion of the

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crisis, but it also operates even after the crisis, presenting itself as the only viable remedy to it. Where does this short-circuit arise? What makes it possible? Why can the cause of the crisis present itself also as the source of prosperity? This is an important aspect of the *crisis conundrum*.

The role of time in economic activity and the relationship between time and finance is a *vexata quaestio* in the history of economic thought. The twelfth chapter of Keynes' *General Theory*, which is commonly considered to be a milestone in the interpretation of the role of financial markets in modern capitalist economies, deserves to be read also as a milestone of the more general question of the relationship between money, time and calculation.

According to Keynes, the essence of the convention that holds sway in financial markets is a *tacit decision* about the role of time in the formation of expectations. Being tacit, this decision shifts the 'precariousness of the basis of knowledge' from the facts that happen in time to the precariousness of a 'convention', that is, the convention that leads financial calculations and expectations.

This tacit move from a real precariousness to an ideological-theoretical one deserves to be made explicit and investigated. The present contribution intends to deal with the secret temporal nature of the convention that rules financial markets by developing the basis for a phenomenological interpretation of the twelfth chapter of Keynes' *General Theory*.

However, let us start with the 'common wisdom', in other words with the ordinary representation of the functioning and rationale of financial markets. The explicit aim, as well as the social justification, of financial markets is their alleged capacity of *standardisation* of risk by comprehensive quantification of the price of assets on the market. Financial markets are represented, and represent themselves willingly, as an agency of total calculation—an agency able, in constantly improvable conditions of optimality, to give an 'all-inclusive' price to risk. However, this ability to calculate feeds, and is at the same time fed in a self-feeding logical circle, by what Bloch called the 'optimism that incessantly discounts the profits of the future and its eternal impending risk (*son éternel porte-à-faux*)' (Bloch 1981, 103). As far as financial investment choices are concerned, this (in its deep roots *metaphysical*) optimism, together with an unwavering faith in the power of financial calculation, allows for the formation of virtually risk-free portfolios, or at least it feeds the faith in their concrete possibility, which in turn stirs up the systematic quest for them.

The basic hypothesis is that, just as competitive markets for goods normalise the profits of productive enterprises, so financial markets, which are the monetary channel for the investments of these enterprises, normalise the risk of financial investments, transforming every uncertainty into a calculable probability. However, if the outcome of the normalisation on the market for goods is a structural comparability of all prices, which also reduces the space of production and consumption to a set of *instantaneous* exchanges (ones that take place in the *same present instant*), the effect of financial normalisation is a structural comparability of present with future prices. In the former case, time is neutralised into the present; in the latter, what is neutralised is *the difference between present and future*, as if economic activity could wholly take place in a 'static state where there is no changing future to influence the present' (Keynes 1973, 145). Yet, the resulting indifference between present and future (and thus, more generally, the indifference between past, present and future) is precisely that temporal dimension that Western metaphysics defines as *eternity*. Eternity however, that is the time of simultaneous contemplation of past, present and future, is the time of God, or, at least the God of Western metaphysics.

Actors directly involved in financial activity are somehow, at least implicitly and intuitively, aware of the theological implications of the purpose of normalisation which structurally characterises financial markets. This would appear to be indicated by a famed sentence by Lloyd Blankfein, CEO at Goldman Sachs. In an interview with the *Sunday Times* in November 2009 Blankfein was not at all hesitant in proposing a sharp self-portrait of his work as a banker: 'I'm doing God's work'.

Was Blankfein exaggerating, in an instance of narcissism? Or was he simply restating, at the end of a long decline, with an arrogance and a naivety inversely proportional to his awareness, the fixed point of a world image rooted in the modern metaphysics of subjectivity?

This is not an idle question. It really is a matter of understanding whether Blankfein was uttering a witticism of doubtful taste or a metaphysically and theologically founded proposition, one founded on a theology that is first and foremost ontology and logic: an onto-theology, Heidegger would say. In the latter case, the problem arising hence would be that of the relevance of (and of the form assumed by) *that* theology *today*, if it is true that it is at the same time the foundation of *one* view of the economy and of its task.[1]

In his lessons on the *Principle of Reason*, Heidegger quotes a famous adage by Leibniz: *Dum Deus calculat, mundus fit*: 'as God calculates, world happens'. In a more explicit formulation: if there is an absolute viewpoint from which to apply it, calculation *produces* the world, in other words it makes *present* (real, *actual*) the comparable co-presence of all its present, past and future states. This homogeneous co-presence is precisely eternity, better the eternal present of the comparability of everything with everything.

Now, in Leibniz's view it is clear that this immediate and total producing power of calculation is possible only for a God whose fundamental attribute is omnipotence. It is, however, equally clear that the instrument of calculation, placed in the hands of humans, indefinitely brings them closer to this God and his omnipotence. From the point of view of that rational but *finite* being that is a human being, calculation strongly contrasts the imperfect knowability of the future, which is a corollary of humans' finite nature. Calculation, in other terms, transforms the unknowability of the future into *degrees* of predictability.

Jakob Bernoulli, a contemporary and close correspondent of Leibniz, deals with this problem systematically for the first time in his *Ars conjectandi* of 1713. In fact it is precisely with the *Ars conjectandi* that Bernoulli takes a decisive step for the history of probability calculation and therefore also for the history of financial calculation.

What step is involved? The extension of the calculation of probability from a defined set of events and states (typically the finitely countable set of cases in throwing dice or in a game of cards) to an indefinite, that is not countable *a priori*, set of events. How is it possible to treat these events *as though* they were the combinatorial of a game of dice? We shall let Bernoulli speak for himself:

> Finally, this one thing seems to follow: if observations of all events were to be continued throughout all eternity (and hence the ultimate probability

[1] The relevance of this question was clear to Bill Maurer. See Maurer (2002).

> would tend toward perfect certainty), everything in the world would be perceived to happen in fixed ratios and according to a constant law of change. So that even in the most accidental and fortuitous occurrences we would be bound to recognise an almost precise necessity and, so to speak, a certain fate [*fatalitatem*]. (Bernoulli 1713, Book IV, Chap. 5)

With this hypothesis, Bernoulli lays the foundations for the law of large numbers, which in turn is the basis of the normal distribution. Let us remember the fundamental features of this distribution: firstly, the probability of the deviation from the true (i.e. median) value, is a function of the *modulus* of the deviation. The departures from the median are symmetrical; secondly, the relationship between the amplitude of the deviation in modulus and the probability of the deviation is inverse proportion. That is, the deviations confirm the median. In these conditions, every uncertainty becomes *entirely* a *degree* of certainty.

The significance of this information for our study is clear: the Black-Scholes-Merton formula, on the basis of which the formation of virtually risk-free portfolios has been claimed possible, is founded on a systematic use of the normal distribution, which transforms the *volatility* of financial markets into a *ground* for fixing the equilibrium price. Once the volatility is reduced to a normalised parameter, it is possible to formulate the hypothesis that markets, if they are sufficiently liquid, are able to put a price on every risk.

Let us return to Bernoulli: once his condition is posed, the logical principle of sufficient reason stated by Leibniz can be transformed into the 'principle of insufficient reason', that is into the practical rule of the principle of indifference, or of equiprobability.

We were saying earlier that, when calculation is posed, the only difference between God and human being is that God is actually in eternity, while human beings must assume they can practically approximate it. The unvarying element of this difference is precisely, however, calculation. Hence, the following question remains legitimate: what does 'to approximate' mean concretely? This is a question whose answer clearly depends on the maintenance or otherwise of the hypothesis of invariance of calculation in the hands of God or human beings.

To pose the question in more direct terms, concentrating on the nature of calculation: if calculation is *the* form of thought, then its human limits are essentially *a posteriori* limits of computing *power*, constantly surmountable. If instead calculation is just *one* form of thought, then the problem of its limits has to be posed *a priori*, in terms of possibility, or better still of conditions of possibility. And above all the problem is posed as to whether such conditions of possibility are in turn conditions *that can be determined by calculation*.

To answer the question and reflect on the answer, we must skip two centuries. The question animating mathematics, since Hilbert posed with his programme the question of the possibility of an absolute foundation of mathematics, is precisely that of the limit. A decisive response in this sense, for mathematics but not only, comes from Gödel's two theorems of incompleteness. Let us take the statement of the second theorem: 'Let T be a mathematical theorem sufficiently expressive to contain arithmetic; if T is consistent it is not possible to prove, within T, the consistency of T'. No consistent system can be used to prove its own consistency.

These theorems do not prevent mathematics from being true. What they exclude is the possibility of them being reflexive. Mathematics cannot be mathematically founded. This means however, that intuition, whatever it may mean, cannot be excluded as a condition of the possibility of a formal system. But precisely the question of 'intuition', that is of human access to the states of things to be formalised, forces us to reformulate the question of the limits of calculation and formalisation.

A logician by training, Keynes is well aware of the importance of the question. In a letter to one of his students, who in 1935 submitted a text to him (entitled 'An introduction to a monetary theory of employment'), and who confessed that in presenting it to Keynes' colleagues his biggest difficulty had not been in proving the formal consistency of his reasoning but in getting them to agree as to the reasonableness of the basic definitions, Keynes replies:

> It is, I think, a further illustration of the appalling state of scholasticism into which the minds of so many economists have got which allows them to take leave of their intuitions altogether. Yet in writing economics one is not writing either a mathematical proof or a legal document. One is trying

> to arouse and appeal to the reader's intuitions; and, if he has worked himself into a state where he has none, one is helpless! (Keynes 1979, 150–51)

A year later, we find the same stance, in terms of a criticism of Ricardo.

> Ricardo offers us the supreme intellectual achievement, unattainable by weaker spirits, of adopting a hypothetical world remote from experience as though it were the world of experience and then living in it consistently. With most of his successors common sense cannot help breaking in—with injury to their logical consistency. (Keynes 1973, 192)

Ricardo's relative superiority to the Ricardians and, in general, to those whom Keynes calls 'classical economists' consists, for Keynes, in the steady coherence with which Ricardo adheres to the pure internal consistency of his theory, without even seeking an impossible external point of support. The fact remains, however, that the price to be paid is a renouncement of the 'principle of reality'. That is to say that the internal consistency of the theory is achieved at the price of an unconditional obstruction of access to the phenomenon which that very theory is supposed to explain. Yet, since economics, even when it builds itself as a formalised science, remains a moral science, it is precisely where formalisation is total that economists find themselves obliged to 'preach' at reality, in other words to 'moralise':

> The classical theorists resemble Euclidean geometers in a non-Euclidean world who, discovering that in experience straight lines apparently parallel often meet, rebuke the lines for not keeping straight—as the only remedy for the unfortunate collisions which are occurring. Yet, in truth, there is no remedy except to throw over the axiom of parallels and to work out a non-Euclidean geometry. Something similar is required to-day in economics. (Keynes 1973, 16)

This is a famous passage from the *General Theory*. It remains to be asked whether it is just an image, a kind of ironic metaphor, or a precise reference to an attempt at self-limitation of the pretences of formalisation and calculation, for the sake of access to the phenomenon. If it were so, one would also have to ask *of what phenomenon*.

Now, the phenomenon to which, according to Keynes, we should gain access is *time*, since it is time that determines the basic structure of the economic variables and therefore of economic calculation.

For Keynes, the common trait of all classical theory is its unconditional adherence to Say's law. In his preparatory material for the *General Theory*, Keynes resorts to a well-known Marxian distinction (between the cycles Commodity-Money-Commodity, and Money-Commodity-Money), of which he himself states that it is 'pregnant … though the subsequent use to which he put this observation was highly illogical' (Keynes 1979, 81). Essentially, for Keynes, Say's law assumes and represents the functioning of the economy according to the C-M-C pattern. The supply produces its own demand because the entire production, to the degree that every producer wants to rid him or herself of it, offers outlets to the entire product, *as if money did not matter, nor even exist as such*.[2]

But, in fact, in a monetary economy money does exist and matter, and, for the entrepreneurs, that is for those who offer employment, the scheme of reference is M-C-M', where the second M is an *expected* variable. Time enters into economics not because *physical* production takes time but because the *economic* calculation has to put present money into relation with future money. Better, money presently laid out with money to be received subsequently. Again, in other words, debt with credit. Now obviously this relationship, and the calculation that it requires, can only be monetary. In relationship to this necessity, the only case compatible with Say's law is the one where, in M-C-M', M' equals M. But nothing states that it is also the common and most probable case, unless one thinks of financial markets as those markets that systematically determine equality of real saving and investment through a rate of interest that systematically equates M' to M, future money to present money.

The allocative efficiency of the real markets (i.e. Say's law) necessarily implies the allocative efficiency of financial markets, which are efficient if they are able to relate systematically *present* money with *future* money so

[2] J.S. Mill expresses this view on money's neutrality in very open terms, as we may see from this quotation of Mill by Keynes himself in the *General Theory*: 'What constitutes the means of payment for commodities is simply commodities. Each person's means of paying for the productions of other people consist of those which he himself possesses. All sellers are inevitably, and by the meaning of the word, buyers.' Quoted in (Keynes 1973, 18).

that the level of real investments is systematically compatible with the full employment of real resources. The question then is: what are the basic assumptions of financial markets regarding time?

According to Keynes himself, chapter 12 of his *General Theory* is the 'least theoretical' chapter of the *General Theory*, because it describes financial markets *as we know them*. But, in fact, its empiricism is a particular kind of empiricism, because it consists in *uncovering* the hidden and tacit, but nevertheless *concrete*, assumptions on which calculation on financial markets is based, where the question is the determination of the ratio of exchange between present money and future money, given 'money as we know it', in other words money as a *perfect store of value*. Both financial calculation based on expectations, and money as a store of value incorporate a precise relationship with time.

Economists have recognised this since before Keynes' time, and theologians even before economists (interest as the price of time), and Blankfein is not the only one to 'theologise' when speaking of economy and finance. Well before him, Francesco Ferrara decisively laid the cards on the table:

> [Credit] destroys the obstacle of time. Activating the producing power of inert value, multiplying operations, accelerating savings: what does all this amount to? To defeating time, conquering the future. Extend such a power more and more in man; let him bring together in one very point the full availability of all future values; and he will have the power to dominate eternity and create the world from scratch. (Ferrara 1857, 226)

The crucial phrase is 'let him *bring together in one very point* the full availability of all future values'. The victory over time and the consequent domination of eternity (with the corollary of a re-creation of the world) coincide with the unconditional totalisation of *actuarial* calculation. To render the future entirely comparable with the present, by discounting it, means being able to allocate all the resources entirely, *as if time did not exist*.

Aside from the pompous wording, Ferrara's formulation is the statement of the postulate and, together, of the aim of financial markets: they *must* be able to organise themselves so as to give a price to every risk, transforming every uncertainty into a comparable degree of certainty.

However, the practical problem remaining unsolved by Ferrara is *how* time can be 'conquered', how the 'very one point' of availability of all future values *has to be put*. The uncovering of the implicit answer to this question made by the financial markets is precisely the purpose of chapter 12 of the *General Theory*. How, and *under which silent assumptions*, can humans carry out God's work?

Keynes starts from the way in which, on financial markets as we know them, the long-term expectations are formed, that is those expectations that are decisive for the intertemporal allocation of resources in a monetary economy. Let us read paragraph IV fully:

> In practice we have tacitly agreed, as a rule, to fall back on what is, in truth, a *convention*. The essence of this convention—though it does not, of course, work out quite so simply—lies in assuming that the existing state of affairs will continue indefinitely, except in so far as we have specific reasons to expect a change. This does not mean that we really believe that the existing state of affairs will continue indefinitely. We know from extensive experience that this is most unlikely. The actual results of an investment over a long term of years very seldom agree with the initial expectation. Nor can we rationalise our behaviour by arguing that to a man in a state of ignorance errors in either direction are equally probable, so that there remains a mean actuarial expectation based on equi-probabilities. For it can easily be shown that the assumption of arithmetically equal probabilities based on a state of ignorance leads to absurdities. We are assuming, in effect, that the existing market valuation, however arrived at, is uniquely *correct* in relation to our existing knowledge of the facts which will influence the yield of the investment, and that it will only change in proportion to changes in this knowledge; though, philosophically speaking, it cannot be uniquely correct, since our existing knowledge does not provide a sufficient basis for a calculated mathematical expectation. In point of fact, all sorts of considerations enter into the market valuation which are in no way relevant to the prospective yield.
>
> Nevertheless the above conventional method of calculation will be compatible with a considerable measure of continuity and stability in our affairs, *so long as we can rely on the maintenance of the convention*.
>
> For if there exist organised investment markets and if we can rely on the maintenance of the convention, an investor can legitimately encourage himself with the idea that the only risk he runs is that of a genuine

> change in the news *over the near future*, as to the likelihood of which he can attempt to form his own judgment, and which is unlikely to be very large. For, assuming that the convention holds good, it is only these changes which can affect the value of his investment, and he need not lose his sleep merely because he has not any notion what his investment will be worth ten years hence. Thus investment becomes reasonably 'safe' for the individual investor over short periods, and hence over a succession of short periods however many, if he can fairly rely on there being no breakdown in the convention and on his therefore having an opportunity to revise his judgment and change his investment, before there has been time for much to happen. Investments which are 'fixed' for the community are thus made 'liquid' for the individual. It has been, I am sure, on the basis of some such procedure as this that our leading investment markets have been developed. But it is not surprising that a convention, in an absolute view of things so arbitrary, should have its weak points. It is its precariousness which creates no small part of our contemporary problem of securing sufficient investment. (Keynes 1973, 152–53)

This is all. Yet, we cannot infer from the splendid linearity of Keynes' presentation that the state of things he presents should be linear as well, in other words that the things described are self-evident. If only because a judgement follows the description: this line of reasoning, moving from a tacit and arbitrary decision, sets, Keynes says, the entire construction built on it into a state of *extreme precariousness*. This precariousness is in a sense worse than the precariousness it pretends to deal with, that is the practical uncertainty which characterises investment choices. The 'bug', so to say, is not in reality but *in method*. We must then try to go more in depth.

> In practice we have tacitly agreed, as a rule, to fall back on what is, in truth, a *convention*. The essence of this convention—though it does not, of course, work out quite so simply—lies in assuming that the existing state of affairs will continue indefinitely, except insofar as we have specific reasons to expect a change.

At the base of the financial behaviour is the *tacit* adherence to a *pure* convention. Keynes is clear: we take *as a rule* what is *in fact* a decision of pure arbitrariness. Not only that, the decision is not actually a decision, but rather a 'tacit agreement to fall back on a convention' *as if it were a rule*.

If we couple the tacitness of the 'decision' and the content of the convention, the effect is clear: time is *abolished*, conventionally and tacitly. Better, what is abolished is the *uncertainty which structurally affects the link* between present choices and their future consequences. Thus, 'tacitly falling back' on this convention as a rule, everyone can act *as if* the present state of affairs were constant unless there are positive reasons to expect changes. To be more precise, what is arbitrarily abolished is not 'time', but that temporal characteristic of time which is the constant intrusion of the 'not yet' of future into the 'now' of present.

Technically, we could say that the *nunc fluens* is treated as a *nunc stans*. The present state of affairs is supposed to continue indefinitely, or to change according to expectations. A principle of 'moral inertia' is introduced, which literally translates, that is transposes, the improbable indefinite continuation of the state of affairs into the allegedly indefinite continuation of the convention of the state of affairs. Regarding the way in which it is introduced, therefore, the effect of this peculiar principle of inertia is that the degree of truth of the convention no longer depends on what happens but on *confidence in the convention itself*: our calculations 'will be compatible with a considerable measure of continuity and stability in our affairs, so long as we can rely on the maintenance of the convention' (Keynes 1973, 152).

The convention provides a 'uniquely correct' basis for discounting calculations of future yields if and only if 'we can rely on the maintenance of the convention' as to the state of affairs, and not on the state of affairs *as such*, which is a long way from being able to confirm confidence as to its stability. What is denied is not the fact that the state of affairs can change, but the possibility that such change may not be subject to reliable calculation, in other words that 'volatility' can always assume a calculable form.

In this framework, so long as everyone acts as if nothing could change, that is *as if the present state of affairs could last eternally*, no one needs concern him or herself with the precariousness of our knowledge of facts, or with precariousness of the convention with which the former precariousness is supposed to be overcome. The only thing that counts is *the confidence that one can have in the durability of the convention*.

What must be able to last, in order for our calculations to be unambiguously *correct* (where 'correct' is not a synonym of 'true'), is not the state of affairs but the convention about the state of affairs. Yet, this translation from the durability of the state of affairs to the durability of the convention makes different states of affairs perfectly comparable, notwithstanding the extreme precariousness of our actual knowledge as to the future real states of affairs.Assuming that the convention holds good, where we need to focus our attention is on the present, on immediate signs of a probable change in the near future:

> Assuming that the convention holds good, it is only these changes which can affect the value of his investment … Thus investment becomes reasonably 'safe' for the individual investor over short periods, and hence over a succession of short periods however many, if he can fairly rely on there being no breakdown in the convention and on his therefore having an opportunity to revise his judgment and change his investment, before there has been time for much to happen. Investments which are 'fixed' for the community are thus made 'liquid' for the individual.

On the basis of the convention, the expectations about the future are dependent only on a spasmodic attention to the present state, once again not of facts as such, but *of facts as filtered and formatted by* the convention itself.

One thing remains to be asked: in what kind of time does one move if these are the general conditions for calculation? Answer: in a time conventionally reduced to the pure indefinite lasting (*aeternitas*) of the stable instant, except that in every fleeting instant (*sempiternitas*) this convention must be *re-verified* in order to be reconfirmed in its *veritas* and *aeternitas*. The long-term expectations are formed by constant eternal reiteration of the short-term expectation as to the state of the convention. The eternity of the state of affairs, hypothesised by convention, is operationally achieved thanks to a continuous return to calculation, not of the state of affairs as such, but of the state of affairs as normalised by the convention.

In financial markets, time, in the sense of the unforecastable incursion of the future, is abolished in the name of an indefinite prolongation of the present in a lasting 'now' (*nunc*). But its abolition is renewed in every 'now'. The stability of the state of affairs, mediated by the hypothesis of stability of the convention, eternally returns on the basis of an indefinite reiteration of calculation. In this sense, financial markets, as Keynes depicts them, *are* a configuration of the eternal return of the same, better, or the equal (*ewige Widerkehr des Gleichen*), in which being and becoming, stability and strengthening, 'are reconciled' in a process of continuous *unstable* re-bidding.

That this process is unstable is well known to Keynes: 'the above conventional method of calculation will be *compatible* (my italics) with a considerable measure of continuity and stability in our affairs, *so long as we can rely on the maintenance of the convention*'. But at the same time, and for the same reasons, 'it is not surprising that a convention, in an absolute view of things so arbitrary, should have its weak points. It is its precariousness which creates no small part of our contemporary problem of securing sufficient investment.'

The convention is arbitrary, says Keynes, and this makes it unstable. Arbitrary in relation to what? In relation, Keynes statess, to an 'absolute view of things'. On the other hand, though, the strength of the convention lays precisely in the fact that it substitutes the view of things with a view of things formatted and pre-filtered by the convention.

In this way, what is lost is precisely the immediate access to the view of things, that is the recognition of what is for Keynes an *outstanding fact*: the 'extreme precariousness of the basis of knowledge on which our estimates of prospective yield have to be made' (Keynes 1973, 149). And it is to this outstanding fact that the observation of § IV should refer, which reminds us that we cannot 'rationalise our behaviour by arguing that to a man in a state of ignorance errors in either direction are equally probable, so that there remains a mean actuarial expectation based on equi-probabilities. For it can easily be shown that the assumption of arithmetically equal probabilities based on a state of ignorance leads to absurdities.' This rationalisation, which Keynes judges to be entirely unreasonable from the viewpoint of an absolute view of things, is however precisely the normalisation effected by Bernoulli, in the hypothesis that humans, by calculation, can approach the place of God.

It is interesting to recall that Gödel's theorems of incompleteness are for him the premise for an ontological demonstration of the existence of 'god'. If calculation cannot found itself, and therefore cannot recreate the world from scratch, then, Gödel says, there must be a guarantor of calculation, namely 'god'. This 'god' has to be written strictly in the lower case, because it is nothing but the name of a *logical operator of totalisation*.

The financial markets, and the calculation that animates them, have indeed as a guarantor not even a (minor) god, even less a counter-god ('Mammona'), but *a given institutional configuration of money*: namely, 'money as we know it'. This money is first of all and above all a *store of value*, in other words that commodity which, by construction, is able to maintain its nominal value intertemporally and indefinitely unchanged, and which constitutes the base-form of financial wealth. This money is that asset whose value is expressed in terms of itself and which represents, with respect to every other asset of uncertain future value, *the eternal form of nominal certainty*. It is therefore that very asset for which the convention of indefinite duration is true *by construction*.

This is the reason why the Keynesian criticism of tacit assumptions of financial markets must be seen as a criticism that goes hand in hand with a criticism of money instituted as a store of value. The two stand and fall together, as does the calculation authorised by them. However, Keynes does not speak only of money 'as we know it'. He also speaks of money 'as it ought to be'. And he has done so ever since 1923:

> It is not easy, it seems, for men to apprehend that their money is a mere intermediary, without significance in itself, which flows from one hand to another, is received and is dispensed, and disappears when its work is done from the sum of a nation's wealth. (Keynes 1971, 124)

This money which, like time, does not simply 'go by', but *arises in order to disappear*, shows that the convention that abolishes time is not only arbitrary but also, and especially, *economically senseless*. If economic calculation is calculation of expected magnitudes, and if the fundamental uncertainty relating to that expectation cannot be removed by rationalisation, what is reasonable to do is accept, in economics, and precisely because economy is exposed to the future, the limits of calculation. The eminent and economic form of this acceptation are 'animal spirits', that is, for Keynes, the very ground of 'enterprise' as opposed to 'speculation':

> It is safe to say that enterprise which depends on hopes stretching into the future benefits the community as a whole. But individual initiative will only be adequate when reasonable calculation is supplemented and supported by animal spirits, so that the thought of ultimate loss which often overtakes pioneers, as experience undoubtedly tells us and them, is put aside as a healthy man puts aside the expectation of death. (Keynes 1973, 162)

The animal spirits supplement and support reasonable calculation. They are not therefore at all an irrational element, which would come into play where calculation is unable to found itself on itself. They are rather the way in which Keynes gives a formal indication of the content of the intuition that must be able to uphold every system of calculation. This intuition is the *intuition of mortality*, of finitude.

Heidegger states in *Being and time*:

> The certainty of death cannot be calculated in terms of ascertaining cases of death encountered.… *Dasein* must first have lost itself in the factual circumstances … if it is to gain pure objectivity, i.e. the indifference of apodictic evidence. If being-certain in relation to death does not have this character, that does not mean that it is of a lower grade with respect to the apodictic evidence, but that it does not belong at all to the *order of degrees* of evidence about things present-at-hand. (Heidegger 1977, 351)[3]

The relationship with time that calculation integrated and upheld by moral persistency in the face of finitude makes possible does not at all imply the annulment of time and of the expectation of death in the iterative eternity of an absolute calculation. It implies rather (even better: *it is*) the ethical and political assumption of risk as the constituting element of that *common* action which is economic action. I say 'common action' because the base of economic action is not the individual, but the ability of every individual to take on him or herself the *relationship* upon which every economy is founded: the relationship between debtor and creditor. That relationship that money as we know it tends to disrupt, and which money as it ought to be could help us to sustain cooperatively.

[3] My translation.

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5

Resocialising Finance to Exit the Crisis

Luca Fantacci

Many observers agree in tracing the roots of the current crisis to a flawed relationship between economy and society. However, there is ample disagreement on the sense in which the relationship is perturbed. For some, the problem lies in a gradual encroachment of economic motives over social bonds (following Polanyi (2001 [1944]). Others, on the contrary, lament an insufficient application of the economic logic to all fields of social interplay (Shiller 2012). For others still, the crux of the matter may be described in terms of an utter detachment between economy and society (Magatti 2016). Following the latter approach, my attempt here is to identify and analyse a specific point of articulation between economy and society, which has suffered a severe dislocation over the past decades: namely, finance. My main thesis, in fact, is that the proper place of finance is at the intersection between economy and society, and that the failure to recognise the social character of finance has played a major

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role in creating the conditions for the outbreak of the crisis. I begin by discussing the reason why I regard finance as an intrinsically social activity, based on the relationship between creditor and debtor (section 1). I then consider the more and less recent transformations that have led financial relationships to be diluted in financial markets, driving finance astray from its vital function of presiding over investments and hence preparing the conditions for the outbreak of the crisis (section 2). In the light of Keynes' writings, I investigate the role played by liquidity in enhancing both the power and the instability of the financial system (section 3). Finally, I indicate several forms of finance that, by restoring centrality to the creditor–debtor nexus, may prove more effective in keeping faith both to the social nature and to the economic function of finance (section 4).

The Social Nature of Finance

Let me start by clarifying the claim that financial activity is inextricably both economic and social. The remark may appear quite paradoxical given that finance is generally viewed as a strictly economic field, and indeed as the arena that foments the most brutal forms of self-interested behaviour—the proverbial 'greed' of bankers. Financial actors seem to epitomise the *Homo economicus* postulated by economic theory, entirely absorbed in the pursuit of wealth, insensate to all other affection and oblivious of all social bonds.[1] Financial markets, in turn, seem to embody the ideal type of perfect competitive markets. How is it then possible to argue, as I do, that finance is intrinsically social?

Bluntly stated, finance is social because it involves a relationship, namely that between creditor and debtor. Finance consists essentially in the granting of credit and, as anthropologists have acknowledged starting

[1] This characterisation of the object of economic science may be traced back to John Stuart Mill: 'What is now commonly understood by the term "Political Economy" is not the science of speculative politics, but a branch of that science. It does not treat of the whole of man's nature as modified by the social state, nor of the whole conduct of man in society. It is concerned with him solely as a being who desires to possess wealth, and who is capable of judging of the comparative efficacy of means for obtaining that end' (Mill 1844, v.38).

from the seminal work of Marcel Mauss (2002 [1950]), 'credit and debt stand as an inseparable, dyadic unit' (Peebles 2010, 226).[2] There can be no creditor without a debtor. It takes two to finance. The relationship between debtor and creditor is the constituent of finance—the molecule, so to say, of financial matter. In fact, chemically speaking, finance is not an element, but a molecular compound composed of creditors and debtors.[3]

To be sure, even trade involves a relationship and not only a buyer and a seller. Also, a common language and legal system are needed to carry out negotiations and stipulate, if only verbally, a contract of exchange. Additionally, a common measure is needed to express the value of the goods exchanged. However, trade, unlike finance, does not *per se* establish a permanent relationship. A buyer and seller may be complete strangers; they may meet once and never again; for both of them, the full meaning of their intercourse is accomplished in one single moment, in the very act of exchanging.

By contrast, financial relationships unfold in the dimension of time. Like trade, even finance entails a relationship between two parties: in this case, the lender and the borrower. However, it also involves a third element, namely time (Amato 2016). Perhaps, therefore, it would be more appropriate to characterise finance as a triadic, rather than merely dyadic, unit. In finance, giving and taking are never simultaneous. The accomplishment of the deal takes time. And time implies uncertainty.

It is precisely time, with all its uncertainty, that constitutes the peculiar sociality of the financial relationship, as opposed to the commercial relationship. Time is the dimension in which creditor and debtor are immersed, to which they both belong, but belongs to neither one of

[2] The reference is to Mauss' essay *On Gift*, where, moving from the peculiar obligation that arises from various archaic forms of giving, he observes that '[t]he nature and intentions of the contracting parties, the nature of the thing given, are all indivisible' (Mauss 2002 [1950], 77).

[3] The methodological implications of the basic structure of financial matters have not been taken into adequate consideration by economics. In fact, when it is a matter of finance, it makes no sense to break the unit of analysis down to a hypothetical and abstract 'isolated individual'. This observation, however trivial, calls into question the possibility for economic theory to address financial activity following an approach of methodological individualism, based on a representative agent. No single agent can be the representative of the financial system as a whole: the properties of finance appear only in the creditor/debtor nexus.

them. I shall return later to the implications of conceiving time, instead, as the very object of financial transactions. First, let me spend a few words to expound the type of solidarity that time creates between borrower and lender.

At first sight the financial relationship appears asymmetrical. Creditor and debtor, in fact, have different concerns and different responsibilities. The debtor bears the burden of having to fulfil the obligation; the creditor endures the anxiety of having to wait for the debtor to pay. The borrower is held accountable for his or her promise; the lender is responsible for carefully assessing the creditworthiness of the borrower. Yet there is something they obviously share: the interest in the payment, in the fulfilment of the contract, as the ultimate end of their relationship, which frees both of them from their respective obligations and apprehensions. And there is something else they share which is less obvious: the uncertainty of the payment itself—more precisely the possibility that the payment may turn out to be impossible despite the good faith of both parties.

Finance may be, and frequently is, described as a form of trade. However, even then, it is essential to recognise that it involves a very peculiar kind of exchange: the exchange of what is certain (present) against what is uncertain (future). Uncertainty is indeed the distinctive trait of financial relationships, as opposed to commercial relationships. To conceive and enact the granting of credit as if it were just another form of exchange means to obliterate the peculiar character of finance.

To 'buy time' is to induce your counterpart to wait by offering some form of compensation for his or her patience. The expression recurs both in common language and in technical jargon, for example in reference to the renegotiation or refinancing of a debt. It rests upon the implicit assumption that time itself can be considered the object of the transaction, rather than the dimension in which the transaction takes place. In other terms, it rests upon the identification of time with money. This is what allows treating lender and borrower as seller and buyer in a relationship of mere exchange, where the lender has something that the borrower needs, and for which the latter is willing to pay a price, namely the interest.

In the Judaic tradition, it was legitimate to exact interest on loans only from foreigners.[4] The bond of kinship was at odds with the pretention to establish in advance the remuneration for a loan, as if it were the price of a commodity. The issue, however, is not religious or moral, but logical. Under what assumption is it possible to assimilate finance to trade, a financial transaction (granting credit) to a commercial transaction (selling a commodity)? Under the assumption that time is money and money is a commodity. Under this assumption, the bond between creditor and debtor is severed, the relationship is dissolved, the exchange is complete; the creditor no longer has to wait for the debtor eventually, possibly, probably (with what probability?) to fulfil his or her engagements, but receives here and now an entitlement to a predetermined amount of money at some future date; he or she has merely exchanged one asset (cash) for another asset (credit), which is liable just as well of being transferred or held on the balance sheet at will.

However, the emancipation of the lender from all social ties is illusory, just as it is for the merchant. The seller, when he or she accepts money in exchange for goods, has the impression of having been paid, of having been delivered from all anxiety, of having been freed from all social bonds—while, in fact, he or she remains dependent on the whole society since he or she relies on 'the expectation that a large but unknown number of individuals he [or she] is personally unacquainted with will be ready to accept it in exchange on some future occasion' (Weber 1978 [1922], 22). In the same fashion, the creditor, when he or she accepts a credit in exchange for money, has the impression of having made a safe bargain, of having traded ready cash for a fixed income, of having been compensated for the risk he or she takes by the interest he or she receives—while, in fact, he or she remains bound to society, and by a double bind, since he or she relies this time on a dual assumption concerning both the stability of money as a unit of account and the reliability of the calculation of risk. Stated in other terms: if a trade is made social by the use of money as a means of exchange, finance is made social by the use of money as a unit

[4] In the Christian tradition, interest-bearing loans used to be banned altogether. In Islamic finance, they still are.

of account, for the purpose of comparing, calculating and discounting the future.

The Dissolution of Financial Relationships in the Market

Finance, therefore, is essentially and originally and ineludibly social. Yet, modern financial systems tend to deny the social nature of finance. Indeed, through the liberalisation of capital markets, the adoption of fair value accounting, the rise of securitisation and other financial innovations, modern finance has disrupted the financial relationship, by transforming it into a negotiable security.

Over the past few decades, trading has gained increasing importance in financial activity. Financial markets represent a growing share of financial intermediation as opposed to banks. Tradable securities represent a growing share of banks' balance sheets, both as assets and as liabilities. In other terms, banks increasingly finance their activity by issuing securities, rather than by receiving deposits; and they increasingly make investments by purchasing securities, rather than lending money to creditworthy businesses (Fig. 5.1).

The transformation of finance from a texture of relationships to a market of assets was unleashed by financial liberalisation starting from the 1970s. The Bretton Woods agreements of 1944 allowed for stringent capital controls; these were not intended to prohibit international capital movements altogether, but to discriminate between different types of financial flows, allowing foreign direct investments and ruling out portfolio investments. Thereby international lending was obliged to take the form of a long-term relationship between creditor and debtor for the purpose of real investments, while all trading of financial assets was explicitly banned. In the closing address of the Bretton Woods conference, US Secretary of the Treasury Henry Morgenthau significantly expressed the intention of the agreements to 'drive … the usurious money lenders from the temple of international finance' (quoted in Helleiner 2014). With the suspension of dollar convertibility in 1971, and the consequent demise of the Bretton Woods system, capital controls were gradually lifted, open-

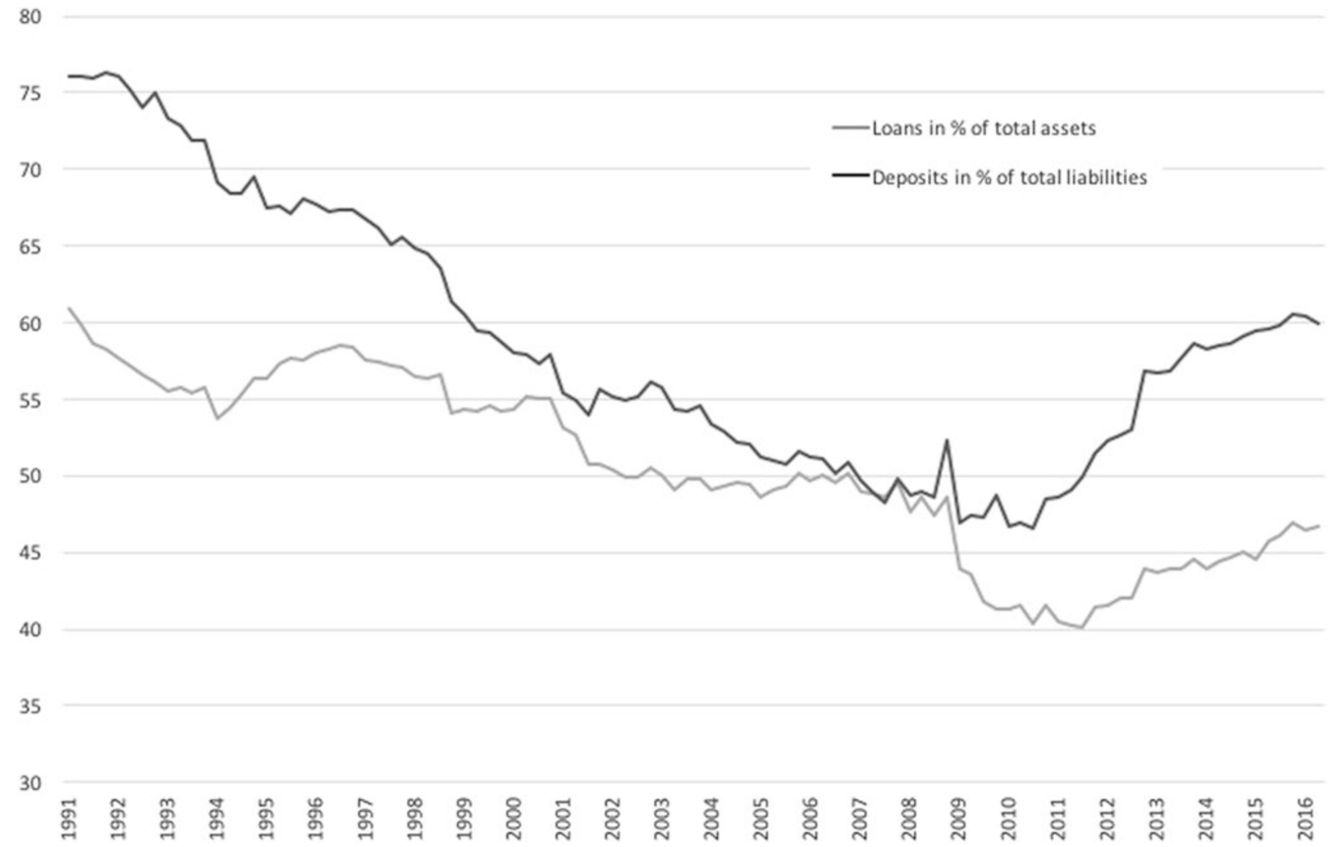

Fig. 5.1 Balance sheet composition of US banks (*Source*: Federal Reserve Bank of New York Quarterly Trends report)

ing the way to indiscriminate financial flows: a growing share of capital movements was generated by cross-border purchases and sales of securities, rather than by foreign direct investments. Long-term investments gave way to short-term trading (Fig. 5.2).

More recently, starting from the 1990s, the transformation of financial relationships into negotiable securities has been further enhanced, and brought down to the domestic level, by securitisation. Some observers applauded the financial innovation for fostering a 'paradigm shift' in banking activity (Knight 2007). The admiration may have been unwarranted, but not the wonder. Particularly in the sector of mortgage lending, where the innovation eventually picked up dramatically, the traditional model, 'originate and hold', involved the establishment of a long-term relationship between the lender (the bank) and the borrower (the homeowner): the bank would originate the loan and hold it on its balance sheet for the whole duration, until it was extinguished, typically after 20–30 years. This meant that the bank had a strong incentive to perform an accurate assessment of the creditworthiness of each applicant. The new model, 'originate and distribute', allows the bank that originates the loans to remove them from its balance sheet by transforming them into securities and then selling the latter on the market. Thus, mortgages are transmuted into negotiable assets, long-term relationships into one-night stands. The diffusion of securitisation has caused the demise of the traditional model of 'relationship banking', transforming bankers into traders (Wray 2013).

Securitisation literally disrupts the financial relationship. Borrower and lender are now no longer tied by a direct relationship of mutual obligation. To be sure, there are still borrowers (homeowners) and lenders (individual investors). But now between them there is a long chain of diverse actors: the mortgage broker who markets the loans door-to-door as if he or she were selling newspapers; the bank that actually issues the loans; the special purpose vehicle (SPV) that pools them together and performs the securitisation; the placement agency that sells the mortgage-backed securities to pension funds, insurance companies, mutual funds and other funds who eventually hold them or sell them on to individual investors, who act as the ultimate lenders. It is worth noting that, in the process, the thread linking creditor and debtor is not merely extenuated

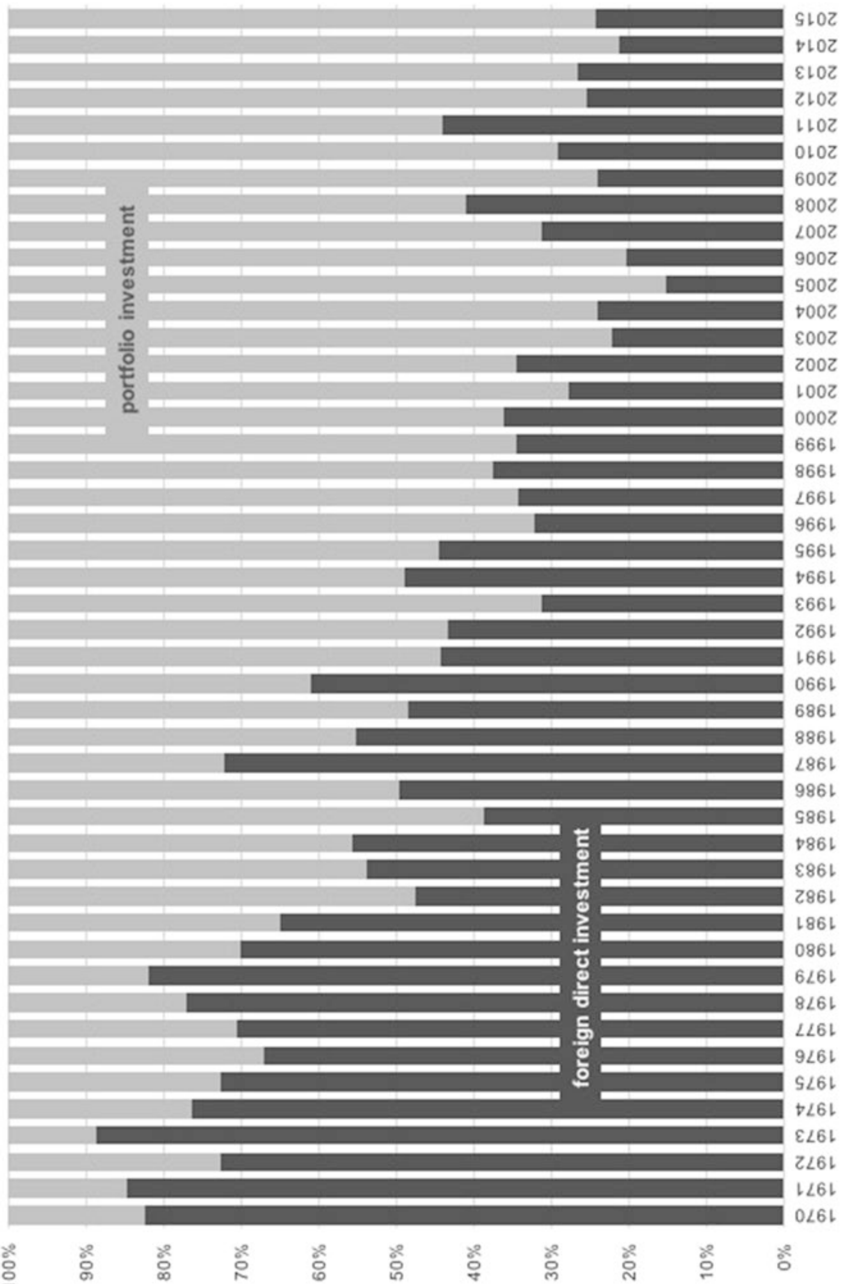

Fig. 5.2 Composition of international capital flows (G7 countries) (*Source*: IMF Data Warehouse)

by the interposition of manifold intermediaries, but it is actually severed by the fact that the individual loans are not individually securitised, but are first pooled together and then, upon the backing of all the loans, the SPV issues a range of securities with varying levels of risk and return to suit the preferences of different kinds of investors. There is therefore no longer a biunique relationship between creditors and debtors.

As the word suggests, securitisation transforms the debtor–creditor nexus into a negotiable security, and thus into a marketable commodity. The rating assigned to securitised assets by rating agencies serves the purpose of making them standardised and fungible, more so than physical commodities. Thanks to their standardisation, financial assets in general are more apt than actual goods and services to be traded. Thus, financial trading is liable of being translated into a formalised procedure, and of being performed automatically, perhaps not mechanically but electronically, through automated trading systems.

The rule of the market over the financial system has been promoted over the past few decades also by the evolution of accounting standards. The principle of prudence has been supplanted by the principle of mark-to-market (Biondi and Fantacci 2013). Fair-value accounting represents the firm not in its social and temporal nature, as a complex, durable organisation that is oriented towards production, but as a casual collection of assets, to be continuously revalued by discounting future cash flows and updating market prices, as if those assets were always on the brink of being actually liquidated on the market—not as a living body in full activity, but as a corpse on the autopsy table.

The concerted action of these transformations over the past decades, under the auspices of neoliberal doctrines, has lead the market to overtake the financial system. Financial markets have taken the place of finance.[5] However, the beginning of the process dates back to the establishment of stock markets with the English financial revolution in the late seven-

[5] Financial markets have replaced finance, even as an object of scientific enquiry. So much so that the overwhelming majority of the contributions collected in the 'Handbook of sociology of finance' are actually dedicated to financial markets, and the two expressions are used as synonyms by most contributors, as if no other finance were conceivable apart from financial markets (Knorr Cetina and Preda 2012; on the importance of marking the distinction between the two concepts see Amato and Fantacci 2014).

teenth century. As I have argued elsewhere, this was the prototype of all securitisations, when the long-standing relationship between the crown and its bankers was transmuted in negotiable securities in the form of sovereign bonds (Amato and Fantacci 2012). Ironically, the word 'bond', in this context, has come to identify the object that more than any other testifies to the absence of bonds which characterises modern finance.[6]

Yet the desocialisation of finance is never complete. Financial assets continue to belong to a social dimension even when they are treated as commodities and disavowed as relationships. The intrinsically social character of finance, however neglected or negated, reappears with a vengeance whenever public intervention is required to bail out insolvent financial institutions. In the wake of the crisis, the 'socialisation' of losses has been accepted as the ultimate, unavoidable remedy even by the most strenuous supporters of free markets. But why do losses have to be socialised, if not because the financial assets that ultimately produce those losses were social from the very beginning? And in what sense do financial assets preserve a social character, even when they have lost any reference to a direct relationship between individual creditors and debtors? I have already hinted, towards the end of the previous section, at the assumptions concerning the behaviour of other individuals that the creditor is forced, however unconsciously, to make precisely in order to cherish the illusion of being an autonomous trader in securities. Now I will give those assumptions a name: liquidity.

Financial assets are confidently bought and sold because they are believed to be liquid. In other terms, the decision to hold securities is based on the expectation that they can be promptly resold on the market. Of course, the actual fulfilment of this expectation relies on the behaviour of other individuals. However, unlike the payment of a credit, for which the relevant debtor is responsible, the liquidity of an asset is a characteristic for which no one can be personally held accountable, not even the issuer of the asset. This is why, whenever a particular class of assets loses its liquidity causing widespread losses, the socialisation of those losses is

[6] Even the word 'stock', well before being used to designate a negotiable security (equity), referred to the relationship of creditor and debtor as a dyadic unit: in fact, it was the name of the larger piece of paired tally sticks that were used for centuries in England as a form of bookkeeping and that gave symbolic and physical evidence to the creditor–debtor nexus (Basu and Waymire 2006, 210).

deemed inevitable and is systematically performed either by governments or by central banks (Fantacci 2013). In the past years, through unprecedented programmes of security purchases known as 'quantitative easing', central banks have taken on their shoulders the task of ensuring the liquidity of financial markets, acting as 'dealers of last resort' and stepping into relationships from which all other actors, for whatever reason, wish to escape (Mehrling 2010).

The Anti-Social Fetish of Liquidity

Liquidity is commonly regarded as a positive feature in modern financial systems. The more liquid a security is, the easier it is to sell on the market. The more liquid a bank is, the sounder it is considered to be, even according to banking regulations.[7] The more liquid a market is, the more effective it is at attracting investors and the more efficient it is at allocating money to the most promising countries, sectors or businesses. It is in the name of greater liquidity, both of banks and of markets, that securitisation was invented and promoted. Thanks to securitisation a fixed long-term investment, such as a mortgage or a student loan, can be made liquid. And thanks to the enhanced liquidity, more and more investors pour their savings into these markets, making it easier for families to become homeowners and for children to access higher education. The greater access to financial facilities granted to all citizens, regardless of their economic or social position, led observers to coin the expression 'democratisation of finance'. And liquidity was the invisible catalyst behind the process that, at least temporarily, seemed to allow the market, and specifically the financial market, to produce economic growth and welfare and social inclusion much better than any form of state intervention had ever managed. The neoliberal ideology found in liquid financial markets the most precious ally in delivering the goods it had promised as a result of unrestricted competition.

[7] For example, Basel III sets Liquidity Coverage Ratios to ensure that financial institutions have enough highly liquid assets to meet their short-term obligations even in the event of unfavourable scenarios.

In sharp contrast with the common appreciation of its virtues, John Maynard Keynes describes liquidity as a 'fetish', and as the most 'anti-social' product of economic doctrine. The statement is found in ch. 12 of *The General Theory*, which analyses the functioning of financial markets and 'which deserves to be known as a classic in economic sociology' (Swedberg 2012, 534). It is well worth reading the relevant passages, in order to understand why Keynes considers liquidity a fetish, why he believes it to be anti-social, and how he suggests overcoming the flaws of a finance based on liquidity. The accusation could hardly be more explicit and firm:

> Of the maxims of orthodox finance none, surely, is more anti-social than the fetish of liquidity, the doctrine that it is a positive virtue on the part of investment institutions to concentrate their resources upon the holding of 'liquid' securities. It forgets that there is no such thing as liquidity of investment for the community as a whole. (Keynes 1936, 155)

The first charge should be taken at face value. Keynes dubs liquidity a fetish in the literal sense of an object of irrational reverence and obsessive devotion. Liquidity reassures investors with the prospect of being able to convert their assets into hard cash. Liquidity is the golden calf: an artefact that serves to reassure the people in times of uncertainty. It is King Midas' gold: a vain possession mistaken for real wealth. It only retains its magical powers as long as everyone believes in it: an asset is liquid for its owner only as long as others are lured to purchase it by the prospect of its liquidity. However, if all investors should wish simultaneously to exercise the power implied by liquidity, and actually liquidate their holdings on the market, they would discover that no one would be willing to buy them: liquidity would have suddenly disappeared. To this effect Keynes states that 'there is no such thing as liquidity of investment for the community as a whole'. There is a structural misalignment between the possibility offered to individual investors and the consistency of the investment system as a whole. This fallacy of composition leads to the second charge, concerning the anti-social character of liquidity:

> The social object of skilled investment should be to defeat the dark forces of time and ignorance which envelop our future. The actual, private object

> of the most skilled investment to-day is 'to beat the gun', as the Americans so well express it, to outwit the crowd, and to pass the bad, or depreciating, half-crown to the other fellow. (Keynes 1936, 155)

It is the peculiar, social function of finance, within the economic system, to face the uncertainty of the future. Liquidity is anti-social because it distracts investment decisions from what ought to be their true objective: to maximise the prospective long-term returns on actual investments.[8] Keynes traces the roots of the problem back to the separation between ownership and management. Until investment decisions were taken by entrepreneurs who put their own money in the business, they were largely irrevocable, not only for the community as a whole, but also for the individual. Hence, they were driven not by the quest for liquidity or by short-term preoccupations, but by long-term prospects or even by spontaneous optimism and urge to action (what Keynes calls 'animal spirits'). On the contrary, with the widening of ownership through the stock market, shareholders are free to revise continuously the allocation of their portfolio, and managers are forced to prioritise short-term profitability in order to attract investors. The liquidity preference of investors dominates the financial system, subordinating enterprise to speculation. Systemic instability is the undesired consequence of organising the financial system in the form of liquid markets and of disjoining owners (creditors) from managers (debtors).

Liquidity, therefore, is anti-social both in its premises and in its implications: by separating borrower and lender, it also produces a potential misalignment between saving and investment, portfolio allocation and real capital development, finance and the real economy. More profoundly, liquidity causes finance to fail in its social goal of providing the environment and instruments for individuals to face together the uncertainty of the future.[9]

[8] In a footnote, Keynes also provides a pre-emptive critique to fair value accounting as a further factor of short-termism: 'The practice, usually considered prudent, by which an investment trust or an insurance office frequently calculates not only the income from its investment portfolio but also its capital valuation in the market, may also tend to direct too much attention to short-term fluctuations in the latter' (Keynes 1936, 157n).

[9] On the other hand, it should be noted, finance continues to preserve its social character, despite the fact that liquidity tends to negate it. In fact, as Keynes observes, liquidity itself rests upon a

For Keynes, it is necessary to restore the social character of finance if it is to adequately perform its social function. More precisely, in his view, the best way to direct finance to its social purpose is by granting it a distinctly social form. Keynes goes so far as to claim that, for the sake of stability, investments should take the shape of a relationship, and of the most intimate and permanent character:

> The spectacle of modern investment markets has sometimes moved me towards the conclusion that to make the purchase of an investment permanent and indissoluble, like marriage, except by reason of death or other grave cause, might be a useful remedy for our contemporary evils. For this would force the investor to direct his mind to the long-term prospects and to those only (Keynes 1936, 160).

The strongest form of social bond, marriage, is evoked by Keynes to suggest the stability of the relationship between creditor and debtor that would be needed to grant stability also to the financial system as a whole. It is time now to consider what practical indications can be drawn from what might appear as a statement of principles, if not as a mere provocation.

Practical Ways to Resocialise Finance

After having discussed the theoretical and practical implications of failing to recognise the social dimension of finance, we now turn to explore various routes for its resocialisation. 'Resocialising finance' as used here, starting from the title of this chapter, does not necessarily imply a 'socialisation of investments' as it is commonly understood.[10] In fact, as stated

convention: that nothing will change unless there are positive reasons to expect a change. In other terms, the fiction of liquidity on financial markets entails the abolition of uncertainty by convention. This produces a shift from trust to confidence as the basis of finance: the investment system no longer relies on *trust*—in the debtor, in his or her willingness and ability to meet his or her obligations, in good faith—but on *confidence* in the maintenance of the convention by an indeterminate plurality of individuals (Cf. Swedberg 2012).

[10] As will become apparent, I do not either intend socialisation of finance to be seen as the need for financial institutions to address social issues or endorse social values, as is broadly understood in certain approaches to 'social finance' (see e.g. Lehner 2016).

above, I suggest that the nationalisation of banks represents only a belated response to the damages produced by the desocialisation of finance. It is worth noting, to correct misleading if widespread interpretations, that Keynes himself did not *advocate*, but merely '*expect* to see the State … taking an ever greater responsibility for directly organising investment' (Keynes 1936, 164). Government intervention, even according to Keynes, is not the ultimate cure for an ill-constructed financial system, but a mere anodyne to palliate its most painful effects: the only radical remedy is to relinquish the principle of liquidity and re-establish the stability of financial relationships. The socialisation of finance does not involve the public ownership of banks, but the restoration of the creditor–debtor nexus.

The middle course between private and public banks is not purely theoretical. In fact, it has existed concretely for over a century in the form of cooperative banks, mutual banks, credit unions, thrifts, building societies and other forms of banking institutions, characterised by 'business models based on sustainable returns with longer time horizons, corporate missions that include social and public policy goals, and stakeholder-oriented governance' (Butzbach and Mettenheim 2015, 105). Although even cooperative banks have been induced by competition and by the lure of liquidity into buying and selling securities on a global scale, a large part of their activity still consists in collecting deposits and granting loans within their elective territory, contributing to strengthen the local economy and even social ties. In any case, it is a tradition that requires and deserves to be renewed.

Another tradition that is deeply ingrained in the history of finance is the establishment of various forms of partnership between lender and borrower based on the principle of profit-sharing. The precedent here is represented by the medieval *commenda*, a long-term contract designed to carry out specific enterprises, typically long-distance trade, in which one party invested capital and another invested labour, the proceeds or losses being eventually shared according to predetermined criteria—perhaps the closest you can get in the economic sphere to a union 'for better, for worse, for richer, for poorer, in sickness and in health, until death do us part'. The same principle of profit-sharing is embodied today in diverse practices, ranging from venture capital to Islamic finance.

A new interesting practice that has the potential to revive the creditor–debtor relationship is peer-to-peer lending. The internet has provided borrowers and lenders the opportunity to meet virtually online and stipulate loan agreements according to the rules set by dedicated platforms. Similar schemes may offer new forms of screening and monitoring, exploiting the potential of social networks. The outcome in terms of economic performance, financial inclusion and social cohesion depends greatly on the specific design of the systems (Freedman and Jin 2014). The relative novelty of peer-to-peer lending, which only started in 2005, does not allow drawing conclusive indications to that effect. However, the flexibility of the instrument suggests that it could be used to foster new forms of stable financial relationships.

Finally, I will briefly mention complementary currencies, particularly those that take the form of mutual credit schemes. As the expression suggests, mutual credit systems involve the reciprocal granting of loans by the members of a community, without the intermediation of financial intermediaries, as in the case of peer-to-peer lending. However, in this case, the loans are not bilateral but multilateral, and they are used primarily (though not exclusively) to finance trade: essentially, members draw on overdraft facilities provided by a clearing house to pay each other, compensating the debts incurred by purchasing with the credits accumulated by selling. Although the relationship between lender and borrower is not biunique and direct, both creditors and debtors are induced by the rules of the system and by the membership in the community to converge towards a balanced account. Complementary currencies of this sort represent another promising way towards the socialisation of financial relationships (Dini 2012).

The object of finance should be to face uncertainty, rather than attempt to remove it. And the only way for a human being to face uncertainty is to build relationships: to make promises, to give and receive trust, to accept to depend on others. The practices that I have sketched out here provide examples of how such principles can be concretely implemented to favour the resocialisation of finance.

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6

From Asymmetries to Harmony: A Demanding but Urgent Journey

Paul Dembinski

This chapter takes for granted that much of the economic performance—in the sense of gross domestic product (GDP) accounting—of the pre-crisis decades has been achieved, in Western countries at least, thanks to individualisation of efforts and rewards driven to a large extent by the process of financialisation.

The progresses of individualisation during the 'Three Decades of Financial Euphoria' (mid 1970s–2007) were to a large extent achieved through a less visible process of demutualisation of more traditional forms of social coexistence based on joint production and sharing of resources, risks and rewards in communities such as families, villages neighbourhoods and other social groups.

The lesson the world is today somewhat unwillingly learning, after decades of Smithenian specialisation culminating with the financial crisis, is that if specialisation breeds efficiency, it also deepens social and

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economic polarisation. This lesson comes as a surprise to those who have put their faith in the paradigm of the received economic framework that prevailed until recently. According to this idealised worldview, economic growth should have 'lifted all boats' which means that wealth and performance ultimately are expected to trickle down from top to the bottom of any social structure. In consequence, during the 'Thirty Euphoric Years of Finance', neither mainstream economic theory, nor most national economic policies have been much concerned about distributional effects of macro economic performance and have focused only on aggregates.

This chapter argues that the crisis provides a window of opportunity to learn from past failures and recast a socio-economic system geared to harmony rather than to asymmetries, in which expansion brought the world to the brink of the abyss. The opportunity will not be with us for ever—there is thus a sense of urgency to draw the lessons and move on. The aim of this chapter is to contribute to this task.

The first part provides a short systemic diagnosis of the causes of the crisis. The second discusses briefly the main asymmetries that progressively built up during the "'Euphoric Years' in the light of finance-led growth. The third part looks at how some of the asymmetries could be tackled by a broader mutualisation and solidarity without destroying the fundamental logic of a market economy. Finally, the concluding fourth part draws a more ambitious programme for systemic recasting based on replacement of the presently working 'structures of asymmetry' with 'structures of harmony'.

The Systemic Causes of the Crisis

Since 2007, it has been an open secret that finance has failed to deliver on its promises and that finance-led growth was driving the world towards an abyss. There is, however, less agreement on the reasons for this failure. The most widely recognised of the causes of the crisis are the many dysfunctions since identified within the world of finance—such as greed, abuse of trust (moral hazard), information asymmetry, conflicts of interest, regulatory weaknesses and so on. All these dysfunctions would not have done the damage the world has discovered since 2007 if another less-acknowledged meta-cause had not gone unnoticed for decades. Western societies implicitly accepted the promises of progress towards a better world based on purely technical rationality; yet this was at the price of technicality having the last word over humanity.

As financial mavericks were part of these promises of technical rationality, the necessary (regulatory, social, political and moral) room to manoeuvre was granted to finance. The rationale for accepting the deal was the hope and expectation that additional wealth—generated by the finance-led growth—would appease the growing existential anguish of the West 'liberated' from the then so-called religious myths.

Technical rationality inspired by financial science spread across free global markets, drowning immaterial concerns with material wealth and a false sense of security (Dembinski 2009). The underlying reason why finance ultimately deceived people is the simple fact that finance cannot provide a lasting solution to the human existential questions and fears, it can only silence them for a limited time. In other words, the true reason for the apparent deceit after three decades of financial euphoria is simply that finance did not deserve all this trust in the first place. To put it simply: trust was misplaced. Western societies took financial promises at face value without conducting even minimal philosophical 'due diligence'. The same policy-makers and key intellectuals that laid the groundwork for financial euphoria have been deliberately deaf to generations of moralists who never really stopped warning against the dangers of monetary seduction, from the Gospels to more recent philosophers Jacques Ellul (1954) and François-Marie Monnet, and more recently to Pope Francis.

At the root of the present crisis lies a meta-cause, a seductive worldview which, in fact, derives from a fourfold confusion which resulted in misplacing trust in technology alone, and more especially in financial techniques:

Confusion between finance as a means and finance as an end in itself. As a succession of numbers, money is infinite. Hence, the accumulation of monetary wealth theoretically has no limits. The same is true of greed, which aims to have more, solely for its own sake, without any other external objectives. When the distinction between ends and means loses its sharpness, the temptation arises to see the accumulation of liquid wealth as self-actualising.

Confusion between the person on the other side of the deal and the faceless anonymous market. In modern financial markets, anonymous crowds of financial asset holders interact through standardised contracts. In this perspective the personhood of 'the other' disappears or dissolves into the faceless mass. In a fully anonymous and depersonalised context where persons are replaced by abstractions such as 'market' or 'consensus', the notions of ethics, of ex ante responsibility for deeds and their consequences, lose their meaning. At best, responsibility is limited to ex post monetary compensation for damage. This confusion may destroy any sense of ex ante responsibility on a very large scale (Dembinski 2015).

Confusion and insensitive trade-offs between the present, the future and often the past. Finance is about intertemporal dealings in which time is just an objective variable in the equation. The use of a discount rate gives a financial expression to time, but erases the sense of the existence of agents in a given historical moment. From a purely financial perspective, future and present become tradable. This is not the case in real life where time has a subjective and irreversible character. Time is not just a chronological succession of equivalent and interchangeable seconds. It is a set of unique moments of uneven, subjective density and importance. Financial lenses do not capture the human, existential, nature of time; they see time a boundless succession of identical units. By doing this finance has dehumanised time.

Confusion between reality and virtual reality. At one end, modern finance manipulates symbols in an abstract virtual world of formulae and spreadsheets. Meanwhile, at the other end, finance deals with payment flows, ownership, debt, and the creation and trading of assets, and as such belongs to the actual world of real human deeds. The legal system and other rules (such as accounting) are there to make the two coincide. Virtual reality is more than just a passive 'mirror image' of reality in an era of light-speed information technology, because virtual reality and reality are today interdependent. However, the nexus is anything but perfect, in that they often do not fully coincide. The virtual picture is often simpler, more straightforward and with less nuance and discontinuity. It is more often about scalable figures than about real people and dissentious bricks and stones. Finance, by design, operates in a smooth virtual reality and only indirectly shapes reality. Because of the illusory character of virtual reality, financial professionals tend to underestimate the resistance and the constraints of reality.

These four confusions made their way into the minds and perceptions of many during the decades of unprecedented expansion of finance and provided the prerequisites for a finance-led growth. The eternal seductive power of money, reinforced by these modern confusions, contributed to constructing an idealised worldview of society driven by purely economic motives: a *faceless world* (made of numbers not faces), *timeless* (prevailing eternal stability, history having reached its 'end'), *spaceless* (the flat world of globalisation without any asperity, where distance and location are of secondary importance), *abstract or virtual* (self-contained, without reference to reality), *self-actualising and liquid*, and finally a world driven *free from any moral restraint* and ultimately driven by the instinct of limitless accumulation of wealth.

A World of Asymmetries on the Brink of Systemic Abyss

The crisis acted as an eye-opener for many of the observers who discovered the size of asymmetries that had been building up, unnoticed, for decades in the shadows of the twin-processes of globalisation and financialisation.

Since the breakup, in 1971, of the world economic order inherited after the Second World War, economic growth and overall financial performance have been accompanied by a parallel deepening of a number of asymmetries in the world economy. Many of these asymmetries have been substantiated elsewhere (Dembinski and Beretta 2014). Only the most striking are mentioned here.

Asymmetry between the reach and scope of public regulations—mainly national—and the transnational realm open to private economic expansion. The collapse of inter-state agreements in the field of foreign exchange regulation and their absence regarding the flows of capital, and the dismantling of protectionist measures, made the world wide open for the international expansion of private actors. By the same token, exchange risk has been demutualised, leaving many smaller actors and developing countries unable cope with it.

Asymmetry in the size and transnational reach enterprises. The possibilities of transnational expansion have been grasped by a limited number of corporations. Today these 'global giants' commanding the relevant 'global value chains' are the backbone of a transnational (as opposed to international) economy. In consequence, they structure and organise the work of tens of thousands of their smaller and local suppliers and distributors.

Asymmetry in legal and market power between the physical economic agent (employee or customer) and the 'global giants' as moral persons. The asymmetry relates not only to size but to the ontological nature of these two types of 'persons', which size only reinforces.

Asymmetry between capital and labour. The autonomisation of financial capital, further reinforced by the dominance of the shareholder value approach to management, has fundamentally changed the relationship between labour and capital within enterprises. Consequently, return on capital (financial efficiency) has gained overall pre-eminence, with labour, clients and suppliers being more often than not the adjustment variable.

Asymmetry in the distribution of income. During recent decades, inequalities in income distribution have diminished neither internationally nor nationally to any significant extent.

Asymmetry in magnitude between the daily needs of 40% of the world population and the volumes and values of financial transactions and assets. The poorest 40% of the world lives on roughly 10% of gross world product (GWP), while the approximate value of total financial assets is 40 times GWP; the annual turnover on foreign exchange markets is 230 times GWP while the value of outstanding derivatives amount to 120 GWPs. These figures give an idea of economic and financial disparities between 'the financial capitals', where the relevant financial flows are managed, and the distant periphery (see also Piketty 2013 and Stiglitz 2012).

This situation poses two important questions for the post-crisis world. The first question is highly speculative and concerns the relationship between finance-led economic growth and asymmetries: is the deepening of it later an inescapable consequence—or even the engine—of finance-led economic growth? Is social and economic harmony—which is not tantamount to egalitarianism—compatible with a growing economy?

The second question is more practical: as many of the above-mentioned asymmetries are deeply iniquitous in their consequences, they ought to be at least reined-in irrespective of the answer to the first question. As suggested above, many of the asymmetries expanded because more traditional corrective solidarity-based social mechanisms lost control under the seductive power of promises of an economy driven by efficiency, specialisation and individualisation of rewards and efforts.

Beyond Demutualisation—Rediscovering Solidarity

Economic discourse is focused on those who are fit for productive activity. This means that about half of any given society is not directly on the radar of economists. The 'missing 50%' is made up of children and the elderly at either end of the spectrum, as well as of those whom the 'market' rejects—for a number of possible reasons—as unfit for productive work. From the economic perspective, these groups appear at best to be beneficiaries of public transfers; at worst to be burdens and sources of cost to society. Therefore, the volume of public transfers is the usual economic measure of solidarity in a society. However, once defined in this utterly simplistic way, solidarity appears automatically as a distortion or threat to economic efficiency as corresponding taxation and transfers which b-pass the so-called market discipline.

This simplistic view of solidarity is at the root of the demutualisation and specialisation spree which, in fact, greatly contributed to the strengthening of asymmetries. Indeed, even if greater solidarity and mitigation of inequalities require increased sharing, this does not simply boil down to higher taxes and expanded social policies. Solidarity means not only sharing of scarce resources—whatever the nature (material and non-material) of these resources might be, but also joint productions of goods and services. If money can buy a lot, solidarity in its genuine sense is multidimensional and extends well beyond money. Solidarity, as a horizontal bond within social groups, may be effective at different levels of society and, paradoxically, highly efficient in the real world to cope with multi-dimensional challenges.

Four levels of solidarity are discussed below before turning, later on, to two more specific cases: the solidarity between labour and capital and the one between the lender and the borrower.

The first and immediate level of solidarity in any society is family—narrowly as well as broadly defined. The family is the place which generates what money cannot buy and which is at least as important for human dignity as sheer money. But family is also the place where revenues and monetary resources are used for the family's common good. In Northern societies, family solidarity is shrinking to its narrowest limits, as exemplified by the number of single-parent households. Where family solidarity ceases to function, public or market institutions are called upon to fill in the gaps. However, they operate only in money and transaction-related categories. In the South, family-based solidarities are stronger, but are shrinking too, especially in cities. The amounts of remittances sent by migrants back home are the best illustration of how strong family bonds of solidarity may be. This suggests that, in the North as well as in the South, any act—personal or institutional—which increases the autonomy, the role and the resources of families is a highly efficient way to enhance solidarity and mutual responsibility in society. In this respect, as well as in many others, public authorities should not forget that their role is to serve and strengthen families, not to substitute for them or to replace them. Reinforced by public means, solidarity within families is thus central for overcoming the asymmetries that pave the way for a less asymmetric post-crisis world.

The second level of solidarity is related to an inclusive labour market. The workplace is not only the place where income is earned, it is also where one's capacity to contribute to the common good of the group is recognised. Inclusive workplaces, policies and attitudes require the willingness to share—work and earnings—of all concerned. Like in the parable of the eleventh hour workers, workloads (i.e. productivity) and remunerations are to be shared so as to allow for the weakest to earn their living with dignity. This means that the enterprise has to be seen also as a community pursuing its own specific common good, where internal solidarity has a role to play. In this respect, much depends on the way the owners (shareholders) and the management team understand their roles in developing solidarity among the different components of the enterprise. Such attitudes run directly against the dominant managerial mantra, according to which efficiency requires demutualisation and strict equality between the contribution to productive effort and the corresponding remuneration. In most enterprises—especially large ones—remunerations are therefore increasingly strictly 'productivity related'.

Solidarity through money transfers is the third level of solidarity. This is the most visible, the one on which economists mainly focus, the easiest to account for, but also the least personal and the easiest upon which to prevaricate. In the world of growing inequalities and exclusion, so-called public social transfers play an increasingly important role as they serve as back-stop for those who fall through the nets of the first two levels of solidarity. The relative size of public transfers differs greatly from one region to the other and is also related to the level of income: in the so-called 'high income countries' they amount to about 12% of national income, while in Latin America they reach 4% and in Africa remain around 1% of corresponding national incomes. Total monetary expenses on behalf of official development aid amounted in 2012 to US$130 billion, slightly less than 0.3% of aggregate national income of the donor countries. Despite the limited overall amount, for many least-developed countries, receiving these transfers is critical.

Charity and philanthropy may be seen as the fourth level of solidarity. In situations where the third, public level of solidarity is too weak or dysfunctional, charity and philanthropy play an absolutely key role in limiting the most acute exclusion.

The financial crisis has shown the fragility of situations where money transfers are called in to replace (shrinking) family solidarity. The fragility of a public, transfer-reliant social fabric in the North is clearly visible today. The non-viable character of this situation and its unsustainable financial consequences lie at the root of the recent European debt crisis. Families, individuals, as well as enterprises should draw the appropriate lessons from this experience and take steps to cure the problem at its root. Institutional as well as private efforts should aim at reinforcing genuine solidarities on the family and enterprise levels.

Such measures, when carried out with due attention to the human dignity of all parties concerned, will inevitably deepen social relations, thereby preventing exclusion due to their face-to-face character. For this very reason, such initiatives may also give greater scope to the fruitfulness of interpersonal relations and not only to efficiency-driven transactions. Such actions and measures require courage, imagination and inspiration.

Solidarity could also play an important role in reining-in two of the asymmetries: the one between labour and capital and the one between lender and borrower. This, however, requires a fundamental reconsideration of key institutions of the present world: the enterprise contract and the loan contract.

Addressing the asymmetry between labour and capital supposes the re-examination of the purpose of the corporation. Is the enterprise (or corporation) an instrument in the hands of shareholders to generate returns on their investments? Or is it a method of cooperative relations (and not of contracts as usually said) between respectful partners with its own, peculiar common good?

The still widely acknowledged shareholder value philosophy carries with it one of the most pervasive of such inequities. It is based first on the belief that the primacy of the interests of virtual and nomadic shareholders is natural (and therefore rightful and efficient); and second, is in line with the interest of the employees and clients stuck in real contingencies. In 'global giants', this fundamental asymmetry between the shareholder and the other stakeholders is reinforced by the remoteness and anonymity of decision centres from places where the decisions produce real life consequences. In order to mitigate these asymmetries, new institutional as well as personal avenues must be opened. The most important step should be acknowledgement at the level of enterprise and legal frameworks of the legitimate existence of an enterprise's moral as well as managerial value. If it were publicly and legally recognised, this common good would acquire its own legitimacy. It would consequently open doors to more solidarity among the so-called stakeholders and to more appropriate management behaviour.

The second case where more solidarity could help reduce asymmetries is the lender–borrower relationship.

Most contemporary legal systems agree that, when debt is granted on non-usurious conditions, all consequent obligations have to be paid to the last penny. A credit/debt contract is a peculiar and complex transaction as it establishes a lasting asymmetric interdependence between payment on the spot and commitments which bind despite an unknown future. For centuries, this fundamental asymmetry—acceptable credit conditions, interest rates and the moral obligation to lend to the poor and needy—have been addressed by not only Christian theologians.

Much of the moral debate points to the asymmetric distribution of risk between the borrower and the lender. Indeed, unlike equity financing which creates a de facto partnership and establishes a limited solidarity between parties, a credit/debt contract sees to the contrary a borrower assuming the risk related to the expected outcome of his project. That is, the borrower gambles his future fortunes, while the lender keeps only the residual risk of the debtor's insolvency. As long as the borrower has any resources, he will be pressed by the legal system to service his debt. Once he reaches a certain threshold, he or she may take refuge in bankruptcy or insolvency which are forms of default accepted by modern legal systems. Sharing being central to the principle of solidarity, one could argue that solidarity should also involve risk sharing. That being said, in order to limit the burden of debts, the Old Testament book of *Leviticus* put forward the idea of the Jubilee, the moment when all outstanding debts are simply cancelled for the sake of maintaining the community.

In the present crisis, the prevailing legal and political stance is that financial contracts are inviolable: their clauses have to be respected in any circumstances. However, this principle is more and more often challenged.

The main reason behind the idea of the *Leviticus* Jubilee was that the over-indebtedness of some would break the community by excluding some of its members, by excessively concentrating ownership, or even by transferring ownership outside of the community. Jubilee, the Sabbath of Sabbaths, was supposed to occur every 50th year. That year, unpaid debts were cancelled as well as transfers of collateral that happened in the meantime. The simple existence of such a general and exogenous constraint fundamentally changes the relationship between the borrower and the lender. By this simple fact the lender becomes interested in the timely and smooth repayment of debt and the risk asymmetry between the two parties is reduced. The exogenous deadline proposed by the Jubilee is an interesting avenue to encourage lenders to take their responsibilities seriously, in the name of solidarity; this is especially true when credit demand is bullish.

From Efficiency to Harmony

How could we move from a system geared solely to efficiency to a system caring for social and economic harmony?

As in all systemic transformations, change has to take effect simultaneously at all four different levels of the social system:

- at the level of worldview where the harmony has to challenge efficiency;
- at the level of institutions where the drivers of individualisation and unbounded specialisation have to be replaced by more autonomy granted to social groups and families;
- at the level of mechanisms and feedback loops at work where structures for harmony have to be strengthened;
- and at the levels of individual behaviours where the concern for the group has to flourish.

Caring for social harmony requires a realistic—as opposed to an aprioristic—worldview. Realism implies careful observation rather than deductive thinking, asking questions rather than jumping to conclusions, the capacity to take changes and new conditions into account, and to revise previous conclusions rather than hold to dogmatic rigidity. Realism is conducive to risk-taking in the name of equity, while idealism can at best deliver only blind justice.

The still-dominant economic theory and management mantra are deeply rooted in deductive thinking. They provide a powerfully coherent and aesthetically appealing framework for analysis and a reassuring inspiration for subsequent action. However, this prevailing framework rests on assumptions which pretend to be approximations of the real world but are, in fact, fundamentally (not accidentally) and irretrievably counterfactual. Therefore, the construct of contemporary theory is part of an imaginary world, only loosely related to reality. Two consequences stem from this. On one side, policy-makers and managers have to look for the sources of inspiration for their actions outside of the box of theory. By doing so, they have to take on the responsibility and the risk of forging new paths in the uncharted waters of reality where asymmetries are about to become unsustainable. On the other side, the academic disciplines of economics, management and finance have to urgently reconstruct themselves around the realistic premises of sound anthropology and its relationship to social harmony.

The recent crisis has demonstrated—surprisingly to many—that institutions matter. They express, and by the same token condition, the normal patterns of behaviours and determine the related consequences. Formal or informal institutions are not immobile. They change because the formal legal structures change, but also because dominant patterns of behaviour change, usually as a result of a deeper change of cultural values. The relationship between institutions and individual behaviours is therefore two-sided. On one side, structures influence behaviours, but on the other side, exemplary and innovative patterns of behaviour may also change institutions. This happens every day.

Structures are hard (and also institutional) settings that influence or even determine the behaviour of those who are supposed to govern. However, most of the structures are man-made institutions, and therefore are prone to change for the better and the worse. When structures are wicked, they condition and incentivise other individuals—often in subordinate social positions—to wrong-doing or conversely they disincentivise doing good. Structures have a strong leverage effect—they can be seen as 'multipliers' of behaviours across society. In the case of wicked structures, such as those emphasising greed, for instance, corresponding behaviours are multiplied which may thereby have a major impact on the society as a whole. The challenge is thus to replace structures that have allowed the multiplication of asymmetries with those able to generate in the future harmony and sustainability.

The individual search for harmony and the common good, concern for 'the other', and commitment to justice and equity, combined with courage and imagination put in motion at structuring moments, may help the emergence of new patterns of behaviour or even organisational or legal structures which then become ‘structures for harmony’.

Such achievements may ultimately be consolidated when they inspire legal and formal institutional changes. Once in place, such structures will act as enhancers and multipliers of individual efforts and give them a social dimension. Drops end up making oceans. Social habits—in the sense of morally good habits (habitus)—are those drops which end up wiping out mountains.

Abandoned to the overwhelming rule of the ethos of efficiency, today’s world is sacrificing the seeds of its future fecundity for the sake of immediate results. By harvesting where we have not sown, all reserves and resources are being exhausted, including the future that has been in recent years massively pre-empted and mortgaged for the sake of the present. We have to remember that fecundity needs some obscurity, calm and idleness, which amount to pure waste when looked at from the perspective of immediate efficiency. Fecundity is a promise, not a certainty, and as such has even less place in pure economic or financial reasoning. Economic and financial life has to take into account that future fecundity requires that some resources remain today seemingly idle. As fecundity is not a contractual obligation, the necessary resources have to be put aside on the basis of sheer trust in promise and hope (Dembinski 2012).

In everyday life, the tension between the requirements of efficiency and those of fecundity can be made clearly visible by contrasting transactions and relations. Efficient transactions are moments of truce in the economic war of all against all. If transactions are anonymous and impersonal, quite the opposite is true for relations, which are by definition nodes of cooperation. Only when parties know each other personally and in their peculiarities might they enter into a relationship. This means that most relations have a built-in dynamism, as opposed to being self-contained and static transactions. If transactions are complete because they are built on equivalent exchange, then relations, by definition, are a succession of imbalances. By contrasting relations with transactions, the peculiarities of each form of social interaction clearly appear. Transactions, by their commitment to instantaneous efficiency, deliver immediately everything which can be harvested at once. However, relations are the place of fecundity; they balance the fruits of past efforts with the seeds of future results.

The important question of our times is to restore the adequate proportions between these two forms of social interaction. In the efficiency-driven world, much of what until recently was a matter of relationships is today either a matter of market or of administrative transactions. Although the situation may seem different in much of the developing world—where market and state do not function fully—the trend of breaking relationships is universal, especially in urban centres. Deepening asymmetries, growing exclusion and inequalities are largely by-products of the social fabric of relationships falling to pieces under the pressure of transactional individualism geared to the overall quest for efficiency. The issue is thus not to ban or condemn transactions as such, for they are necessary. Rather it is to mind the appropriate proportion and balance between the two. Harmony is not the absence of asymmetries but their overall balance. A purely transactional world is inhuman, but the totally relational society—closed society or sticky society—may also be dangerous and potentially perverse. In this sense, the present crisis can be seen as a rebellion of human nature against the excessive role played by transactions.

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Part II

The Socio-Anthropological Dimension

7

Escaping the Anthropocene

Bernard Stiegler

Automatisation and Negentropy

In order to contribute to the crisis conundrum issue, I will show how an algorithmic automation trend, causing a vertiginous increase in entropy—which is at the core of the process of globalisation taking place at the end of the twentieth century as well as the financialisation which contributed to the 2008 crisis—can be inverted via negentropic abilities originating from the human power of agency. To be widely developed on a massive scale, negentropic abilities need a reorganisation of economics.

The propositions at the heart of this chapter are based on the conclusions of my recent book—*La société authomatique* (Stiegler 2016)—concerned with the issues of integral and generalised automatisation that results from the advent of the digital age. I argue that algorithmic automatisation has led to the decline of wage labour and employment, and hence to the imminent disappearance of the Keynesian model of

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redistributing productivity gains, a model that has until now been the basis of the macroeconomic system's ability to remain solvent.

After the 'great transformation' that Karl Polanyi described in 1944 (Polanyi 2001 [1944]), which gave rise to what we now call the Anthropocene—a period in which entropy is produced on a massive scale, thanks precisely to the fact that what has been liquidated and automatised is knowledge[1]—an immense transformation is now taking place, a transformation that presents us with an alternative. Either we continue being led in the direction of hyper-proletarianisation and a generalised form of automatic piloting that will engender both structural insolvency and a vertiginous increase in entropy, or we lead ourselves out of the process of generalised proletarianisation into which we have been placed by 250 years of industrial capitalism. This second alternative requires negentropic capabilities to be widely developed on a massive scale, through a noetic politics of reticulation that places automata (automation systems of every kind) into the service of individual and collective capacities for dis-automatisation—that is, it places them in the service of the production of negentropic bifurcations.

The immensity of the transformation currently underway is due to both the speed of its effects and to the fact that these effects operate on a global scale. So-called 'big data' is a key example of this immense transformation that is leading globalised consumerism to liquidate all forms of knowledge (*savoir vivre*, *savoir faire* and *savoir conceptualiser*, knowledge of how to live, do and think).

Given that it is founded on proletarianisation and the destruction of knowledge, the model of redistributing productivity gains through employment is itself doomed. Another model of redistribution must be conceived and implemented if we are to ensure macroeconomic solvency in the age of digital automation. The criteria for redistribution that must now be adopted can no longer be founded on the productivity of labour.

[1] So that it is no longer knowledge at all, but rather a matter of closed systems, that is, entropic systems. Therefore, the anthropocene is an *Entropocene* and knowledge is an *open system*: it always includes a capacity for dis-automatisation that produces negentropy. When Chris Anderson announced in 2008 the end of theory in the era of big data (Anderson 2008) that he calls 'data deluge', he made a serious mistake, given that he ignored the fact that to close an open system leads in a systemic way to its disappearance.

Productivity is today a question of machines, and today's digital machine no longer has any need for either work or employment. Manual work that produces negentropy and knowledge—which Hegel discussed in terms of *Knecht*—was replaced in the nineteenth century by proletarianised employment, that is, by a proletariat forced to submit to machinery that was entropic not just because of its consumption of fossil fuels, but because of its standardisation of operating sequences and the resultant loss of knowledge on the side of the employee. This loss of knowledge has today become so widespread that it has reached as far as Alan Greenspan, as he himself stated (Andrews 2008).

The Anthropocene is unsustainable: it is a massive and high-speed process of destruction operating on a planetary scale, and its current direction must be reversed. The question and the challenge of the Anthropocene is therefore the 'Neganthropocene', that is, to find a pathway that will enable us to escape from this impasse of cosmic dimensions—which requires a new speculative cosmology in the wake of Alfred Whitehead. New criteria, as I said, must be implemented in order to organise redistribution in the economy of the Neganthropocene, and these new criteria must be founded on the capacity for dis-automatisation which it is up to us to resuscitate. This necessarily involves a resurrection of what the Indian economist Amartya Sen calls capabilities (Sen 2000), which he places at the foundation of human development—that is, of the individuation of humankind.

Knowledge, Freedom and Agency

Amartya Sen relates 'capability' to the development of freedom, which he defines as always being both individual and collective: 'we have to see individual freedom as a social commitment' (Sen 2000, XII). In this way, Sen remains faithful to both Kantian and Socratic perspectives. Capability constitutes the basis of economic dynamism and development, and it does so as freedom: expansion of freedom is viewed, in this approach, both as the primary end and as the principal means of development. Freedom, in Sen's definition, is therefore a form of agency: the power to act. Sen's comparative example of the incapacitating effects of consumerism (that is, in his terms, of the indicators of affluence) is well-known: the black residents of Harlem have a lower life expectancy than the people of Bangladesh, and this is precisely a question of their 'agency'. Freedom is here a question of knowledge insofar as it is a capability that is always both individual and collective—and this means: individuated both psychically and collectively. It was on this basis that Sen devised the human development index in order to form a contrast with the economic growth index.

I would like to extend Sen's propositions by means of a different analysis, one that leads to other questions. In particular, consideration must be given to the question of what relations psychic and collective individuals can forge with automata, in order to achieve individual and collective bifurcations within an industrial and economic system that, having become massively automatised, tends also to become closed. The Anthropocene amounts to accomplished nihilism: it produces an unsustainable levelling of all values that requires a leap into a 'transvaluation' capable of giving rise to a 'general economy' in Georges Bataille's sense, whose work I have elsewhere tried to show involves a reconsideration of libidinal economy. The movement I am describing here is no doubt not a transvaluation in a strict Nietzschean sense. Rather, it is an invitation to re-read Nietzsche with respect to questions of disorder and order, that is, also, entropy and negentropy, which in the following will be understood in terms of becoming and future.

Becoming and Future

If there is to be a future, and not just a becoming, the value of tomorrow will lie in the constitutive negentropy of the economy-to-come of the Neganthropocene. For such an economy, the practical and functional differentiation between becoming and future must form its criteria of evaluation—only in doing so will it be possible to overcome the systemic entropy in which the Anthropocene consists. This economy requires a shift from anthropology to neganthropology founded on what I call general organology and on a pharmacology: the pharmakon, which means in Greek a technic as it is both a poison and a remedy, is the artefact and as such the condition of hominisation, that is an organogenesis of artefactual organs and organisations, but it always produces both entropy and negentropy, and hence it is always also a threat to hominisation.

The problem raised by such a perspective on the future is to know how to evaluate or measure negentropy. Referred to as negative entropy by Erwin Schrödinger, negentropy (Schrödinger 2012 [1944]) is always defined in relation to an observer—see the work of Henri Atlan (1979) and of Edgar Morin (1992 [1977])—that is, it is always described in relation to a locality in time as well as in space that it, as such, produces, and that it differentiates within a more or less homogeneous space—and this is why a neganthropology is always also a geography. What appears entropic from one angle is negentropic from another angle.

Knowledge—as *savoir faire* (i.e. knowledge of what to do so that I do not myself collapse and am not led into chaos), as *savoir vivre* (i.e. knowledge that enriches and individuates the social organisation in which I live without destroying it) and as conceptual knowledge (i.e. knowledge as the inheritance of which occurs only by passing through its transformation, and which is transformed only by being reactivated through a process of what Socrates called anamnesis, a process that, in the West, structurally exceeds its locality)—knowledge, in all these forms, is always a way of collectively defining what is negentropic in this or that field of human existence.

What we call the inhuman is a denial of the negentropic possibilities of the human, that is, a denial of its noetic freedom and, as a result, its agency. What Sen describes as freedom and capability must be conceived from this cosmic perspective, and related to Alfred Whitehead's 'speculative cosmology', as constituting a negentropic potentiality—as the potential for openness of a localised system that, for that being we refer to as 'human', may always once again become closed, or in Whitehead's terms human beings may always relapse, decay into simpler forms, that is, become inhuman (Whitehead 1929, 18–19). This is so only because the anthropological is both hyperentropic and negentropic to the second degree: the anthropos is organological, that is, pharmacological, or, as Jean-Pierre Vernant put it (Vernant 1999), constitutively ambiguous.

Anthropology as Entropology According to Lévi-Strauss and Beyond

In addition to being fundamentally local, an open, negentropic system is characterised by its relative sustainability—or in other words, by its finitude. What is negentropic—whether idiom, tool, institution, market, desire and so on—is always in the course of its inevitable decay.

What I call an idiotext, as I attempted to define it in the final part of my thesis (which has not yet been published) is an open locality taken up within another, greater locality, or within what I describe as those nested spirals as they co-produce a process of collective individuation by psychically individuating themselves. This is not without an echo in the questions posed by Edgar Morin in *The Nature of Nature* (Morin 1992 [1977]). But Morin, like Atlan, overlooks the essential, namely, the organological dimension (that is, the technical and artificial dimension) of the negentropy characteristic of anthropos, which means that it is also pharmacological, that is, both entropic and negentropic, and hence requires continual arbitration—negotiations that are operations of knowledge as therapies and therapeutics.

In an idiotext tendencies compose, tendencies that are highly pharmacological, that is, both entropic and negentropic, and in this way they constitute a dynamic wherein figures or motives emerge that are what I call in Husserl's vocabulary protentions, that is, differences that separate future from becoming and thereby allow this separation to be perpetuated. These are the motives and figures through which knowledge is woven as the circuits of transindividuation that form both within a generation and between the generations. Since the beginning of the 2000s, when I was the director of the Institute for Research and Coordination in Acoustics/Music (IRCAM), that is, as a result of my journey through musicology, I have presented this composition of tendencies as what results from negotiation between psychosomatic organisms (psychic individuals), artificial organs (technical individuals) and social organisations (collective individuations). It is through the complexity of this negotiation that the principles of general organology are formalised, as a kind of pharmacological drama, that is, as the constantly renewed and reposed problem of the decay of negentropic conquests into entropic waste. This point of view is the complete opposite of the conclusion reached by Claude Lévi-Strauss at the end of *Tristes Tropiques* when, having recalled that 'the world began without man and will end without him' and that man works towards 'the disintegration of the original order of things and precipitates a powerful organization of matter towards an ever greater inertia that one day will be final', he adds that 'from the time when he first began to breathe and eat, up to the invention of atomic and thermonuclear devices, by way of the discovery of fire—and except when he has been engaged in self-reproduction—man has done nothing other than blithely break down billions of structures and reduce them to a state in which they are no longer capable of integration' (Lévi-Strauss 1985 [1955], 413).

Hence Lévi-Strauss poses with rare radicality the question of becoming without being, that is, of the inevitably ephemeral character of the cosmos in totality, as well as of the localities that form therein through negentropic processes themselves always factors of entropic accelerations. If we were to take literally this profoundly nihilistic statement by Lévi-Strauss (when, for example, he writes that 'man has done nothing other than blithely break down billions of structures and reduce them to a state in which they are no longer capable of integration'), we would be forced to assume that the time that separates us from the 'end times' is neglectable. We would be forced to reduce this time to nothing, to annihilate it, and to discount and cancel negentropy on the grounds of being ephemeral: we would have to dissolve the future into becoming, to assess it as null and void [*non avenu*], as never coming, that is, as having ultimately never happened, the outcome of having no future—as becoming without future. And we would be forced to conclude that what is ephemeral, because it is ephemeral, is merely nothing. This is literally what the anthropologist says. I define myself as a neganthropologist and I have two objections to Lévi-Strauss. On the one hand, that the question of reason, understood as a quasi-causal power (in the Deleuzian sense) to bifurcate, that is, to produce, in the jumble of facts, a necessary order forming a law, is always the question of being 'worthy of what happens to us' (Deleuze 1990 [1969], 149), which is another way of describing the function of reason as defined by Whitehead, namely as what makes a life a 'good life', and what makes a good life a 'better life' (I use here Whitehead's words) that is, a struggle against static survival, which is nothing other than the entropic tendency inside life itself. On the other hand, Lévi-Strauss' bitter and disillusioned rhetoric seriously neglects two points. First, life in general, as 'negative entropy', that is, as negentropy, is always produced from entropy, and invariably leads back there: it is a detour—as stated by Freud (Freud 1990 [1920]) and by Blanchot (1993 [1969]). Second, technical life is an amplified and hyperbolic form of negentropy, that is, of an organisation that is not just organic but organological, but which produces an entropy that is equally hyperbolic, and which, like living things, returns to it, but does so by accelerating the speed of the differentiations and indifferentiations in which this detour consists, speed here constituting, then, a locally cosmic factor.

This detour in which technical life consists is desire as the power to infinitise. It is misleading to give the impression, as Lévi-Strauss does here, that humans have an entropic essence and that they destroy some 'creation', some 'nature' that would on the contrary have a negentropic essence—alive, profuse and fecund, animal and vegetable. Plants and animals are indeed organic orderings of highly improbable inert matter (as is all negentropy), yet all life unfurls and succeeds only by itself intensifying entropic processes: plants and animals are themselves only an all too temporary and in the end futile detour in becoming. By consuming and thereby disassociating what Lévi-Strauss calls 'structures', all living things participate in a local increase of entropy while at the same time locally producing a negentropic order. What Derrida called différance, if we may indeed relate negentropy to this concept, is first and foremost a matter of economy and detour. And if it is also true that différance is an arrangement of retentions and protentions, as Derrida indicates in *Of Grammatology* (Derrida 1997 [1967]) and if it is true that for those beings we call human, that is, technical and noetic beings, arrangements of retentions and protentions are transformed by tertiary retentions, that are artefactual and mnemotechnical retentions, then we should be able, on the basis of this concept of différance, to redefine economy and desire.

Unlike purely organic beings, those beings called human are organological, that is, negentropic (and entropic) on two levels: both as living beings (organic beings), which through reproduction bring about those 'minor differences' that lie at the origin of evolution, and hence at the origin of what Schrödinger called negative entropy—this is why Lévi-Strauss says that man is not entropic only 'when he has been engaged in self-reproduction'—and as artificial beings, that is, organological beings, which produce differentiations that are no longer those of what we refer to as a species but of a 'kind', here the humankind—which is what Simondon called the process of psychic and collective individuation. Artifices are always detours, detours that are always more or less ephemeral, like the genus of insects named ephemera, neither more nor less 'without why' than those roses, and that are themselves essentially artificial. But these artifices, inasmuch as they give rise to the arts and to works and artworks of all kinds, as well as to science, can infinitise themselves and infinitise their recipients beyond themselves, that is, beyond their own end, projecting them into an infinite protention of a promise always yet to come, which alone is able to pierce the horizon of undifferentiated becoming. One might offer the retort that my own objection to Lévi-Strauss, that organological negentropy is not just organic, and constitutes what I thus describe as neganthropos, can only mean that the organological is nothing but an accelerator of entropisation that precipitates the end and from this perspective shortens what is ultimately essential, namely, the time of this différance. But this would be to precisely misunderstand what I am trying to say.

There is no doubt that the question of speed in relation to thermodynamic physics, as well as biology and zoology, is a crucial issue. But the question here is of a politics of speed in which there are opposing possibilities, and where the dynamic of human evolution, which Leroi-Gourhan called the 'conquest of space and time' (Leroi-Gourhan 1993 [1964]), increases or reduces entropy. The concept of idiotext with which I have been working is conceived precisely in order to understand something not just as a question but rather, as Deleuze said, as a problem.

In a situation as exceptional and unsustainable as the Anthropocene, only a resolute assumption of the organological condition, that is an adoption of the organological condition directed towards an increase in negentropy, can transform the speed of technological vectors currently at work—in a world where today the digital reaches speeds of two hundred thousand kilometres per second, or two-thirds the speed of light, which is some four million times faster than the speed of nerve impulses. Only such a resolute adoption or assumption of the organological condition will allow us, in a literal sense, to save time, that is, differentiation, insofar as, precisely, a transvaluation of the industrial economy can commit us to and engage us with the Neganthropocene, and disengage us from the Anthropocene. If the hyperbolic negentropy in which the organological becoming of the organic consists installs a neganthropology that accelerates (entropic and anthropic) becoming, it can nevertheless also transform this acceleration into a future that differs and defers this becoming, according to the two senses of the verb *différer* mobilised by Derrida in his term *différance*. Hence a (negentropic and neganthropic) future can be established from this infinitising form of protention that is the object of desire as a factor of (psychic, social and technical) individuation and integration—failing which, différance will remain merely formal. It is in light of these questions—effaced by Lévi-Strauss's *triste* statement, his sad and gloomy words erasing the indetermination of the future under the probabilistic weight of becoming—that today we must reinterpret Spinoza.

Noetic Intermittence and Cosmic Potlatch

Organological beings are capable of purposefully organising the negentropic and organo-logical works that we are referring to as neganthropic. Depending on how they undertake this organisation that is both psychic and social, depending on the way that they take or do not take care of the anthropic and neganthropic power in which their behaviour consists, they can either indifferently precipitate a release of entropy or, on the contrary, differ and defer it—thereby constituting a différance that Simondon called individuation that he and Whitehead think of as a process.

We ourselves are in favour of a neganthropological project conceived as care and as an economy in this sense. This economy of care is not simply a power to anthropologically transform the world (as 'master and possessor of nature'). It is a pharmacological knowledge constituting a neganthropology in the service of the Neganthropocene, in a way that resembles Canguilhem's conception of the function of biology as knowledge of life in technical life, and Whitehead's conception of the function of reason in speculative cosmology. It goes without saying that we must identify and describe those 'negative externalities' that the 'neganthropy' generated by anthropisation propagates in 'anthropised' milieus. But this is not a question of nullifying neganthropy. It is rather, on the contrary, a matter of passing from anthropisation to neganthropisation by cultivating a positive pharmacology no more nor less ephemeral than life that is carried along in becoming just as everything that 'is' in the universe—this care being that in which this neganthropology consists, and that Lévi-Strauss always ignored, by ignoring and deliberately censoring the thought of Leroi-Gourhan.

This situation stems from the fact that Lévi-Straussian anthropology is founded on the repression of the organological fact to which Leroi-Gourhan drew attention, and from ignoring the neganthropological question that prevails beyond all anthropology. This repression of the organological can be related to the notion of *dépense*, of expenditure as conceived by Georges Bataille: 'Every time the meaning of a discussion depends on the fundamental value of the world useful—in other words, every time the essential question touching on the life of human societies is raised … it is possible to affirm that the debate is necessarily warped and that the fundamental question is eluded. In fact … there is nothing that permits one to define what is useful to man'. At stake here are those 'so-called unproductive expenditures' that are always related to sacrifice, that is, to 'the production of sacred things … constituted by an operation of loss' Bataille (1985, 416). Every loss sacrifices, sacralises and sanctifies a default of being older than any being and this is how I read Levinas. In this tenor of primordial default, noetic intermittence is constituted, and it can project itself speculatively only in and as a neganthropologically conceived cosmic totality—that is, as the knowledge and power to create bifurcations within entropy.

All noetic bifurcation, that is, quasi-causal bifurcation, derives from a cosmic potlatch that indeed destroys very large quantities of differences and orders but does so by projecting a very great difference on another plane, constituting another 'order of magnitude' against the disorder of a cosmos in becoming, a cosmos that, without this projection of a yet-to-come from the unknown, would be reduced to a universe without singularity:

> Thus expenditure, even though it might be a social function, immediately leads to an agonistic and apparently antisocial act of separation. The rich man consumes the poor man's losses, creating for him a category of degradation and abjection that leads to slavery. Now it is evident that, from the endlessly transmitted heritage of the sumptuary world, the modern world has received slavery, and has reserved it for the proletariat. (Bataille 1985 [1949], 125)

In this proletarianised world, the expenditure of the 'rich man' nevertheless becomes sterile: the expenditures taken on by the capitalists in order to aid the proletarians and give them a chance to pull themselves up on the social ladder only bear witness to their inability (due to exhaustion) to carry out thoroughly a sumptuary process. Once the loss of the poor man is accomplished, little by little the pleasure of the rich man is emptied and neutralised; it gives way to a kind of apathetic indifference.

At a time when the becoming-automatic of knowledge forms the heart of the economy, and does so at the risk of denying itself as knowledge by taking the form of a-theoretical computation, I will return to this project from an epistemic and epistemological perspective in a new book, entitled *L'avenir du savoir*. It will there be shown that the question of the future of knowledge is inseparable from that of the future of work and that this must be translated into an alternative industrial politics that gives to Europe its place in becoming—and as transformations of this becoming into futures.

Becoming, Future and Neganthropology

Our question is the future—of work, of knowledge and of everything this entails and generates, that is, everything—insofar as it is not soluble into becoming. That it is not soluble means nothing other than the fact that it cannot be dissolved and (re-)solved without this dissolution being also its disappearance, that is, ours. This possible dissolution in fact is what is not possible in law: we do not have the right to just accept this and submit to it.

Lévi-Strauss cannot conceive this distinction between, on the one hand, that which remains radically undetermined because it is strictly and constitutively improbable and remains to come, and, on the other hand, that which is most probable, and which is as such statistically determinable.

If Lévi-Strauss is obviously not unaware of the many discourses emerging from philosophy that affirm the supra-causality of freedom—and therefore of will—in and before nature, he ultimately sees in this only an entropic power that accelerates the decay of the world, far removed from any differing and deferring that could give rise to new difference. In so doing, Lévi-Strauss adopts that nihilistic perspective the advent of which was announced by Nietzsche seventy years beforehand.

We cannot accept the Lévi-Straussian perspective. We cannot and we need not resolve to dissolve ourselves into becoming. We cannot, because to do so would consist in no longer promising to our descendants any possible future, a future to come, and we need not because Lévi-Strauss' reasoning is based on what in philosophy since its inception has consisted in repressing the neganthropological dimension of the noetic soul and of what we call 'human being', namely, the passage from the organic to the organological in which this soul and being consists. Lévi-Strauss proposes that anthropology be understood as entropology. But he takes no account of the negentropy generated by the technical form of life as described by Canguilhem, that type that characterises the noetic soul—whose very noesis (producing what Lévi-Strauss called the 'works' of man) is its intermittent fruit.

Any noetic work, as the intermittent fruit of noesis, produces a bifurcation and a singular difference in becoming, irreducible to its laws (improbable, quasi-causal and in this sense free—as freedom of thought, ethical freedom and aesthetic freedom). It would here be necessary to read Schelling. But such a noetic work thereby engenders a pharmakon that can turn against its own gesture—and this is why the *Aufklärung* can give rise to its contrary, namely, to what Adorno, Horkheimer and Habermas follow Weber in describing as rationalisation. Prior to Lévi-Strauss, Valéry, Freud and Husserl all drew attention to this duplicity of spirit that was for the Greeks of the tragic age their Promethean, Epimethean and hermeneutic lot. But unlike Lévi-Strauss, neither the Tragics, nor Valéry, nor Freud, nor Husserl denied the neganthropological fecundity of noesis and of its organological condition. This denial is characteristic as well of the nihilism suffered by those who cannot conceive the nihilism enacted by absolutely computational capitalism, that is, by a capitalism that has lost its mind and spirit—and has done so thanks not just to its rupture with its religious origin and the dissolution of belief into fiduciary and calculable trust, but to the destruction it has wrought upon all theory through the correlationist ideology founded on the application of supercomputing to big data.

Capitalism's loss of spirit results in the total proletarianisation of the mind itself. To fight against this state of fact in order to restore a state of law is to prescribe, for the digital pharmakon that makes this state of fact possible, a new state of law that recognises this pharmacological situation and that prescribes therapies and therapeutics so as to form a new age of knowledge. The discourse of Lévi-Strauss is profoundly nihilistic, literally desperate, and fundamentally despairing—and as such it is neither lucid (enlightening) nor rational. Rationality does not submit to becoming, and in this lies the unity of the diverse dimensions of freedom, that is, of the improbable as constituting the undetermined horizon of all ends worthy of the name, within that 'kingdom of ends' that is the plane of interpretation of what we refer to as 'consistences'. The latter do not exist, in the sense that, as Whitehead indicates, 'Reason is a factor in experience which directs and criticizes the urge towards the attainment of an end realized in imagination but not in fact' (Whitehead 1929, 5).

Reason is an organ, as Whitehead says, and this organ organises the passage from fact to law, that is, the realisation of law in facts, law being the new, that is, negentropy: 'Reason is the organ of emphasis upon novelty. It provides the judgment by which realization in idea obtains the emphasis by which it passes into realization in purpose, and thence its realization in fact' (Ibid., 15). Consistences are promises—they are inherently improbable, and it is as such that they make desirable a neganthropos that remains always to come, that is, improbable. This improbability is a spring that returns again in the winter of universal decay, the universe localised on this inhabited Earth being the site of 'two main tendencies

… the slow decay of physical nature [whereby] with stealthy inevitableness, there is degradation of energy [whereas] the other tendency is exemplified by the yearly renewal of nature in the spring, and by the upward course of biological evolution.… Reason is the self-discipline of the originative element in history' (Ibid., vi). It is this discipline that is lacking in Lévi-Strauss and in his entropology.

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8

Out of the Great Recession: The Conditions for Prosperity Beyond Individualism and Consumerism

Chiara Giaccardi, Monica Martinelli, and Cesare Silla

Introduction: Chapter Synopsis

While pursuing its ideal of autonomy and material prosperity, modernity has found in capitalism a strong ally for its project of the greatest happiness of the greatest number. During the last decades, such a project has been extended on a global scale thanks to the alliance of economic neoliberalism and political individualism, which conflated the ideal of the citizen into the reality of the individual consumer.

While the chapter is the outcome of collective research and discussion among the authors, sections may be attributed as follow:

First section after Introduction, "Capitalism and the Modern Project": Cesare Silla

Second section "Beyond the Dualism of Individual/Social Life: Simmel's Critical Views of Modern Economy": Monica Martinelli

"Introduction", "Conclusion: towards a generative freedom" and third section "Hannah Arendt: Consumer Society is Not a Free Society": Chiara Giaccardi

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This chapter claims that the crisis can shed some light on some serious shortcomings of the socio-anthropological view at the foundation of the modern project. In fact, moving from Arendt's as well as Simmel's critical notes on individualism and consumption, it is possible to show that the process of economic expansion through individual liberation on the one hand and the systemic exploitation of desires through consumption on the other, ended up in a condition of personal discontent and collective inequality, which threatens the very possibility of prosperity and autonomy for many.

In conclusion, using Simmel's and Arendt's criticism and the concept of social generativity, we will suggest a different vision of individual freedom, one that can constitute a more reliable socio-anthropological ground upon which a much-needed new model of growth may be built.

Capitalism and the Modern Project

The current cycle of Western socio-economic development and its crisis must be considered within a broader historical framework in order to be properly tackled. Whether bracketed as 'the neoliberal age' or 'globalization', the historical cycle ideally marked by the two end-points of the fall of the Berlin wall and the crash of Lehman Brothers was characterised by a model of growth sustained by a joint process: restraint of political institutions and empowerment of economic activities, through deregulation of markets and global finance. What seems to be overshadowed is that such a configuration stands as the last stage of the modern project, upon which its ideological legitimacy is grounded. Before dealing more in depth with our present situation, we must focus on such long-term premises that can offer a privileged viewpoint for understanding what has been going on during the last decades.

For the sake of brevity, we will rely on the framework Pierre Manent (2013) masterfully sketched in his philosophical history of Western political orders. Manent defines modernity as the project of building a society for individual freedom: modern humanity consists of the type of human who wants to be free in order to become an individual. There is no longer a *Comune* at the foundation of our societies, but the *Individuo* and his freedom to act as a *privato*. No longer 'laws' for action, but 'freedom' of action. No longer freedom for participation but freedom from participation. *Homo economicus* takes the place of the 'political animal' as the leading subject of history. Last but not least, 'citizens' of the City (*Polis*) turn into 'consumers' in the global cities (*cosmo-poleis*).[1]

What is important from our point of view is that the modern ideal of autonomy (*auto-nomos*, having one's own laws) is deeply enmeshed with the search for material progress and prosperity.[2] Both are foundations of modernity, each one being means of the other's end. In other words, in its long-term history, capitalism as the material basis of civilisation has been a way for establishing democracy as the ideal foundation of civilisation, as democracy rests upon prosperity to enable individual action. At the same time, capitalism has been rewarded with a much-needed legitimacy at the level of public discourse: capitalism came to be both the servant and the master of subjects' desire to act as individuals within democratic societies.

During the last decades of the 20th century the modern project has been furthered by the conjunction of independent historical events: from the right wing of the political spectrum, neoliberals promoted *deregulation*, market liberalisation and the finance economy while from the left wing libertarian movements arose against any form of social hierarchy and put individual expression at the pinnacle of postmodern culture. Both considered themselves as apostles of emancipation. Flexibility, mobility, expressionism and performance in the economic sphere met flexibility, mobility, expressionism and performance in the private sphere: the final act of a longer drama was eventually staged. A new season of development started with the rise of a global market society—the term 'globalisation' indicates this project: a worldwide technical system, pen-

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[1] There is a remarkable common reference in public discourse on the growing importance of the global cities at the expense of shrinking nation-states as the main actors in the world economic arena. See for example S. Coughlan 'Are cities the new countries?' BBC News (http://www.bbc.com/news/education-35305586), R. Florida 'The rise of the mega-region', in the *Wall Street Journal*, 12 April 2008, or the article 'Nations are no longer driving globalization—cities are' in *Quartz* (http://qz.com/80657/the-return-of-the-city-state/).

[2] For different assessments of the ideal framework behind the modern project and its 'legitimacy' see, standing opposite one another, Löwith (1949) and Blumenberg (1983). See also Voegelin (1952), who is close to Löwith in his diagnosis of modernity and Gauchet (1997), who is instead close to Blumenberg.

etrating more and more collective and individual life-spheres; a world of finanscapes (Appadurai 1990) crossing all kind of borders and spaces over the entire world; and a world inhabited by a truly cosmopolitan sovereign subject, detached from any ascribed condition and legislator of himself. The modern project seems to be fulfilled in the 'postmodern global age of capitalist democracies': finally, the sovereign individual seems to be able to act freely in a world of market-made opportunities, as dreamed by neoliberals.

So far so good? Not really, and how so is now evident. In fact, we may identify some serious shortcomings at the very foundations, ideal as well material, of the project. On the ideal side, democracy as a political form devoted to the deliberation and realisation of the common good ('*bene comune*') has been progressively ostracised. It is now considered of value as long as it is able to create conditions and chances for individual action, being the task of the indefinite extension of the Rights of Man the final stage of religion rationalisation from Comte (1875–77) and Durkheim (1969) onward.[3] On the material side, capitalism is hardly able to favour human and social prosperity, having rather increased environmental degradation and a concentration of wealth well beyond a sustainable balance: the original promise of making opportunities grow indefinitely for everybody was clearly not kept. Moreover, the combination of finance-driven economic development, technological exploitation of resources and subjectivist ideology flirting with a cheering nihilism has debased the value dimension (meaning) of institutions, which currently rely on their functional basis alone.[4]

From this point of view, it is no surprise to hear about a 'democratic recession' (Diamond 2008)[5]: not only because democracy is impoverished in its public dimension, but also because a growing tension has

[3] On the idea of the religion of humanity as a fundamental hidden source of modern globalisation and progressive thought see Voegelin (1962) and Manent (2006).

[4] Here we face the split between *legein* and *teukein*, that is the ability to order our knowledge and experiences by rearranging the meaning (*logos*) and the ability to properly act (*techné*); on this point see Castoriadis (1987).

[5] An increasing amount of attention is given to the crisis of democracy provoked by the voraciousness of capitalism and the anarchy of global finance by world-renowned sociologists, economists and philosophers such as Bauman (2011), Beck (2009), Nussbaum (2011), Piketty (2013), Sen et al. (2010) and Stiglitz (2012) among many others.

emerged between economy and society. Far from being a loyal servant of democratic states and their people, global capitalism—especially by means of finanscapes—has become an independent and powerful actor, with no boundary constraints and increasingly measured only in terms of efficiency, leaving aside any ethical and political evaluation. As a matter of fact, democracies struggle to find a convincing argument against the self-evidence of a techno-economic engine working for the empowerment of the individual. We live within what Magatti (2009, 2012) defines as techno-nihilist capitalism that whilst declaring to be working 'for the relief of man's estate', in the famous expression of Francis Bacon, it actually erodes the common ground for a meaningful life. Democracies are bound to amend the unbalances, or inefficiencies, not to evaluate the project in itself. We are left with a die-hard ideal of individual satisfaction (happiness) that in fact weakens our democracies by producing inequalities and loosening any social ties.

The main thesis of this chapter is that such serious shortcomings need to be taken seriously, not simply as (negative) unintended consequences of (positive) deliberate acts but as the other side of the same coin. As pointed out by Szakolczai (2000, 2003), modernity can be considered as a state of permanent liminality based on a schismogenetic process (Bateson 1972; Horvath and Thomassen 2008; Horvath 2013) which increases at the same time 'the greatest happiness of the greatest number' —quoting Bentham's famous principle of utility—on the one hand and the erosion of any common ground for a meaningful life on the other. These two entwined strains of modernity are tightened by techno-nihilist capitalism, whose inner logic is schismatic: the more it becomes strong, increasing systemic power (i.e. individual conditions for action), the more it separates economic life from its social foundation, thereby debasing the very conditions of political life, within which any individual action must take place.[6] While succeeding in empowering actions and material conditions, it deepens the separation between individuals and loosens the social bonds necessary for the protection of individual rights and the realisation of a good life.

[6] Polany (1944) already highlighted that market economies tend to flee from social, institutional and cultural constraints.

The contemporary crisis highlights the paradoxes of the model and points at the shortcomings of the socio-anthropological framework upon which it rests. The crisis makes clear how the process of economic expansion through individual liberation ends up in a condition of fragmentation and inequality that threatens the very possibility of freedom. We may endorse the point Robert Bellah and colleagues raised at the beginning of the 1990s: 'By focusing on our immediate well-being … and by being obsessively concerned with improving our relative income and consumption, we have forgotten that the meaning of life derives not so much from what we have as from what kind of person we are' (Bellah et al. 1992, 274).

They were clearly focusing on the issue concerning the type of man resulting from (and modelled by) a specific historical period.[7] From modernity onwards, the modern type of man has been increasingly stressed both in terms of his material wellbeing and with regard to a conception of freedom of action which ignores the political dimension of social life. The ideal of the *Individuo* took the historical shape of the consumer subject, transmogrifying the meaning of citizenship from a public category of politics to a private category of economic life, a fall from the public square to the private market (Sennett 1976; Bauman 1999).

In the following paragraphs, we will support the critique of consumer society as the outcome of modern capitalism using the arguments of two important intellectuals of the twentieth century: Georg Simmel and Hannah Arendt. From different perspectives, they reach a similar conclusion: freedom cannot be reduced to 'individual freedom to consume', as consumer society is all but free. Hence it is urgent to assess a different idea of freedom, as a basis of a new kind of shared prosperity.

[7] This is a central concern of classical sociological theory, increasingly left aside by post-Second World War social theory. On this point see Mills (1959). Specifically, the relation between types of man (*Menschentums*) and social orders (*Sozialordnungen*) is the cornerstone of Weberian sociology as recognised by Hennis (1988), Scaff (1989), Szakolczai 1998 and Müller (2007). On the pivotal role of that theme in Weberian sociology see the special issue published by *Studi di Sociologia* (Silla 2016) on the occasion of Max Weber's 150th birthday.

Beyond the Dualism of Individual/Social Life: Simmel's Critical Views of Modern Economy

According to Simmel, certainly one of the brightest interpreters of contemporary experience, 'the notion of society, of its values and conflicts, derives from the fundamental ideas of humanity and of the individual' (Simmel 1923, 117). In particular, Simmel was a pioneer in highlighting some weaknesses of the anthropological vision that supports the modern economy (as well as the postmodern socio-economic model). In emphasising the centrality of the individual, modernity in Europe prompted a process of liberation from previous obligations and social, communitarian, institutional ties, in the name of freedom. However, modernity was also the era wherein a different structure appeared, under the pressure of the disenchantment of the world: the idea of 'mass man', namely a human who is dependent on technical systems, subjected to the productive planning of mechanical capitalism, identified with its functions and subordinated to social control for the sake of order.

On the one hand, the individual wants to affirm his personal freedom. On the other, the dominion of instrumental rationality grows. Simmel was an extremely attentive listener of the *self* crying for freedom and seemingly destined to a growing distance from the others, the meanings, the quality of things: ultimately, from himself. What is most important here is that he was able to identify two different forms of individualism.[8]

The first—typical of the eighteenth century—revolved around the central idea that *all humans are identical* in their most intimate core, in their human nature, beyond their different historical guises. Within that framework, we should look at the ties imposed by our group identities and by institutions as the cause of inequalities. Ties must therefore be broken, so that a 'true', 'free' and 'perfect' human can emerge, free from all historical determinations: actually, an abstraction.

The second kind of individualism—typical of the nineteenth century—considered the subject as *different from any other*. Its uniqueness was glorified at the expense of its social bonds and ties. Hence, a paradox

[8] See especially the following essays of Simmel: '*Die beiden Formen des Individualismus*' (1901/02); '*Goethe*' (1989); '*Individualismus*' (1957a); '*Das Individuum und die Freiheit*' (1957b).

arises: individuals, while breaking bonds for the sake of their personal freedom, at the same time need to feel integrated into some kind of unifying entity above them.

A dualism between the individual and society is evident in both types of individualism: on the one hand, the individual claims to stand up in his singularity as a representative of the entire humanity: an abstraction from actual reality, which he tends to reduce to his own representation. On the other hand, he aspires to an 'incomparable uniqueness', that is unrelated, incommensurable. But then the problem arises when isolated particularities try to find a unifying element that can make social life possible.

In the long term, in both cases the individual ends up disregarding the debt towards social life, which is what allows us to exist. Society is either conceived as the mere sum of many *selves*, or as a system to which we instrumentally conform, thus trading freedom for security. Throughout modernity, the pendulum of social life has definitely swung towards the individual side, up to what some contemporary authors have defined 'collective narcissism' or 'mass individualism'. The modern (and postmodern) individual is incited to pursue freedom as unconditioned openness: accordingly, all bonds must be weak and all meanings pliable. This is a kind of freedom that Simmel defined '*anarchic*' (Simmel 1991, 154–56)[9]; in fact the subject risks surrendering, without any resistance, to the causality of impulses and contingent situations, by adhering to a strongly immanent and conformist logic of existence. Ironically, in that process individuals feel as if they were running after their own desires. What is more, the powerful processor of technical rationalisation—which follows its own logics and changes means into ends—makes this freedom purely 'technical', namely open to the increasing number of possibilities offered by technology, in the belief that all that is technologically viable is

[9] See *Einleitung in die Moralwissenschaft. Eine Kritik der ethischen Grundbegriffe* (1892–93), 154–56, now included in the collection of Simmel's writings: *Gesamtausgabe*; see volumes 3 and 4 of the collection edited by Köhnke, K.C., Frankfurt, Suhrkamp—published in 1989 and 1991 respectively (in this chapter, quotes have been taken from volume 4, 1991, and translated from German to English by the author).

inherently meaningful.[10] Therefore, relationships tend to become purely functional: 'people gain their significance for the individual concerned solely as representatives of those functions … What kind of people they are in other respects plays no role here' (Simmel 1978, 295).

It was clear to Simmel that the social world cannot simply emerge from the association of individuals combining individual functions in the most effective way, for the better fulfilment of individual needs through economy, free competition, division of labour, consumption and technology. Rather, as we can see nowadays, all that is more likely to produce greater dependence and more intense competition.

In several writings Simmel stated that a society in which the main values are absolute individual freedom and the highest possible self-realisation has the paradoxical consequence that neither individual freedom nor happiness in fact come true. What actually occurs is an individualisation that leads to isolation and to a solipsistic and ineffective way of tackling problems. In fact, the pendulum always risks swinging to the opposite side, and, in this case, to stop on communitarian forms which evoke an organicistic notion of society and lead to the abdication from individual responsibility (and, consequently, from freedom). While absolutising social life as the root of individuality, the organicistic position has assumed a pivotal role for all those communitarian forms that support fusion rather than promoting relationships: hence an intense emotional involvement with contingencies prevails on the relational creation of shared meanings and values, lasting over time. This is also what characterises modern (and contemporary) collective phenomena, including fashion and consumerism (the latter implying, as its etymology clearly shows, individuals' full immersion in contingency).[11]

Despite being diametrically opposited, both the atomistic-individualistic and the organicistic models have converged in conceiving society as the outcome of an agreement between individuals, rather than seeing social life and individuals as sharing a common origin. In this way they both are caught in an impasse, as Western history in the twentieth century clearly shows.

[10] Max Weber investigated this point at length and indicated how the problem of social life is first and foremost a spiritual problem; in fact, it informs our ability, as human beings, to think of the social life and look at it in a way that is not only technical.

[11] See, for example, the Simmel's essay on fashion "*Die Mode*" 1904 in Simmel (2008a).

In fact, outside of a common origin, social life could be destroyed at any time by individuals. If the individual abandons the social dimension, no limits can be found to the expansion of the will to power of the *self*, hence deprived of the possibility of something beyond himself to look towards, to care for and to treasure.

Simmel—in spite of his defence both of the individual and freedom—heavily criticised the individualistic notion of social life and freedom, as the one that underlies modern economy.

Therefore he posed a challenge that sounds particularly meaningful today: 'how the individual might safeguard his particular value, without sinking at the same time into the instability of subjectivism' (Simmel 2004, 37) or disappearing in an amorphous collective?

Simmel's analysis stressed the importance of 'proving the gnoseological impossibility of a division of principles between social structures and the individual' (Simmel 1991, 185), a scission that produces sterile oscillations between opposite mythologies: a subject without a world and a world without a subject. He rather understood the individual and society neither as contrasting, nor as subordinated to one another, but rather as 'co-originated realities': the individual is the '*Gesammt-Ich*'—the Global Self—or '*der ganze Mensch*', 'the whole man'; he is not 'what remains when what he shares with others is subtracted' (Simmel 2001, 463).

This fracture has deepened because of the power of modern technical systems. Against this background, the individual is driven to an alienation from the social world, by seeking refuge in his own kingdom and then replicating the 'individual-society' dualism. A dualism that has become lacerating by now, as the individual who loses his relationship with the world is no longer a 'whole man' and loses his individuality too. For Simmel, the individual is certainly something for-itself. However, at the same time, it is projected outside-the-self: 'only individuals are forms that are relatively closed in themselves'; yet they are 'forms' that entertain a full interaction with their environment (Simmel 2001, 446). And this is precisely 'the premise of any experience and of any action, of any thought'; this is, in other words, 'the fundamental experience' (die *Grundtatsache*) of the human being (Simmel 1996, 80).

The subject cannot be defined unilaterally, as it is the case within the modern socio-economical frame. He is in fact a true unity of different dimensions: being 'part of society' and being 'for-itself'.

If the individual and society are *not* co-originated, a radical dualism seems inevitable between individualistic self-realisation (a drive that contemporary culture heavily exploits), and radical incorporation of individuals in an increasingly technical system. In both cases freedom, inasmuch as a relational experience, becomes impossible.[12] If the individual and society are not co-originated, then the tension between the two can only result in the exclusion of one or the other.

An exclusion emerging, for instance, in the split between objective and subjective culture: the former (techniques, means of production, system of concepts and so on) dominating, thanks to its power and speed, the latter (what individuals can learn as they live and reflexively elaborate).

Simmel rejects both the self-referential technicism of objective culture, '*with its fatal tendency not to recognize any boundary*' (Simmel 2004, 51), and the exasperated individualisation that isolates and weakens the subject. Hence for proving to be a true singularity, the subject is forced to exaggerate in order to be heard, even by himself (Simmel 1995).

An irreducible duality between the life of the subject and objective forms emerges, as well as a widespread disorientation within the 'sick culture', while the socio-economic system offers the most poignant example of 'covering ends with the means' (Simmel 2003, 93–94) in history. Such a dualism lacerated life as well as experience. Occasionally the opposite can take place (Simmel 1978): within dominant objectification, a sign of subjective spirit may emerge - when for instance in different life worlds (including economics) actions and relations are able to safeguard a less partial view of human beings. The subject's capacity of resistance to be levelled and dissolved within a technical-social mechanism (Simmel 1995) is then proved. Precisely that sort of resilience calls for overcoming any dualism and for taking the co-originality of individual and social life seriously. The sterile attitude which is at the same time the cause and the effect of a neurotically excitable and degenerate society (Simmel 2008b) can then be countered.

[12] As Simmel wrote in *Soziologie*, 1908, now in Simmel (1992, 662–663).

Simmel does not intend to rewind the tape of history. Worried about the destiny of the individual, and critical of any dualism—individual and society, objective and subjective culture, abstraction and concreteness, economy and social life—he tries to open up a horizon within which the co-originality of the individual and social life can be recognized and valorised.

From an empirical point of view, this means that society cannot ignore the freedom of individuals, while individuals cannot be conceived as a mere product of society or of technical systems: individuals only exist in relation to 'other-from-themselves': for instance, to a history that came before and will continue after them, through future generations.[13] In this case, then, the relationship with society exceeds the language of individual rights, that disregards crucial issues like contributing to the creation of a common world to inhabit. This relation is more precisely qualified by Simmel in terms of 'giving-receiving', beyond the mere economic negotiation (Simmel 1992). In this respect, Simmel strongly distanced himself from the negative philosophies of the ego, maintaining absolute autonomy and instrumental relationships with others. He rather emphasised the role of debt and *gratitude* towards others and life, namely what allow us to exist.[14]

Hannah Arendt: Consumer Society is Not a Free Society

Hannah Arendt was among the scholars who more heavily criticised the idea of freedom associated with consumption (a choice among the highest possible number of available opportunities), rather introducing a 'qualitative' character of human freedom, namely the faculty of beginning. Freedom is grounded on 'natality': 'the birth of new man and the

[13] See especially Simmel (1900/1907), *Philosophie des Geldes*.

[14] Simmel writes in *Sociologie*: 'gratitude is the moral memory of humanity' and constitutes 'an ideal bridge … with which we can get close to the other subject. … As much as gratitude is a purely personal kind of affection, it becomes, by virtue of its thousand interlaces within society, one of its stronger connecting tools … If all the reactions of gratitude were suddenly cancelled, society as we conceive it would crumble' (Simmel 1992, 662–63).

new beginning, the action that they are capable of by virtue of being born' (Arendt 1958, 247). In fact, human beings are 'born to begin': inasmuch as they come into the world as a radical novelty, they can initiate something that is able to escape determinism and the mere reproduction of the biological cycle (labour), by introducing a discontinuity and the possibility of a truly human way of being: 'the newcomer possesses the capacity of beginning something anew, that is, of acting' (Arendt 1958, 9).

Before dealing more in depth with the idea of natality and its relevance for the present, it may be useful to retrace some aspects of Arendt's poignant criticism of consumer society and the related idea of freedom. An important, preliminary element is found in the prologue of *The Human Condition*, when she establishes a connection between the human fondness for 'making' and exploiting and the corresponding dislike for the humbler attitude of 'receiving' and caring: "This future man … seems to be possessed by a rebellion against human existence as it has been given, a free gift from nowhere (secularly speaking), which he wishes to exchange, as it were, for something he has made himself' (Arendt 1958, 2–3).

On this attitude (reject what is given—admire what is produced) a sort of 'idolatry of production' is grounded, as the more tangible expression of human force and Promethean power. But, according to Arendt, '"conspicuous production" (if we may vary Veblen's term) is, in fact, no less a trait of a society of producers than "conspicuous consumption" is a character of a laborers' society' (Arendt 1958, 160). Production needs consumption and consumption is a form of labour: they are 'but two stages of the same process' (Arendt 1958, 126).

Human beings that conceive of themselves mainly in terms of their desire to consume are in fact but labourers: and ironically we live in a labouring society (Arendt 1958, 4), even when labour is no longer available. In fact, because of automatisation first and economic crisis later, we are facing a dystopic future: 'What we are confronted with is the prospect of a society of laborers without labor, that is, without the only activity left to them. Surely, nothing could be worse' (Arendt 1958, 5).

Not only does labor via consumption become the main way of identity-making (as can be seen currently in the manufacture of online profiles, such that some scholars renamed social media as 'social factories'[15]); more deeply, labour is no longer the required 'fee' to be paid to be able to dedicate time to higher tasks, like contemplation and action. Rather, it becomes the only activity we can manage, the colonising model we extend to the whole realm of human activities: 'It is a society of laborers which is about to be liberated from the fetters of labor, and this society does no longer know of those other higher and more meaningful activities for the sake of which this freedom would deserve to be won' (Arendt 1958, 5).

'Thinking what we are doing'(Arendt 1958, 5) is then necessary to dissolve the fog of ideology that names freedom what is in fact the new slavery. But why has consumption become so crucial to us?

First of all, consumption, in Arendt's words, allows us to 'experience the sheer bliss of being alive' (Arendt 1958, 106). In a world in which we feel insecure, ineffective, overwhelmed by processes we cannot control and even understand, it comes as a handy and pleasurable form of action, except that it easily turns into its opposite, as we will see.

Secondly, consumption at the same time encourages and promises to fulfil the demand for happiness; daydreaming is the solace for the frustration of labor, and dreams are made of consumer goods: 'The universal demand for happiness and the widespread unhappiness in our society (and these are but two sides of the same coin) are among the most persuasive signs that we have begun to live in a labor society which lacks enough laboring to keep it contented' (Arendt 1958, 134). In fact, happiness is always ahead, never experienced in the endless cycle of labour/consumption. The same frustration poisons the search for identity: we consume to distinguish ourselves, to express our uniqueness, but we are bound to the range of equivalent possibilities made available by the market, the same for everyone. Far from favouring 'plurality' (the variety of unique human beings that makes the world rich) consumption fosters standardisation and the rise of a mass society.[16]

[15] R. Horning, 'Social Media, Social Factory', *The New Inquiry*, http://thenewinquiry.com/essays/social-media-social-factory/

[16] In Arendt's words, plurality means that 'we are all the same, that is, human, in such a way that nobody is ever the same as anyone else who ever lived, lives, or will live' (Arendt 1958, 8).

And finally, as the other side of labour, consumption is related to a sense of abundance and 'fertility',[17] even of 'limitlessness': it works to stoke limitless demand, up to demonising contentment as laziness. The consumer is always on the move, tireless, as opportunities for consumption are infinite.

But even in that case consumption is rather a surrogate that brings about the opposite of what it promises. In fact, as we will see in the final part of the chapter, fertility exceeds mere reproduction and becomes a multiplying force: able, unlike consumption, to bring a 'surplus' into the world.[18]

Hence in spite of the equation of production/consumption with abundance and 'fertility' (Arendt 1958, 106–107), the effect of consumption/labour, when being the only activity left, is rather destructive. Arendt uses in several passages the verb 'devour' to indicate that unintended outcome. Totalising consumption goes hand-in-hand with a bulimic, greedy, annihilating society: 'In our need for more and more rapid replacement of the worldly things around us, we can no longer afford to use them, to respect and preserve their inherent durability; we must consume, devour' (Arendt 1958, 125–26).

> A labouring society is then a devouring society: 'the spare time of the animal laborans is never spent in anything but consumption, and the more time left to him, the greedier and more craving his appetites. That these appetites become more sophisticated, so that consumption is no longer restricted to the necessities but, on the contrary, mainly concentrates on the superfluities of life, does not change the character of this society, but harbors the grave danger that eventually no object of the world will be safe from consumption and annihilation through consumption' (Arendt 1958, 133).

Consuming means taking, incorporating.[19] Then not only does it not produce any wealth, but it literally devours the world we have in common. It cancels 'worldliness', in Arendt's word.[20]

[17] 'The force of life is fertility' (Arendt 1958, 5).

[18] 'The living organism is not exhausted when it has provided for its own reproduction, and its "surplus" lies in its potential multiplication' (Arendt 1958, 108).

[19] 'The product is immediately annihilated by the body's life process' (Arendt 1958, 103).

[20] 'If we were truly nothing but members of a consumers' society, we would no longer live in a world at all but simply be driven by a process in whose ever-recurring cycles things appear and disappear,

Consumption fosters individuality ('the capacity to consume remains bound to the individual', Arendt 1958, 124) and exclusive concentration on one's own body. And 'nothing ejects one more radically from the world than exclusive concentration upon the body's life' (Arendt 1958, 112). Apparently, consumption integrates individuals in society, but in fact it erodes social bonds and fosters alienation from the world as well as society.

The consuming society is then a 'futile' society of individuals too absorbed in consumption to take any responsibility for the common world. It is also a society of inequality, as some people become the means to the end of others' satisfaction. If the cycle of consumption turns into a cycle of slavery (we all become 'menial servants'), it is mainly because it enchains time: devouring, in fact, prevents lasting. This is a crucial aspect we intend to outline here, with some of its implications.

A Crisis of Time

The present crisis, as many recognize by now, is anthropological before it is economic: it is above all a crisis of meaning. Following Arendt, we can see it as a crisis of *durability* that has eroded our world in common. In fact, the infrastructure of bonds is time, even before space. The global conundrum is first of all a crisis of time. From worldliness to worldlessness, from durability to 'futility': the grounds of our 'familiarity' with the world, namely gratitude for what we received and commitment to the next generations, evaporate. Transience in fact fosters futility (that prevents people 'ever establishing anything so solid and durable as a common world', Arendt 1958, 57) while destroying familiarity ('being at home in the midst of things', Arendt 1958, 155), the condition of stability in the relationships with the world and with other people without which we are trapped in contingency, repeating things and behaviours that do not last, under the pressure of urgencies: hence, we cannot be free (Arendt 1958, 94).[21] Outside permanence, we no longer live in a world

manifest themselves and vanish, never to last long enough to surround the life process in their midst' (Arendt 1958, 134).

[21] 'The least durable of tangible things are those needed for the life process itself. Their consumption barely survives the act of their production' (Arendt 1958, 96). And in so doing we 'forget' to take

at all. Therefore, to overcome the economic crisis we need non-economic means. One is precisely the commitment to '*redeem*' time. To use an expression by Maria Zambrano, only if we can live through time we can be free (Zambrano 1958).

But consumer society, while exploiting time as an infinitely capacious container, at the same time denigrates and devalues duration. In fact, an infinity of possibilities slips into the place of infinite duration. But while consumption is essential for surviving, durability is essential for being human.[22]

Moreover, in times of futility (which is less 'morally' than 'temporally' connoted) 'our whole economy has become a waste economy, in which things must be almost as quickly devoured and discarded as they have appeared in the world, if the process itself is not to come to a sudden catastrophic end' (Arendt 1958, 134). A waste economy is indeed an economy of inequality.

What can prevent destruction? First of all fostering permanence, as a condition for *worldliness* (Arendt 1958, 236). For Arendt 'work' is essential as, unlike labour, it allows to fabricate things that are made to be used rather than consumed, and then have at least a relative permanence.

'Memory' is another way,[23] as well as 'promise'.[24] A promise in fact is kept in time: it is not a 'punctual' action, but a way of behaving that is accomplished in linking past, present and future. Hence, time is mended from one of the main inconveniences of postmodernity: according to Bauman, the fragmentation into unrelated episodes, the fact that 'time is no more a river, but rather a collection of ponds and pools' (Bauman 1995, 91).

That is why promise is so important: 'binding oneself through promises, serves to set up in the ocean of uncertainty, which the future is by definition, islands of security without which not even continuity, let alone

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care of the world in common: 'It is indeed the mark of all laboring that it leaves nothing behind, that the result of its effort is almost as quickly consumed as the effort is spent. And yet this effort, despite its futility, is born of a great urgency and motivated by a more powerful drive than anything else' (Arendt 1958, 87).

[22] 'Without a world whose very permanence stands in direct contrast to life, this life would never be human' (Arendt 1958, 155).

[23] On the reciprocal implication of 'memorability' and 'durability' see Arendt (1958, 170).

[24] Promise allows stability without claiming control: 'it corresponds exactly to the existence of a freedom which was given under the condition of non-sovereignty' (Arendt 1958, 244).

durability of any kind, would be possible in the relationships between men' (Arendt 1958, 237). Promise builds a relational, rather than individual (augmented by technique) security.

The way out from the crisis conundrum cannot therefore be consumption. Not only because it is unrealistic (the machine is now broken and useless; the time of endless growth is over) but, more deeply, because this conviction is precisely part of the problem, which delays and nullifies the effort to find a different and more effective way out of the crisis.

The approach cannot be simply 'degrowth': in fact, as well as growth, it relies on a paradigm of 'quantity'. The challenge is to escape that framework altogether, which proved to be narrow and inadequate, and reframe the situation: the crisis as the end and failure (rather than a temporary shutdown) of a system based on production/consumption (and then financialisation through irresponsibly stoking consumption), that dispels the legacy of the past, blocks the future, erodes the bonds between generations. It is urgent to find a new paradigm, one in which relations can be mended, time redeemed, plurality preserved and enriched, the permanence of a common world guaranteed, the capacity to bring something new into the world for the good of all encouraged and sustained.

Conclusion: Towards a Generative Freedom

'Caminante no hay camino/se hace camino al andar' (Traveler, there is no path. A path is made by walking). These verses by the poet Antonio Machado nicely illustrate our present situation: there is neither a recipe nor a clear map for finding the way out from the crisis: only a direction to take.

What we already and painfully know is that an idea of freedom as individual choice among the highest possible quantity of options is a reduction that leads us to a situation of slavery and inequality: time is fragmented, confined to the urgency of consumption, ends up in repetition, and cannot sustain relationships. Nothing durable can be built, no legacy acknowledged, valorised, transmitted. A great part of humanity becomes means for the others' ends.

The time is ripe for giving up any effort to mend inefficiencies, and for finally questioning the project itself by imagining a new form of exchange: different ways of recomposing social, political and economic interests, after the crisis of the financial-consumeristic model in Western democracies are much needed today.

A change of paradigm is required, one which authors like Simmel and Arendt helped to forecast. The former critiqued the dualism between individual and society, as well as the 'abstract' individual, separated from the background of his relationships or, conversely, dissolved in the fusion with the community: thanks to the co-originality of individual and society the risk of 'objectifying' world and people, reduced to means and 'consumed' is thwarted, while the conditions for a meaningful shared experience grow. Arendt was extremely lucid in recognizing the blasting force of freedom as individual consumption in a world of market choices, while indicating a different path for freedom in democratic societies.

A shift is required from the attempt to remove any restriction (the ideal of deregulation and limitless choice) that fosters a rapacious individuality and erodes the common world, to the recognition of the meaningful web of relationships in which we are included, that constitute what Simmel called our 'fundamental experience' (die *Grundtatsache*): relationships are resources, as well as a useful restrictions on the tendency to devour the world and others. Moreover, only in reconnecting the different dimensions of time duration becomes possible, and only then something new can spring; breaking the chain of replication is the condition for bringing about the 'surplus' that labor (and consumption as correlate) can never produce, as both Simmel and Arendt recognized.

Arendt explicitly used the world 'natality' to indicate that process. Natality is less a 'biological' than a symbolic process in which freedom is rooted: by virtue of being born, we are capable of new beginnings (Arendt 1958, 247). Each of us, because of our uniqueness (a concrete one, rooted in bonds, unlike the one rightly criticized by Simmel), introduces a radical novelty, that enriches plurality, breaks the automatism of time and the fruitless circle of labour/consumption while opening up a new path for freedom: freedom to begin (something new), rather than freedom of choice (among given possibilities); freedom of giving (bringing into the world) rather than taking (incorporating, devouring). In other words but in the same spirit, Simmel indicated *responsibility* as the condition for *freedom*[25]: responsibility (*Verantwortung—respondere*) is our *answer* '*to*' (*Antwort—respondeo*, an interpellation coming from 'others') and '*of*' (*of* what we allow to exist by taking care of it for the future[26]). It supports freedom, as it can be an original *answer*, generating qualitative difference against the unconditioned flow of events; it is able to bestow value upon something which is original: not 'a mechanical echo of the cries from outside' (Simmel 1938, 134), but the interruption of the nonsense of infinite multiplication of possibilities lacking any direction. Therefore, *it is an answer full of meaning*: for Simmel, the space for the elaboration of meaning is a space of freedom, because it takes away from the quantitative and materialistic excess of a technicist vision, that cancels time.

As Arendt shows, we face a temporal paradox here: while sterile replication of the labour/consumption cycle ensures continuity but destroys duration, the burst of natality, while introducing a discontinuity, fosters the permanence of the world in time, while preserving plurality. In fact, precisely because we have been brought into the world by others we can give birth to something new, with gratitude toward the past and hope for the future (Arendt 1958, 247).

The human being is a creature in 'ceaseless gestation', as Zambrano used to say. Life always (qualitatively) exceeds what is (quantitatively) produced and consumed and transcends its character of mere reproduction. Novelty breaks into history thanks to new generations, who bring change even when they do not realize it. The link between generations is essential both for Simmel and Arendt, as the condition for a public space: 'If the world is to contain a public space, it cannot be erected for one generation and planned for the living only; it must transcend the life-span of mortal men' (Arendt 1958, 55).

'Intergenerationality' is the form durability takes in history: not as mere reproduction but as a novelty in continuity. Gratitude for those who came before us and commitment toward the new generations is the soil upon which a common world can be kept alive and enriched in time,

[25] See especially Simmel (1991) and (2004).

[26] Considering that 'no action in the social cosmos can remain free of consequences": for this reason "we should underline our responsibility towards future generations' (Simmel 1982, 44–45).

as a condition of freedom. In fact, the possibility of any free human act relies on the spirit of initiative as well as on the relations that constitute the fabric of our life, from which it emerges and that contribute to shape. Within that frame, both custody and development are encouraged.

In this frame it might be useful to briefly recall E. Erikson's idea of generativity (Erikson 1987). He defined 'generativity' as the only viable alternative to stagnation in the development of adult personality. But this idea can be fruitfully extended to the social realm as well, in order to trace a different path for human freedom beyond consumption, in the stagnation of the present crisis: freedom to generate versus freedom to consume.

'Generative freedom' is a viable alternative to the financial-consumer model, beyond the mere struggle against the ideology of consumerism. The battleground in not at the normative level—which indicates what should or should not be done—but rather at the anthropological level. The *pars destruens* leaves room for a positive attitude: the capacity of human beings to act 'for the sake of', to go beyond themselves, to include others in their self-understanding. Accordingly, the true engine of free action and personal freedom is always associated with a broader and more far-reaching social responsibility (*amor mundi* in Arendt's words) for the world we share with others as our common *inter-esse*.

Generative freedom widens the temporal span beyond immediacy, reconnecting horizontal (social) and vertical (intergenerational) bonds, while allowing initiative and innovation in a sustainable and long-term perspective. Capacitation and contribution are key issues here. Participation does not take place through consumption (the 'citizen consumer', a definition that excludes from democracy all those than are not in condition to consume) but through contribution (and even the most fragile subject can contribute in some way). Enabling and giving are 'generative' attitudes that create positive conditions for innovation and development, while contrasting unskilled replications and dependency on consumption, which Stiegler convincingly named 'proletarization' (Stiegler 2011).

In times of crisis, trapped in the labour of surviving within an economy of waste (of material as well as human resources), unable to generate newness for the common good we become, in Zambrano's evocative expression, 'proletarian of our own life'.

A different way is needed more than ever; one that R. Bellah, among others, foresaw several years ago, even before the beginning of the crisis: ‘The politics of generativity takes social inclusion and participation as a key theme—for economic no less than for moral and social reasons’ (Bellah et al. 1992, 277–78).

Bringing things to the world for the sake of gratitude and responsibility, taking care to ensure duration, transmitting to others by enabling them to begin something new in turn are the transitive and intergenerational movements that allow for a freedom to generate rather than consume.

In this way, our generative capacity acquires an extraordinary potential for recovering from the many failures of contemporary freedom, and can suggest a common, contributive way out from the shoals of the present crisis.

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9

A Major Reason for the Present Crisis: The Belief that the Economy Represents the Foundation of Human Society

Francois Flahault

'Within traditional societies', writes Louis Dumont, 'the relationships between people are more important, assigned more value than the relationships between people and things. This primacy is upturned in modern societies, where the relationships between people, on the contrary, are subordinate to the relationships between people and things'(Dumont 1977, 13).[1] This distinction coincides with that made by Dumont between holistic societies (the category under which most traditional societies are classified, including those of Medieval Europe) and individualistic societies (modern Western societies). Such clear-cut oppositions did not fail to secure criticism.[2] I will share these criticisms; however, I remain thankful to Dumont for providing us with an anthropological perspective of our modern, Western societies; this undertaking, in which he stood as a pioneer, encouraged me to conduct my research. With the objective to embody universal reason (an objective which encouraged

[1] This opposition continues on pages 82, 89, 99, 100, 104, 176, 198 and 214. See also Dumont (1983), notably pages 47 and 255.

[2] See for example Vergara (2001), Flipo (2014), Lozerand (2014) 27–32.

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its industrial superiority and past colonial expansion), the West yielded to naive narcissism and for an excessive period refrained from examining itself at a distance, as it had done with other cultures. The feeling of sovereign superiority that, for example, Husserl presented in *Crise de l'humanité européenne et la philosophie* (1997 [1935]), presently appears as a ridiculous objective (particularly when applied to critical thinking, which philosophy claims to be).

Dumont's idea that modern Western humankind is based—or rather *believes* it is based—on the relationship with things over the relationship with others stands up quite well to the criticism. Such a belief implies that the relationship between humankind and its living environment is fundamentally utilitarian, that the economy lies at the basis of human societies and that, consequently, it is in the name of the economy that political powers must justify their choices and actions. This current dominant belief is one of the major reasons for the present crisis. Over the following pages, I deal with the archaeology of this problem. I subsequently demonstrate how understanding acquired over the past ten years leads us to reject this belief, taking us on an alternative pathway. A simple criticism of the neoliberal economy is not adequate: it is rather the place which the economy holds in terms of the conception of human and society that we must question.

A Brief Reminder of the Establishment of the Western Concept of the Individual

Generally, within traditional societies, it is believed that you cannot simply be a human alone if you do not occupy a place amongst other people. Possessions and relationships with others are regarded as part of a social setting, recognised as the foundations for life. This view is also put forward in Europe by Thomas Aquinas: following Aristotle, he believed that the social state represents humankind's natural state, that societal life was the wish of God and therefore not the result of original sin.

Just a few decades after the death of Aquinas things began to change: the Franciscans developed a political theology which saw that individuals come before society (Zarka 1999). At the end of the thirteenth century, Duns Scotus wrote that only the family is natural; society was created by humankind '*ex consensu omnium*'. With the promise of a bright future ahead, this view was passed onto the seventeenth-century philosophers, particularly via the *Defensor Pacis* (1324) written by the Franciscan, Marsilius of Padua and via the work of the Jesuit, Suarez (end of sixteenth century). Notably, Locke, for example, supposed the existence of a type of natural property within the pre-political state, prior to the property resulting from conventions within political society. As per the original order, he believed that land only belonged to humans because they tended to it: the work—relationships with things—served to establish property before the relationships with others (Tully 1992).

Here we see a combination of self-founding and theological-political discussions: Locke sets the scene using the Robinson Crusoe myth. However, if we go much further back in time, we can see that both Platonism and Christianity set the groundwork for Locke and, more generally, for the Western modern conception of the individual. Plato taught that our guiding spirit comes from God and not from our parents (just like for the other Greeks, it is not resolved by the fact that humans are born from women and recalls a more noble origin); in terms of Christianity, this view teaches that humans were created in the image of God, so that human beings, beginning with Adam, existed before any relationships with other species.

As part of Defoe's fiction, the male dream of self-foundation blends with the perfect coloniser, the desire for control and the Western conception of the modern individual. Charmed by Defoe's eponymous character, Rousseau wants his perfect student, Émile, to only read one book: not the Bible but *Robinson Crusoe*. In his eyes, Robinson is more of a model to look up rather than a fictional creation. The fantasy continues with Jules Verne, to quote the most famous writer of the Robinsonade. It does not end there: numerous economists have resorted to the character of Robinson when planning the origin of the exchange of merchandise. 'Where Robinson Crusoe is often mentioned in neoclassical analysis', writes Bernard Guerrien, 'it is because he has this unique quality where he makes his own choices, without any interference from society'[3] (Guerrien

[3] See also Hart (2015).

1999, 12). It is no surprise that Robinson finds himself best in the writings of a libertarian, Murray Rothbard.[4] Incidentally, it is paradoxical to resort to Robinson Crusoe to demonstrate the idea of an economic player which bases its choices on its own preferences and not on society. In essence, Robinson is a fictional character, his existence is shaped by Western culture: the reason he exists for each of us is owing to the fact that he also exists in the minds of others, in the same way as Mickey Mouse, Superman or Tintin. Robinson is a *self-made man* in the eyes of children, a dreamlike character. However, for adults, who do not envisage reality in this way, Robinson marks a representative of the collective, a social element.

'Economic science', writes Marc Guillaume, is 'a mixture of scientific questions and *founding beliefs*. Individualistic ideology, such singularity within the history of civilisations, has made utilitarian belief possible' (Guillaume 1989, 8, my italics). In fact, economic sciences are based upon the idea of humans being close to that upon which political theories are based, which specify a natural state before a social state: individuals exist independent of each other, like the Robinsons. They first satisfy their own requirements, employing an 'every man for himself' concept when it comes to producing something; then each person carefully considers the advantage to be gained from exchanging that which he or she has produced more easily with others; so they come and live as part of society. Here we have one of the great cornerstones of a Western view of human and society: life within society is '*opus humanum*' and satisfies utilitarian purposes. A belief shared by traditional economy, Marxism and even by dualism and materialism; dualism as a human is assured of his or her existence via the divine connection, the relationships with others are not supposed to feed his or her being, but satisfy practical objectives; materialism as the aforementioned sees self-awareness and the feeling of existence as natural, biological attributes. Where humans receive their psychological being via soul or body, in both cases we have individuals with a being shaped by nature, independent of their social life.

[4] See Rothbard (2009 [1962]) and 1982.

The Reversal of a Belief: It Is Social Life Which Has Made the Emergence of *Homo sapiens* Possible

During the second half of the twentieth century, information provided by primatology, paleoanthropology and developmental psychology revolutionised our knowledge of humans. These three different subjects provide the same conclusion: the coexistence of individuals preceded their individual existence. Without the social relationships which developed around them, the emergence of *Homo sapiens* would not have been possible.

At this stage, I do not want to provide details of key information on scientific developments: I have already covered this in many of my books[5] (Flahault 2005, ch. 5; 2011, ch. 4; 2013, chs 20 and 21) and they are better known than issues of general anthropology. I will simply state that over the centuries, even millennia, the establishment of speculative thoughts and knowledge without using language were deemed possible, with the latter only being used to express and communicate thoughts. In the case of Descartes and other seventeenth-century writers, such as Hobbes and Locke, the soul was made in God's image, and is therefore, naturally *res cogitans* (mental substance), so that we do not need language to think and consequently nor do we need others and society; humans created society and created language in the same way as they invented the writing system. As those who live in a post-Darwinian period, we have to combat this narcissistic and flattering view; we must be aware that the millions of years of social life which have passed since the last shared ancestor of humans and the chimpanzee have overseen the development of language, our brains (almost three times larger than that of the chimpanzee), our cognitive abilities and what we know about ourselves.

Such evolution has provided one of the essential traits of the human condition: an interdependence which is not only useful but genuinely ontological.[6] You have to go through others to become somebody: to

[5] This work can be freely accessed on my website: www.francoisflahault.fr

[6] We can refer to the image proposed by Raimundo Pannikar in the light of Indian thought: an individual as a knot in fabric (Pannikar 1999).

develop ourselves, our person, we have to formulate relationships with others. Humans coming into the world—as babies—are not self-aware of the things facing them. The baby represents an organism awaiting humanisation, a virtual person awaiting to become an effective person. This process can only occur, develop, via human interaction. We can also state that the parents, by naming their child, establishing physical contact, by interacting with the baby, speaking to him or her, provide the gift of the person.

Joint Attention to 'Self-Referential' Realities

It is by relying on the attachment connecting a baby to its caregiver, in terms of interactions and owing to the aforementioned, that the child develops an interest for its environment and that the surrounding objects begin to make sense. Developmental psychologists name the triangular relationship between oneself, others and things which cover the relationship, as 'joint attention'. Michael Tomasello, an American psychologist specialising in evolutionary anthropology, demonstrated that we can see the beginnings of this ability with chimpanzees, but that it only fully develops amongst human children.

The work of Tomasello supports the results obtained by developmental psychology over the decades (Tomasello 2011; Tomasello and Herrman 2010). Ever since the end of the 1970s, Colwyn Trevarthen, Jerome Bruner and other researchers described this joint attention and demonstrated its importance (Bard and Vauclair 1984; Bruner 1977; Fivaz and Cornut-Zimmer 1982; Trevarthen 1978, 1980). Trevarthen labelled the direct relationship established between mother and baby, with notably a mutual smile and mutual gaze (such a mutual glance is exclusively human) as 'primary intersubjectivity'. He labelled the mediated relationship of joint attention as 'secondary intersubjectivity'. From the age of four months, a baby begins breaking his or her mother's glance. He or she must therefore accept less direct types of communication. Towards nine or ten months, the child takes part in genuinely joint attention based cooperative activities. Whereas previously, interactions with things and interactions with others remained primarily separate, now, objects play a role in such relationships and take on meaning with regards to the aforementioned child. The child learns to simultaneously pay attention to the object and the other person. As part of psychogenesis, we can see that the relationship with things develops based upon the relationship with the caregiver. It is true to say that children embark on the sensorimotor exploration of their environment without adults; however, this is reliant on the security provided by relationships of attachment.

Relationships with others are considered in terms of objects, ritual works and contexts of interaction. Joint attention and this triangular, relational structure tends to transform things and activities into cultural elements. How? Things are no longer perceived and identified solely in terms of the relationship between the organism and environment; the mode of existence in the eyes of each individual is now associated with the role they play in relation to others. To the extent that certain things (material or immaterial) only exist within such settings and owing to such settings, these realities labelled 'self-referential' only exist where individuals consider such existence, as John Searle clearly demonstrated (Searle 1998). This is the case with all types of collective profiles: ancestors, fictional characters (Robinson Crusoe amongst others), capital, temporary standards, signs, modes, behavioural standards, institutions, beliefs and the 'imagined communities' upon which Benedict Anderson relied (Anderson 1983). This is also the case for numerous cultural practices based upon conventions, for example games (card or chess games, football or tennis, etc.).

We see ourselves as people and not just biological organisms, and in this regard, self-referential entities: so that the new does not become a person, but somebody (and not something), the surrounding persons must consider it as such and consequently behave suitably towards it. It is on the basis of this unconditional, founding recognition and thanks to the relationships with others that children can develop their own relationships. Here, mutual pleasure and joy taken from these relationships play an essential role: via these experiences, the child's feeling of existence is formed. The power of life communicated will help the child to then accept and tackle the conditional types of recognition they may face—conditional in the sense that they are covered by things that he or she must learn to handle and by behaviours and activities which require effort and perseverance. All human societies include institutions, artefacts and customs which serve to support the existence and coexistence of members: relationship systems, legal institutions, states, administrative organisations, religions, rules of etiquette, without forgetting the great range of cultural common goods. Human cultures and social relationships cannot be reduced by limitations provided by the outside (just like American cultural anthropology tended to devise); they affect us internally. Such effects may be alienating and repressive, but they are also constitutive: our social and cultural environment plays a role in this constitution even regarding the human person, a role which is just as essential as the biological organism. In the same way as, in the lives of organisms, the internal and external environments are inseparable, the human subject's living environment forms a part of it. We cannot escape from the symbiotic and ecological conditions which preside over the living (see Chapouthier 2014 and Sélosse (2005 [1991]), 162). It is difficult to admit and face the consequences of this, as it opposes the Western notion of the individual and our desire to exist in ourselves: 'The idea', writes Norbert Elias, 'that the conscience, feelings, reason or even the genuine "self" have their own place "within" the individual appears convincing' (Elias 1991 [1983], 162).

To finish up on the psychology of development, I would like to highlight the importance of a specific and fundamental common good. Generally, common goods are assets, (a) which we can freely access, without paying; (b) the use of which by anybody does not limit the chance of others accessing the asset. A third criterion comes into play with the relationship between mothers and babies and with relationships of love and conviviality throughout a lifetime: not only can others not limit the good that we have, but this *good cannot be achieved unless we are in good standing with them* (examples: conversation, relationships of love and friendship, activities completed alongside others, everything we appreciate within our social lives). Such good can be labelled 'experienced common good' or 'relational good' as each of the partners forming the relationship only come into play upon the condition that the other does too. This is the foundation for existence regardless of age, and it is so precious that no type of good can compensate for its loss.[7]

[7] Regarding common goods (and common good), I will turn to the contribution of Francesco Botturi in this book, in addition to the work of Bruni (2007, ch. 6).

Conclusions: Some Thoughts on the Economy

The following pages cover a number of consequences regarding economic activities, their place in society and the economic sciences themselves. We have seen, contrary to the widespread discussion, that societies are not born from material requirements, and consequently, that the economy is not the foundation of human societies. On the contrary: the economy was established and was able to develop because humans live within society and within cultures. The young researcher, Maurice Godelier supported the Marxist view, however, at a later stage, his experience and readings on anthropology led him to change this viewpoint (Flahault 2005; Godelier 2008).

Advances in developmental psychology also, as we have seen, conclude that our psychological being does not just fall out of the sky, and neither does our body create it, but that it is formed over the course of interactions with the people around us. Such psyche which somehow appends itself to our bodies, subjectively transforms into a feeling of existence. This, as we all know, has its highs and its lows: human 'conscience', 'mind', is subjected to risks. We experience good and bad times just like all living beings. It is therefore no surprise that fundamentally, the desire we love is the desire to exist. The desire to exist in the mind of others (to be recognised) represents one of the terms associated with the desire to exist. The desire to exist takes many shapes, leads in different directions according to the social and cultural ecosystems to which individuals belong.

Human cultures cannot simply serve to meet material requirements, but must also create and uphold the psychic existence of their members. Consequently, there are very few market goods which purely and simply satisfy biological requirements and more which satisfy the desire to exist. In addition to assets which can be purchased, human societies must create and uphold all types of common goods, which include relational assets in the sense that they simultaneously support the desire to exist and coexistence (the feeling of being part of a whole, being with others).

The largely self-referential nature of the goods which cover our human relationships have consequences for the concept of value. Exchange of goods is not possible without estimating their value: outsiders judge this with all transactions. We tend to search for objective criteria on which to base the value of market goods (for example, the value of work). In the case of vital products, such as wheat or rice, their value is due to the fact that they are a vital requirement. The degree of rarity in addition to the speculative behaviours will result in value variations however they do not denote the value in themselves. It is not the same for merchandise which comprise objects of desire rather than requirements (Adam Smith quotes the example of clothing: in addition to the useful role they play, protecting us from the cold, they are necessary in terms of presenting ourselves well in the eyes of others). A good holds a certain value relative to usage and requirements; moreover, over a long period, it loses its value where nobody desires them any longer. Its value is less volatile than that of financial products; however, it is not 'objective'. During the Bronze Age, amber was a prestige asset just as popular as gold and trade in it spread from the Baltic to the Mediterranean. Under the Second French Empire, aluminium was a precious metal: Napoleon III paid a fortune for an aluminium cutlery set. We mistakenly believe that gold holds value, an illusion which came about solely from the fact that desire for such a metal has persisted throughout the ages and across cultures. In terms of financial products, where purchased out of desire to sell them subsequently to make a profit rather than requirement, the self-referential character of their value is all too clear: it is dependent on the belief of market players in terms of value and not fundamental elements of the economy (Orléan 2011). In terms of capital, its value as a universal equivalent and its reliability as an outsider mediator of exchange is reliant both on institutional architecture and on the confidence that individuals place in capital, where such confidence is shared with others (Orléan and Aglietta 2002).[8]

Let us look at requirements. Economic science is primarily based on the concepts of requirements and individual preferences. Their relevance is contestable. When, as a starting point, you take individuals who are supposed to exist independently from each other, the concepts of requirements and individual preferences come to light. However, simple observation of social life demonstrates that individual 'requirements' are proven to be dependent on the proven 'requirements' of surrounding persons, in other words, the life-mode. An individual's 'preferences' are

[8] See also Amato (2015), a reflection which focuses on the issue of outsiders.

not established solely by the person themselves. They are both social and psychological elements. The social aspect of preferences is influenced by advertising and marketing: they draw on collective representations of the desirable to incorporate products, inflecting these representations and creating new ones.[9] It is interesting to note that the responsibility of advertising and marketing, economic activities which drain billions, is not compatible with the theory of supposed individual preferences on these activities.

Regarding exchange, traditional economists, as well as Marx, base their analysis on market exchange. Over the course of most of the history of humanity, there has been no place for market exchange within the sphere of economic activities; relying essentially on the hunter-gatherer, it makes reference to taking and then sharing (taking within the surrounding environment, but also taking with reference to another group). Preying, therefore, falls outside the group, and relative equity within the group. In response to Hobbesian anthropology, the liberal optimism of the Enlighteners wanted to believe that individuals spontaneously pay attention to '*doux commerce*', hence, exchange. However, exchange cannot take place unless there is affiliation between the individuals. If this affiliation does not exist or if it distends, we return to predation. Such behaviour is not simply reserved to prehistory; it has played an important role throughout history. Let us think back to the millions of Africans reduced to slavery who were deported during the sixteenth to nineteenth centuries. Or more generally, empires: they were all built using the force of armies to increase their riches, even by means of pillaging, by applying taxes or establishing unfair exchanges.[10] In the words of Ibn Khaldûn with his harsh common sense, 'Every man looks to take.… Anything which one man gets, he refuses to give to another man, unless he receives something in return.' Ibn Khaldûn does not see exchange as something natural, but a compromise which we accept where we cannot take, and which tends to become inequitable where the parties are not associated

[9] I will turn to Mark Hunyadi's chapter in this book.

[10] Concentrating on the last few decades, read *Le Commerce c'est la guerre* by Yash Tandon (2015), a negotiator at the World Trade Organization for many years representing his country, Uganda, then Kenya.

by '*asabiya*' (affiliation, group spirit, social relationships, mutual affection; Khaldûn 1978 [1377], vol. 2, p. 784 and vol. 1, p. 255).

To finish, this leads me to the question of normativity and the issue of the outsider. Within chimpanzee societies, relationships between individuals include body language and the ways in which it was perceived. Although such interactions are complex, they are not considered as cultural mediation, unlike the subjects of conversation or the way shared time is spent. Additionally, individuals do not establish themselves, like us, based upon unconditional recognition provided by others and by the society. Deprived of institutions, ape societies disregard the difference between fact and right, just and unjust, good and bad. Individuals are not weighed down by any duty—they do not know, like we do, the torment of normativity: the need to justify themselves and fear of being reproachable. On the contrary, human existence is dependent on self-referential realities (signs, agreements, contracts, institutions, regulations, obligations): a whole series of collective representations—of arrangements, stated Pierre Legendre—which forms the basis for everybody to assume their place and provides assurance to those beings, lest we forget the coexistence of all ('Justice', wrote Cicero, 'is where the mind preserves common utility, whilst providing everybody with their own dignity'[11]). Different types of outsiders are more or less structured and ordered by, most often, a supreme authority: ancestors, Gods, the socio-cosmic order, Nature, truth, Law, the Market and so on. This is what humans refer to as 'outsiders' and which they are supposed to overcome, impose on, and make sure are out of reach of the parties. However, in reality, it is owing to the desire of humans and their interactions that these outsiders are established, using a convergence process which nobody in particular devised or managed. The resulting consensus is imposed on everybody, and in fact overwhelms everyone.

In other words, everybody's desire to exist tends to lead towards objects of desire and representations of authority, as do the desires of others. A group, a society can also be led towards a concentration of desires (as correctly seen by René Girard), convergence towards the same object, the same activity, the same way of being, the same self-referential outsider

[11] Cicero, *De inventione*, II, 53, 16.

reference. Each of us is assured by a good based upon beliefs and judgements as they are shared by others. We must add that in many cases, as Tocqueville correctly pointed out, humans fear isolation more than error (Tocqueville 1985, 250).[12] It may therefore be that a shared belief in the same Good, the same Truth seen as obvious, the same state of things considered as normal are only justified if they are in common. In terms of Good, human societies are therefore subject to errors. It may be the case that everybody (a group, society, entire civilisation) diverts off course without anybody even being aware of its happening. What may be seen as rational and justified, later turns out to be unreasonable and disastrous.

Presently, the dominant outsider is the economy, which has become the reference topic used by politicians to justify their decisions. Expanding on the former outsider built under the authority of Christianity and the theological legal works, a new source of legitimate *auctoritas* (authority) exercises *potestas* (power). The desire to exist invites us to invest in the consumption of market goods and feed into the maelstrom sphere of money, whereas a minority skilfully taps networks and draws out the flux. Everybody complies with world order as proclaimed by *urbi* and *orbi*, the powerful themselves seduced by economic discussions imposed and which are imposed on others as a supreme outsider. Belief in the self-regulation process serves as an alibi, in reality an unloading of responsibility; and the reassuring antiphony of rational choice hides the fact that only an adjustment of means is rational, where the ultimate objective, the sought-after unquestioning enrichment can only be imposed by a one-upmanship mimetic. These represent two additional beliefs, tools for a future which nobody is able to manage. 'The historic evolution of mankind', wrote Norbert Elias, 'is born from multiple plans, but with no plan, moved by multiple objectives but without an objective' (Elias 1991 [1983]).

[12] Since such time, the relevance of Tocqueville's observation has been confirmed by different social psychology experiences.

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10

The Need for an Anthropology of Wealth

Silvano Petrosino

The hypothesis at the centre of this chapter is the following: in order to try to sufficiently understand human economic activities, it is necessary first to attempt an anthropology of wealth. This discipline examines the reasons that drive people to consider a particular object as precious, dear, attractive, worth being owned and collected. In other words: what does 'wealth' mean for that particular living being we call human?

As always, when tackling such issues, everything seems simple, if not obvious, at first glance. For example, one could reasonably assert that, deep down, people attribute value to everything that sustains their existence; therefore 'precious' would be considered synonymous with 'vital'. As we often hear, nothing is worth more than life, nothing is more precious than life itself. Nevertheless, such an obvious answer, in actual fact, does not bring us any closer to understanding the meaning of people's economic actions, because while it may be true that they are living beings,

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it is also true that they never simply limit themselves to being: human existence never coincides with that of a simple living being. From this point of view, we cannot help but acknowledge that the semantics to do with the terms 'life' and 'naked life' are not enough to read and interpret the semantics related to 'human life'. Therefore, if we wish to understand what humans consider a benefit for their own existence, then we must try to understand their way of being, of existing; we need to try to understand the particular human way of living life. I will now try to highlight some essential characteristics of this way of being.

Property

On an initial level, we cannot help but recognise that 'wealth' for humankind has to do with possessing material things: for example, the *roba* ('property') that, in Giovanni Verga's short story, obsessed Mazzarò the farmer throughout his life. This aspect of possessing property merits our attention and cannot in any way be trivialised. People are not angels, their lives are not those of simply spiritual beings: they have a body and appetites that demand to be satisfied. Humans—and this is just one of the many possible examples—cannot avoid eating and drinking, and therefore the plentiful supply of food and water has always rightly been interpreted as a prime form of wealth. Nevertheless, we must also admit that, if on the one hand humans like any other living being are finite and mortal, on the other, unlike all other living beings, they are also aware of this and this knowledge follows them and, above all, concerns them throughout their lives. Moreover, humans are also the only living beings who are aware of their individual existence, or to be more precise: they are beings whose life is inseparable from what Heidegger conveniently defines 'in-each-case-mineness' (*Jemeinigkeit*). These two characteristics of the human way of being—the knowledge of being finite and mortal and the state of finding themselves involved in an existence that is an in-each-case-mineness—shed a certain light on the phenomena of need and enjoyment that lie at the heart of humans' possession of property.

Let us briefly examine the concept of need. It is characterised by an emptiness that can be filled and that, once filled, triggers a subsequent sense of satisfaction, the enjoyment felt by the needy being. *On a human level*, it is therefore a place of emptiness that, however, brings with it an indomitable promise of satisfaction; Lévinas perfectly captures the meaning of such a chain of cause and effect:

> *need cannot be interpreted as a simple lack*, despite the psychology of need given by Plato, nor as pure passivity, despite Kantian ethics. *The human being thrives on his needs; he is happy for his needs*. The paradox of 'living from something', or as Plato would say, the folly of these pleasures, is precisely in a complacency with regard to what life depends on—not a mastery on the one hand and a dependence on the other, but a '*mastery in this dependence …. Living from … is the dependency that turns into sovereignty, into happiness, essentially egoistic*'. (Lévinas 2011, 114–115, emphasis added). Need—the vulgar Venus—is also, in a certain sense, the child of *poros* and *penia*—it is *penia* as a source of *poros*, in contrast with desire, which is the *penia* of *poros*. What it lacks is its source of plenitude and wealth. Need, a happy dependence, is capable of satisfaction, like a void, which gets filled.

Human beings are happy in their needs for the very reason that they are defined by a void that can be transformed into a plenitude; they need this and that, they 'live from …', but what they ultimately live from is, if we look closely, the enjoyment itself: to live is 'enjoyment of life' (Ibid., 134). This latter state presents itself as the very truth of need, in that it expresses its original sincerity, its absolute immediacy and its ultimate goal: enjoyment is always one's 'own' enjoyment, therefore we enjoy our need because it is always 'ours', a sphere within which, *through ownership*, we accomplish a certain kind of pertinence, a kind of own-being, the emergence of the in-each-case-mineness that Heidegger mentions. Lévinas' insistence on the ontological value that enjoyment takes on within humans' way of existing is justified as follows:

> Here lies the permanent truth of hedonist moralities: to not seek, behind the satisfaction of need, an order relative to which alone satisfaction would acquire a value; to take satisfaction, which is the very meaning of pleasure, as a term …. In enjoyment, I am absolutely for myself. Egoist without reference to the Other, I am alone without solitude, innocently egoist and

> alone. Not against the Others, not 'as for me …'—but entirely deaf to the Other, outside of all communication and all refusal to communicate—without ears, like a hungry stomach. (Ibid.)
>
> Egoism is an ontological event, an effective rending, and not a dream running along the surface of being, negligible as a shadow. The rending of a totality can be produced only by the throbbing of an egoism that is neither illusory nor subordinated in any way whatever to the totality it rends. Egoism is life: life from … or enjoyment. (Ibid., 175)

I believe that the main merit of this interpretation is its ability to emphasise the existence of an *anthropologically essential link* between the phenomenon of enjoyment and the identity of an individual from the depths of the daily—and, to some extent, trivial—experience of need and the possession of property. In his or her enjoyment, an individual consists of something, surrounding him or herself in a conquest that is all his or her own; he or she finds a base, he or she stops and asserts him or herself. In other words, through what is 'mine' (possession and enjoyment), he or she begins to gain a certain level of experience of his or her own consistency as an 'I'. It is thanks to its very *coagulating power* that enjoyment cannot be underestimated, much less ignored, as if it were a mere pause during the life of an individual. It is worth repeating: a human being 'thrives on his needs; he is happy for his needs' due to the very fact that they are 'his' needs; 'In my enjoyment, I am absolutely for myself'; egoism is an ontological event.

Humans appropriate themselves of this and that, of 'property', because they need various things to live, even though it has to be admitted that they appropriate themselves of much more property than what they need to live as simple living beings. They accumulate an excessive quantity of property thanks to the very fact that their way of living is not that of a simple living being, because they suffer from the knowledge of being finite and mortal, and at the same time also because in possessing each single item of property, they enjoy the experience, thus attaining through ownership that plenitude of being that is the ego (Silla 2013). Within this way of existing, 'I enjoy' means, at least initially, 'I am'; through the enjoyment that the ownership of property guarantees, an individual attains a first experience of existence as in-each-case-mineness, a first experience of that identity that is his or hers and his or hers alone.

The association of wealth with possession of property cannot, therefore, be underestimated in any way from an anthropological point of view. In fact, it is almost entirely natural for that particular living creature that is human to end up associating the possession of things with the most direct confirmation that can reassure him or her both when faced with the radical uncertainty of life ('when will I die?') and the mystery of his or her own subjective identity ('who am I?'). In property, he or she—who by his or her very nature is possessed by an essential anxiety—manages to find a form of peace, a foundation where he or she can stop to rest, a safe harbour from where he or she can observe the entirely uncertain future that awaits him or her. Property thus becomes a 'world', and a world remains a world: organised, clean, stable, safe. In Verga's novel *Property* (2000 [1925]) we read:

> All Mazzaro's property. It seemed as if even the setting sun and the whirring cicalas belonged to Mazzaro, and the birds which went on a short, leaping flight to nestle behind the clods, and the crying of the horned-owl in the wood. It was as if Mazzaro had become as big as the world, and you walked upon his belly. (127)

Similarly, Scrooge McDuck never spends his money but bathes in it, getting out of this adherence, in this insistent contact with his money, the feeling of support it provides, meeting his need for safety and peace, just as Linus from 'Peanuts' is supported by the blanket he holds.

Relationships

On a further level, wealth, from an anthropological point of view, seems to hark back not so much to property as to relationships, in a sense that is undoubtedly deeper than what has been highlighted so far in this chapter. Humans need food and water, but they also need to be recognised, wanted, remembered, appreciated and valued, they need affection and hospitality. In a word, they need to be loved for their uniqueness, thanks to this very in-each-case-mineness. An individual is never satisfied by a thing; rather, he or she waits for a reaction from a peer, wishing to be recognised by another individual. 'It is not good that the man should be alone; I will make him an help meet for him' (*Genesis*, 2:18). It does not take a keen reader of the Bible to note that humans do not live by bread alone: deep down, this is one of the few truths that are universally accepted. Apart from food and water, there are therefore also friends and relatives, family and loved ones, clans and alliances. Such relationships—we have always been aware of this—are expressions of a more elevated, sophisticated, richer, ultimately more human kind of wealth than the possession of property can ever guarantee. Kojève talks of *anthropogenic desire* in this regard:

> Let us say, therefore, that to desire a desire is to want to be 'recognised' (*anerkannt*). The desire for desire, i.e. the anthropogenic desire, is the desire for 'recognition' (*Anerkennen*). Consequently, if man is the act by which he satisfies his desire for desire, he exists as a human being only to the extent that he is recognised: recognition of a man by another is his very being. (As Hegel says: 'Der Mensch *ist* Anerkennen' [Man *is* recognition]). (Kojève 2007, 211)

We all know that sometimes all it takes is a meeting with someone, a teacher or a friend, to enrich life or a certain time in one's life. Vice versa, Don Juan, who possessed an infinite number of women—although always and only as objects without having ever met them as people—dines alone in the end: he is not recognised by anyone, he is not the focus of any other individual. His only company is that of a cold, stone dinner guest.

It is perhaps worth remembering that the theme of 'relationship' can be traced back to the very term 'economy', which is derived from the Greek *oikos* (home, dwelling) and *nómos* (regulation, rule, law). The house is the anthropological place par excellence and it is there that the fundamental relationships upon which human coexistence is based are forged. It must therefore be reiterated, in spite of the many who tend to forget it, that economy is a human science and as such it always has to do with the relationships that form between individuals, as well as the profit to be gained from objects. When we concentrate on profit only, to the detriment of the human relationships involved in it, when due to an excess of realism (known as cynicism) we concentrate only on money, thus transforming it from a means into an end, in reality we are not talking about economy at all, and much less of employment, but merely—at best—of business.

The latter is no longer interested in the act of dwelling somewhere (considering any reflection on the anthropological meaning of dwelling somewhere as a useless philosophical complication), it takes no interest in the complex structure of the home (it is indifferent towards the relationships that always form there) and consequently turns a deaf ear to the need for a proper balance that operates at the heart of the economy. Compared to such a basis, it remains on the surface, acting in an inflexible way and not managing to do more than moving towards an inevitable simplification. It is this very characteristic that we must recognise as a sign of impoverishment and ultimately of corruption. Indeed, business corrupts economy because in not being able to develop an anthropology that can question the act of 'dwelling somewhere' and the entity of the home, it ends up relying on an idea of wealth that is so trivial that it proves entirely inadequate compared to the specific way human being exist.

Of course, in the act of simplifying/corrupting, business also finds itself forced to share at least two basic traits with the economy. First, it is well aware of the pressures that come to bear on every home: here we are always having to divide, subdivide and share, and to do this we cannot avoid measuring and calculating; moreover, it makes no mistake in asserting the need that such a calculation be geared towards a benefit, a profit, and that the act of measuring is never an end in itself, but rather aims to secure a real gain. Profit is undoubtedly a good. However—and forgive me for repeating this—unlike what happens in economy and as economy, business calculates and measures on the basis of a concept of wealth that is so trivial as to transform it into an entity that is entirely estranged from individuals and the place where they live, day in, day out.

Hence, we have a second possible chapter on the kind of anthropology we are outlining: wealth coincides with the intent and extent of human relationships. This is something we have always known: the person who earns 100 and employs 1,000 creates a wealth that is 'richer' than the wealth produced by a person who earns 1,000 and employs 100.[1]

[1] I am simply touching on an issue here that would be worth examining more closely. The word 'relationship' is now very fashionable, but it is not a magic word. It is not enough to say 'relationship', with its sentimental/humanistic overtones, to solve all our problems, especially economic ones. It is not hard to noticehow relationships are often turned into 'things' when people get their hands on them, into a kind of sophisticated property that ends up justifying, at a higher level, the very logic of possession and power that governs the most arrogant form of egotism.

Void

Having come this far, we can perhaps attempt to take one step further, the bravest and most paradoxical step. Humans—who like all living things experience continuous needs that demand satisfaction—experience, nevertheless, a desire that is not an appetite and that is not a need for something. Human beings are subject to a desire, or rather: they are possessed by a desire that the terms 'property', 'possession' and 'enjoyment' are ultimately inadequate to describe. Regarding this, we must forcefully assert that *the constant desire for things we do not need* is a part of our very way of being.[2] This desire, defined as a void that has nothing to do with the emptiness of need that can be filled, is therefore that other need that dwells within an individual, opening and unsettling him or her above and beyond the world of property and enjoyment connected to its possession.

Both Heidegger and Lacan were particularly insistent on lack as a constituent characteristic of humans' specific way of being. Heidegger states:

> It is essential to the basic constitution of Dasein that there is *constantly something still to be settled* (*eine ständige Unabgeschlossenheit*). Such a lack of totality signifies that there is something still outstanding in one's potentiality-for-Being. But as soon as Dasein 'exists' in such a way that absolutely nothing more is still outstanding in it, then it has already for this very reason become 'no-longer-Being-there'. Its Being is annihilated when what is still outstanding in its Being has been liquidated …. The reason for the impossibility of experiencing Dasein ontically as a whole and therefore of determining its character ontologically in its Being-a-whole, does not lie in any imperfection of our *cognitive powers*. The hindrance lies rather in the *Being* of this entity. (Heidegger 1962, 279–80)

Similarly, Lacan states:

> The Freudian world isn't a world of things, it isn't a world of being, it is a world of desire as such …. Desire is a relation of being to lack. This lack is

[2] Lévinas uses this apt phrase to assert, 'This Desire [the capital letter indicates the specifically human dimension] is a desire in a being already happy: desire is the misfortune of the happy, a luxurious need'. (Lévinas 2011, 62). Similarly, Baudrillard states that 'the essential is always beyond the indispensable' (Baudrillard 1974, 51).

> lack of being properly speaking. It isn't the lack of this or that, but lack of being whereby the being exists. This lack is beyond anything which can represent it …. Desire, a function central to all human experience, is the desire for nothing nameable. And at the same time this desire lies at the origin of every variety of animation. If being were only what it is, there wouldn't even be room to talk about it. Being comes into existence as an exact function of this lack. Being attains a sense of self in relation to being as a function of this lack, in the experience of desire. (Lacan 1988, 222–24)

Whilst on the subject, I would also like to refer to what de Certeau stated during an interview posthumously published in *Le Monde* (19–20 January 1986), when in answering the question 'Would you go so far as to say that it is better to live with an edifying lack than being inanely satisfied by it?' this French scholar replied:

> Lack is not vacuousness, quite the contrary: it is what builds us. Separation is not a void; it is what drives our knowledge, our understanding, and transforms them from inside. It is at that moment that we have access to loving knowledge, or simply knowledge. True knowledge is what never stops being changed by an unforgettable lack. It is not an option! The issue has more to do with what we lack, what we perceive as a lack in our professional, political or personal lives and, on the other hand, what we make of this lack, i.e. the acts that it triggers. (De Certeau 2014, 66)

It is not difficult to trace back the essential anxiety that is part of human experience to that very desire and the void that torments it. There is no doubt about it: the word 'man' means 'desire', but desire certainly also means anxiety and confusion. Having accepted this, we cannot, however, fail to notice that the anxiety that afflicts an individual is not necessarily a bad thing, or rather it should not be interpreted merely as a burden or an obstacle. In fact, it is also stimulus and energy, an incentive to keep going and keep driving beyond known borders. A sign of what remains unaccomplished and not yet created, anxiety is what helps us to move past the first sign of success, to not settle for that, which is often none other than the result of an obvious self-deception. Humans' way of being is that of a creature that is always anxious and thus always moving forward, always open; put briefly, we are *always alive, but we should never forget, alive* *not simply as a living being but as an individual.* Anxiety is the symptom par excellence of a desire that cannot be satisfied by mere appetite, and this symptom refers to the very truth of the individual. From this point of view, any attempt to censure, deny, underestimate or ignore human anxiety, just as any aspiration to fill the void that torments human desire, must be judged as the result of untruth. Anxiety is, anthropologically speaking, the paradoxical effect of the truth of the exclusive way of being of an individual, just as void, also anthropologically speaking, is a paradoxical sign of wealth for that same individual.

What does this have to do with economy? It seems to me that it has a great deal to do with it, provided, of course, that we continue to consider economy as a human science. As human, it must know how to accept desire and the anxiety that this desire engenders, but as a science, it must, above all, be able to develop a new type of rigorous approach, an approach equal to the paradox of a void that proves itself to be a wealth. Catherine Ternynck (2011) insightfully captured the meaning of such a challenge:

> There is no longer any room for lack in our culture. There is nothing left to indicate it, to point out its potential fecundity …. The solution put forward by our consumer society is to provide plenitude to fill the lack, instead of supporting it so that it may take us farther, so that it may become a call to being. No cut, no breach. Holes must be plugged up, mouths must be full and bellies sated …. Is it possible to reconcile a market economy that functions on the basis of profit with a symbolic economy based on the coming to terms with loss? … At the close of a conference on child psychosis, Lacan noted that 'he who lacks lack, does not feel well'. By not coping with lack, individuals have become significantly weaker. Excess, too much of something, leads to illness.

The anthropology of wealth, true to 'an unforgettable void', is essential to ensure the market economy does not become sick, in other words to make it remember—in the midst of the euphoria of profit in which it always risks losing its way—that other economy, the one founded not only on gifts and what is free, but more fundamentally on an ability to cope with loss.

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11

Democracy Beyond Liberalism: For a 'Modes de Vie' Politic

Marc Hunyadi

The most patent symptom of the 2008 crisis was the financial element; there was talk of the capitalist crisis, the economic crisis, the bank system crisis and so forth. People sat back thinking that they were dependent on an economic system over which they had no say and which, for the most part, significantly influenced their existence. As part of the contribution below, I will generalise this idea by introducing the concept of *life-modes*: these are not simply the economic and financial aspects of our existence which are out of our reach, but everything, on a more deep-rooted level, which determines all behavioural expectations which shape our social lives. As a result, there is a feeling of deprivation, paradoxically reinforced by the importance of democratic rights: as independent representatives, we can decide on anything except that which affects us the most, hence, our life-modes. The financial crisis was simply the symptom of a much larger phenomenon, the deprivation of the individual's existence. Bernard Stiegler, in this book, refers to this as the automatic society. I will examine

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how liberal ethics governing individual rights actively contributes to this process.

Looking at contemporary philosophical activities within the field of moral and political philosophy with a little perspective, I cannot help but think about this phrase quoted by a young Marx, included in a letter to his friend, Ruge from 1843, defining philosophical activities as 'the uncompromising criticism of all existing states'—which can also be translated as: 'ruthless' criticism ('*die rücksichtslose Kritik alles Bestehenden*'[1]). Of all existing states! Marx was not simply thinking about the violation of the rights of humans, issues with racism or discrimination, or distributive injustices; he was thinking of criticism which could be applied to the entire *world*, its state or progress—a world judged for what it is, inclusive of all its components.

I asked myself: what has happened to this activity of criticism? Who now is carrying it out? Who is able to create a prescriptive viewpoint able to cover 'all existing states', hence the world? Without a doubt, the Pope. He is the only one able to cover, employing a prescriptive viewpoint, all the aspects of terrestrial life—as he demonstrated at the start of the summer of 2015, when he wrote, for the first time in the history of the Church, an encyclical on ecology. As for the rest, it is clear that philosophy has, on a whole, abandoned this activity of criticism, which means philosophy, specifically moral and political philosophy has given up on the world. It has given up via the *division* and *splitting up* of the activity of criticism. Rather than looking at the world as a whole, ethics has divided it into subject fields: bioethics, medical ethics, ethics governing disability, ethics governing the end of life, environmental ethics, animal ethics, ethics governing research, ethics governing nanotechnologies, business ethics, family ethics, sexual ethics, ethics governing civil servants, ethics governing soldiers, ethics governing citizens, ethics governing psychoanalysis, ethics governing capitalism, work ethics, social ethics, economic ethics, business ethics, ethics governing food, religious ethics, ethics governing games, ethics governing tourism, ethics governing education—there are even ethics governing money creation, protection of the sea and

[1] The expression features in a letter to Ruge from September 1843 (Marx, Briefe aus den Deutsch-Französischen Jahrbüchern, MEW 1, 344), www.kulturekritic.com

school canteens … This is the pathway modern ethics has chosen in order to remove itself from the world: dividing it, splitting it, blowing it apart, grinding it up—literally *analysing it*. Ethics has become *analytical*. This is the safest way of eliminating all basic questioning of the world itself, and to allow governing systemic powers to progress without obstacles. Modern ethics is in fact based on exactly the opposite of the general criticism envisaged by the young Marx, and has almost become a supportive accomplice of existing reality, an accomplice of the system.

The separation and division into specific fields promotes undisputed propagation of the system and the publication of the Pope's encyclical on ecology demonstrates this: with the message, '*rücksichtslos*' (ruthless), from the well-known encyclical, Republican candidate, Jeb Bush, at the 2016 presidential election, stated: 'I hope I'm not going to get castigated for saying this by my priest back home, but I don't get economic policy from my bishops or my cardinals or my pope …. But I think religion ought to be about making us better as people and less about things that pick up on the political realm.'[2] Ethics is primarily considered as supporting the establishment of the person, and consequently, must not be combined with management of the world.[3]

Critical power associated with ethics remains marginal, within strictly limited fields. In our context, criticism truly means: monitoring everything in terms of the Rights of Man, checking liberal ethics of individual rights are respected, generally speaking, so that wrong-doings are avoided, that discrimination is avoided and private lives respected. This is what our committees, statutes, regulations, ethics institutions of all types, abundant in our advanced societies, oversee; however, in reality, they now no longer have the power to criticise. In the medical field for example, we are concerned about patient consent even in the case of the most minor therapies (respect for independence which is the basis of liberal ethics); however, it is not possible to criticise the global dehumanisation of medicine within our hospitals. Another example: with risk management, we rave about the precautionary principle to avoid significant or

[2] www.nytimes.com (accessed 19 June 2015).

[3] This is the reason why supporters of this strict division of work do not see any contradiction in using the Papal message relative to issues such as abortion, as it involves philosophy coming into play in the life of the person.

unreasonable damage, but it has more to do with permitting an overall techno-scientific device. The precautionary principle is not about criticising technological influence on the world, but improving it.

However, it is the field of automation within our social environment which provides the most striking picture of this general resignation of ethics. Ever since we have been conversing with telephone pre-recorded voices, ever since we obey the beep alert of our seatbelt ordering us to put it on, we have become accustomed to an environment populated with machines; ever since we started managing our personal, work and intellectual lives, as well as our daily and administrative life using a computer, this logarithmic environment has become second nature. Admittedly, from an ethical point of view, every time something new comes onto the market, we are concerned about the safety of the new invention and commissions are created to guarantee the confidentiality of our private lives, ensuring the safety of end users is not endangered. But here is the issue: as ethical guidelines increase, we cannot deal with the fundamental ethical issue, whether the world we desire is really one populated with robots; is this the life-mode we truly want, a life-mode where we interact with programmed brains? If this really is the society we want, it is a society where we abandon the most vulnerable—the elderly, children, those who are ill—for machines, as we no longer have the time to deal with them. So we have a spectacular illustration of the ethical paradox according to which we live: upholding respect for the ethics of individual rights, we are faced with a world which is perhaps ethically detestable, certainly socially *pathological*. This paradox also appears tragic where it presents technological development as inevitable.

This marks my starting point and my first theory on contemporary societies: liberal individualist ethics and all institutions which uphold and support such ethics (statutes, committees, commissions, standards, regulations, declarations), focused on avoiding damage, *constitute the most important immaterial factor underpinning the material propagation of our societies*. Far from being a tool used to criticise or question the system, liberal ethics promotes, improves and guarantees its propagation. In my opinion, this is a fundamental point, which is not considered as part of general social theory: the objective complicity between liberal ethics and system propagation. Once again, we are way off the 'ruthless criticism of all existing states' of which the young Marx dreamt.

This is what makes contemporary ethics a genuine *paradoxical operator*: it favours individual access to a whole host of individual rights before enabling us to experience the world according to our respective preferences, making us simultaneously strangers to a world in which we should be living. The development of rights therefore goes hand-in-hand with *ethical neutralisation of the world*; the division of ethics promotes the blind and silent propagation of a world which ethics has abandoned. Two things—ethics restricted to individual rights and the influence of systems on individuals—are reciprocally reinforced every day, and it is not by chance that historically they share the same origins. At the time of the American and French revolutions, they appeared to be a perfect match, made for each other, just like the divorce procedure for lawyers. To the extent that, presently, we can clearly see that an *individual's victory* is in reality the *system's victory*, the system shaped the individual in its image and to its advantage. The effective globalisation of *inhuman* systems aligns with the universality proclaimed by human rights.

My second theory is based upon this statement: if liberal ethics are the fundamental, most important immaterial factor for the material propagation of our societies, and if this material propagation takes place *unnoticed* by social players, this means that whilst we fully respect the ethics underpinning individual rights, we are creating a world which can be completely *detestable* in terms of our social life; a world which is ethical, however socially pathological. For example, we could have a perfectly just world in the Rawlsian sense, however detestable in terms of our social life. As I said, the increasing automation of our social environment can take place whilst fully respecting liberal ethics, Rawlsian or other; but would a world where the majority of social interactions take place with machines and robots not be a detestable one?

In other words, respect for liberal ethics is compatible with undesirable life-modes, life-modes which nonetheless impose themselves and which we are unable to oppose. The situation is therefore paradoxical: as democratic individuals we are deemed to be free and independent, however, at the same time, we are unable to guide that which we consider the most important, hence *life-modes*. Life-modes are what affect us the most as they represent areas of contact with society: integration into society means integrating into the life-modes imposed on us. Social integration is synonymous with life-mode integration. Yet, individualist ethics *strips us of life-modes*.

There is a causal relationship between the two phenomena: it is because we are focusing exclusively on the ethics underpinning individual rights that life-modes are imposed on us unknowingly; this is my theory on the immaterial factor of material propagation of life-modes. Such dispossession of life-modes originates from the liberal *dogma relative to the separation of the public and the private*. If we are unable to speak of such life-modes and their influence, it is *because* we keep the private and public spheres strictly separate. The public sphere, as clearly seen with John Rawls, is governed by a principle of neutrality which prevents the *public*, deliberate imposition of the concept of good. Yet, the life-modes which do not intentionally impose themselves, are global, for the collective, the public; our individual choices cannot influence them. Global ethics, world ethics as a whole, no longer exist, as ethics itself is restricted, shrinking away fast to make room for ethics relative to individual rights and politics, and relative to correct dissemination. Liberal ethics has therefore lost the power to offer the general criticism of which the young Marx ardently spoke, to the extent that ethics regarding individual rights objectively serves as an accomplice to the blind propagation of the system, which takes place without individuals being aware. In the name of respect for individual freedom and pluralism of convictions, liberalism, in reality, becomes an accomplice devoted to life-modes which are unilaterally imposed. This represents a new form of positivism, a positivism which tolerates everything—everything to ensure respect for minor ethics underpinning individual rights.

In order to establish my diagnosis, I am using a concept which, up to the present day, has not been employed to denote a specific concept relative to a social science theory: the concept of *life-modes*. 'Life-mode', until now, has not been used in reference to an object defined within literature, and therefore, I believe, it is absolutely key when establishing a critical theory of society.

I provide here, for the first time, a place for the label 'life-mode' within the field of social philosophy, applied to behavioural expectations durably imposed on players by the system. I actually refer to players who work, who are efficient, those who are assessed, those we expect to be able to operate within our technological environment, those who behave rationally to fulfil an objective, and those who conform to the roles imposed, the consumption modes, to be treated, liked or educated and so on. These are the expectations which are objectively imposed, hence which are regardless of the preferences of players. I am making a distinction between life-modes and *lifestyles* which represent a way of subjectively developing these objective life-modes. For example, one can choose slow-food rather than fast-food, living simply rather than opting for consumerism. Lifestyles represent individual life choices within an objective context not dependent on individual choices. This is why we must characterise life-modes as behavioural *expectations*: they do not determine the players but they constrain them or mould them to durably act in one way or another, whilst leaving them with a certain amount of room for manoeuvre. *Life-modes represent the part of the system experienced by players*, the area of contact via which social integration is guaranteed; to integrate into society, you must adopt these life-modes. That which is established is not always done so by players, but the life-modes themselves mechanically depend on the system, which is why they slip away from the reach of players, despite the aforementioned claim of being democratic.

The consequence is both paradoxical and long-lasting, as it means that democratic freedom actually *conceives* a world which we put up with without having chosen any of its relative parts; a world which we create by exercising our freedom, a world which imposes on us like an iron cage. Our democratic rights come back and hit us like a Möbius strip, *a life-mode tyranny* (Hunyadi 2015). This has been completely ignored by the classical liberalism of Locke all the way through to Rawls. To this oversight, I will add the conviction that it is structurally impossible to tackle, primarily because of the dogma governing separation of the public and private spheres, upon which it is based.

Amongst other things, this means that political liberalism condemns us to a kind of *democratic schizophrenia*, which is simply *alienation via life-modes*: whilst society promotes individual rights so that everybody can satisfy his own preferences, individuals are forced to face a future full of *undesired* life-modes.

In the words of Spinoza: individual-liberal ethics, and the entire host of institutions which support such, bestow an effect of transcendence, an effect of removal of power from individuals. They are an objective mechanism via which individuals create their own spider's web, and they do this by passively subscribing, as the objective life-modes created have the power to create effects of *happiness* which almost mechanically result in consent and, therefore, the support of individuals. For example, we adore technological products. This is exactly the reason why, in passing, capitalism which stimulates our life-modes, can be described as intelligent: it is able to fulfill the structure of desires it has itself engendered, it is able to satisfy the preferences it has itself produced.

In essence, individual-liberal ethics reinforces the conditions overseeing the propagation of a system which itself creates the current life-modes. On the one hand, it does so by *bringing together individuals* in their individuality by establishing, and permanently repairing, individual rights and freedom, an establishment which becomes the only shared ethical reference; on the other hand, it produces a *legitimisation effect* (which can be seen via the secret deployment of life-modes), which most surely prevents any political dictatorship from relating to a previous normative reference. Thus, the spider's web also closes in on itself.

At present, the major challenge is overcoming this paradox and the resulting democratic schizophrenia. This is the ethical emergency we face: reclaiming the life-modes. This ethical challenge is also and necessarily a *political* challenge too. I have demonstrated that the present ethical paradox—a life-mode where ethics is omnipresent but which is incapable of passing the life-modes themselves—is fuelled by liberal ethics and the public/private division, which enables the system to muscle its way through, without any obstacles. Amongst other things, this means that an *individual* response to life-modes that the system imposes will be vain and unreal, helping the system en route to a triumphant victory. Choosing a marginal life undoubtedly falls under moral heroism, but does not have any effect on the life-mode system. This is why only the establishment of a political institution, hence a *common*, is up to the challenge. Without an institution of this type, it cannot be tackled, and all indignation will be labelled a vain imprecation; the system will continue to propagate and extend the conditions underpinning its domination. Such an institution must oversee common action, a *place* where *common* desire can be established, focused on the *world* and not on individual principles which currently defend all ethics committees. Within the present individualist desert, we must not be scared to voluntarily promote the establishment of such a place, to fulfill such a purpose. It is urgent: we cannot wait for the emergence, based upon present political procedures which govern the democratic world, of a consensus on the need for an institution to assess these life-modes; obtaining such a consensus is fictional, given the current powers. We contend with the shutout inertia of the system and the rate of passive subscription of individuals to the system under which they go along, least of all forgetting the active subscription of those who draw the benefits. We should not be scared though, with our fight, to upturn the democratic period, the long period of procedures, negotiations and deals, to get straight to the urgent matter: to create, on a European scale, for example, a type of *Life-Mode Parliament*, a melting pot for common action which will enable the redirection of system logic, which does not solely focus on itself.

Naturally, in my book, *La Tyrannie des modes de vie*, I speak of the difficulties associated with such an institution and I do not, in any circumstance, wish to underestimate them. Two spring to mind immediately, which I will turn to now:

1. Life-modes often imperceptibly change owing to, for example, discoveries or inventions which are initially invisible in the eyes of the public and with long-term effects which can even be unknown to the experts. Consequently, the first major difficulty involves making known to the public developments which are naturally invisible or imperceptible, and to be able to reasonably assess their impact on life-modes. This involves significant work on awareness, diffusion and reproduction of information, which is made more difficult where knowledge is divided and innovations involve a high level of technical expertise (for example, financial regulations, technological progress and legal modifications, where the technical nature may be inversely proportional to the social impact).
2. Once the information is known, the second great difficulty is being able to politicise the impact, to establish a shared challenge worthy of

> study and debate in the eyes of the social players themselves; the difficulty is heightened by the fact that players of innovations have an interest in limiting public discussions to simple technical issues (Bensaude-Vincent and Browaeys 2011). To create a shared challenge, discussions then must be extended beyond the strictly technical sphere, to mobilise players on impacts in terms of life-modes, therefore, essentially, the view of the world and humankind.

Without a doubt, these are serious difficulties. Nevertheless, we have the power of virtual tools such as YouTube, Twitter and Facebook (products emblematic of our life-modes!), which should also be taken into consideration as perhaps they may mollify the difficulties quoted above. The speed, fluidity and volume of information exchange they provide make them potentially the most important of democratic tools; the possibilities they offer should be explored and taken into consideration, particularly the organisation of their dissemination and reproduction of information (see point 1—above). Additionally, other than the publication of information, these virtual tools enable transnational mobilisation, which was unknown before their invention, as many contemporary examples already demonstrate. The challenge is to organise political action with regards to issues of life-modes, turning it into a *shared challenge* (point 2—above). Since the Arab Spring, the relationships between politics (insurrectional and non-insurrectional) and virtual tools—'democracy 2.0'—have been the subject of many works of scholarship, without forgetting that they have also entered the realms of democratic administration such as political communication (as can be seen during electoral campaigns).[4]

So, why is this life-mode parliament not a *virtual* parliament? These themes are, I repeat, explorative, however the guiding ambition is all too clear: it is about *turning around current life-mode developments to combat the way these life-modes develop*. As it happens, the internet represents a development which has transformed our life-modes without anybody

[4] Discover an important report at: http://prefixesmom.hypotheses.org/902. For a specific study on the political use of information and communications technology, see Najar (2013); Galabov and Sayah (2012).

explicitly setting out to do this, yet (ironically) it has become, unknowingly, a dynamic of democratic recovery.

The most significant difficulty, to do with principle and not of a technical nature, resides *in the fact itself* of establishing a common institution. I am, therefore, convinced that we have no choice: if we accept the diagnosis where our life-modes slip away from us; if we accept the assessment according to which they slip away from us because our liberal ethics have deserted the world; if we also accept that we are left powerless faced with such a situation owing to the exclusive respect we give to these individual rights, the neutrality of the state and, peculiarly, the resulting strict division between public/private; we must therefore admit that only a common institution can enable us to escape the present democratic paradox. As part of the organisation of this renewed democracy, this common institution adds a further level to our traditional, liberal institutions—and here we encounter the principle difficulty: it forces us to revisit the major liberal division between public/private, re-establishing, in terms of life-modes, the *primacy of the common*, even if it means adjusting individual freedom to fit this new hierarchy of values.

Today, the most frequent criticism to such an institution is what we could call *dictatorship of the common*. As part of our liberal spirit, the perspective of democratic recovery of life-modes stirs the spectre of communism and of the dictatorship of a collectivised life-mode. That does not need to be the case. In essence, a critical theory on life-modes does not have to include the discovery of an *ideally good* life-mode which must impose itself on everybody. The objective is not to identify the perfect life-mode which provides a magic combination of collective wellbeing and individual flourishment. It is not about imposing a life-mode on everybody, but to stop the system from blindly propagating itself, without providing the opportunity to question the consequences we face. We can take life-modes *as they are*, but with an attempt to refocus them, rather than creating the perfect life-mode. Once again, life-modes affect us the most: it is therefore only right that we provide ourselves with the proper institutional means to be able to criticise them. Why is there not a place of criticism where we can raise issues on subjects such as, for example, the trend marketing of assets, the increasing automation of our social environment, the extension of assessment across all fields of social life? The objective will therefore be to repatriate the systemic subjects across the normative area of social players, rather than losing them to the blind propagation of the system and putting up with them as the ineluctable future. It is, therefore, not about imposing a common life-mode for everybody but reflecting on those that are imposed on us.

By way of conclusion, I would like to add a further element for thought on this subject. The idea of a common institution may appear less out of place if it is associated with a principle of political organisation which is just as old as democratic constitutionalism itself, hence *bicameral*, rather than the unrealistic fantasy of a self-governing society. Most democratic societies are aware of this two-level system, or of a second chamber, elected using different methods, and which serves to check possible misguided ways of the first. This 'power which stopped the power' was exactly what Montesquieu admired about the English Constitution. This was also Général de Gaulle's original idea,[5] to establish a senate which represented the 'living powers of the Nation' (not political parties), which in the end was not retained but which, nonetheless, survived within the Economic, Social and Environmental Council (the council which de Gaulle wanted to merge with the senate).[6] Here, I would simply like to suggest that the idea of a common institution is not, *per se*, opposed to the democratic plan; rather, it adds to it, completing it, as the guiding idea is to provide social players with a larger democratic playing field.

With the establishment of a common institution, it would not be a question of revisiting the democratic benefits which we hold dear and justifiable: it is more to do with allowing democracy to access a higher level within this democratic period, where the establishment in question, this life-mode parliament, specifically represents the *democratic recovery of social life-modes by society itself*. The order of business will solely include that which is likely to durably affect our life-modes; the issue of what is likely to affect our life-modes is, naturally, also a debated subject. The

[5] Arnaud Le Pillouer, "SENAT (France)", *Encyclopædia Universalis* [online], accessed 17 February 2015. http://www.universalis.fr

[6] Environmental competence was added in 2008.

novel division between public and private, or the just and good, as the liberals like to say, is therefore reserved to this life-mode issue, and so does not affect the sphere of preferred, personal major choices. A common institution does not impose a specified vision of good, but stops this from becoming *part of us* via the tyrannous mediation of life-modes which we do not ourselves select. Naturally, there is a price to pay for the establishment of such an institution—I have also attempted to demonstrate that it involves, notably, revision of the life-modes and the great dogma of the public/private division, and that this is no small challenge. But I truly believe that the price to pay will be much greater if we fail to do so.

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12

Global, Universal, Common: Three Notions for a Socio-Cultural Renewal

Francesco Botturi

This chapter seeks to make semantic clarification of certain terms that are now widely used in discourse on public affairs: the terms in play are carriers—perhaps unwitting ones—of influential anthropological, social and political conceptions. The idea and the reality of globalisation bring about the problem of the status of what is universal in the social-political to an extreme point. The issue of the universal is in fact not only a logical-epistemological problem, but also an anthropological and ethical-political question, and one of primary importance throughout modern affairs.

Since European culture has ceased to commonly recognise the religious reference as a unifying horizon, the issue of cultural and ethical-political universality has been the site of maximum theoretical tension and sweeping conflict over what should be the new universal realities (whether those realities are complementary, alternative or subversive to

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the traditional ones) that conjoin on the theoretical and practical level. Modern secularisation, from this point of view, centres on the question of a new set of universal values, ones often seen as decisive and thus sanctified. Science and Technology, State and Market, Nature and History, Tradition and Revolution—these are some of the gods of the modern pantheon, in which the actual process of 'secularisation' is concretised (Botturi 2014a and 2014b, 183–98).

Postmodernity and Technocracy

From this point of view, the postmodern condition may be defined as a kind of secularisation squared, that is, as a delegitimisation of the great modern and universal realities and a denunciation of their conjoining ability. The modern universals are expressions of substantial conceptions now considered unacceptable. Their postmodern alternatives, in comparison, have a rather procedural meaning, even if accompanied by a somewhat ideal quality, however uncertain or ambiguous; think of the ideas of technology, of the web, of the environment, and of human and identity rights.

The issue of globalisation is quite pertinent for this topic: on the one hand, it is an empirical universalisation of the world; on the other, it takes on the symbolic value of an ideal of globalisation (whether advocating or opposing it). In fact, globalisation 'globalises': it proceeds to a unification of the world based on technology and economics and simultaneously opens a vast space of presence for places, peoples and cultures, often interpreted as a new ideal universality. In fact, globalisation has an unprecedented power to standardise the globe but not to unite the world, to bring extensive coexistence but not intensive commonality, because its technical infrastructure is made up of practical-operative generality and efficient procedures, but not a binding higher reality. Globalisation, moreover, is efficient in the production of new wealth, but not in the redistribution between the many who have participated in that production, because its knowledge and technological capabilities have conditions and times of assimilation and implementation that are disadvantageous to less-developed, weaker geo-economic areas. Over the past twenty years, social inequalities have grown exponentially while total world wealth has increased at exceptional rates: in the current global model of development, economic growth and social progress are unable to march together (Zamagni 2007, 25 and 126).

Similarly, in the context of globalisation, social and economic integration in various countries (convergence towards decent levels of wellbeing) and cultural pluralism (as social wealth) do not harmonise easily, but are rather reversed magnitudes (socio-economic integration causes cultural homogenisation). Indeed, 'globalization is extending in a formidable way the area of application of the contract', that is the exchange ratio, to the detriment of other socially relevant relational forms with a component of gratuity and reciprocity (Ibid., 128, 129 and 225).

One can respond to this imbalance by turning the reality of fact into a universal idea, that is, by elevating the technical generalisation into anthropological and social universality. And this is the technocratic operation, favoured by the powerful pressure of wants which the technical structure brings with itself: its elitist character at the level of invention, production and management of information technology, its need for substantial human and financial resources for advanced research, production and marketing; in short, the technical structure of planetary expansion brings with it the drive to the highest concentration of not only technical power, but also economic, social and political power.

Unlike the old abstract universality of enlightened philosophical reason or positivistic scientific reason, technocratic universality, which is unprecedented in its practical-operational and production-functional scope, has the power to circumscribe and replace every other universalist tradition (such as religious or political ones), thereby provoking its extreme crisis. In addition, independent as it is of traditions of social culture and political unification, technocratic universality boasts a metacultural and metasocial amplitude that appears stronger and more pacifying in respect to the political and religious.

Indeed, the model for the reorganisation of power in a technocratic vein both accomplishes and subverts the typical modern one. This, with its passionate hypostatisation of statehood, was structured to subvert the traditional foundation (ancient and medieval) of the shared civil, that is of communities of origin and of belonging, putting an end to the various forms of community-based 'civic humanism' that grew during the decline of feudalism. The primacy of a universalistic modern state begins the processes of centralisation, in whose service are the Weberian impersonal forces of public law, bureaucracy, finance, army and with respect to which the various forms of community, from the municipal to the association and the family, all become dependent factors (that is, when they are not reduced to mere terminals of power as in totalitarian statehood).

The Technocratic Model and Democracy

The technocratic model seeks to respond in terms of political efficiency to the primacy of technical power (primarily to information technology and financial infrastructure), from which the universal state is challenged in its territorial sovereignty, threatened both by the expansion of external powers with international and transnational reach, and by the corresponding increased demand for local autonomy and identity. F. Viola writes:

> The autonomy of traditional political community was dissolved by the conjunction between the universalism of rights and the particularism of identity, between globalization and multiculturalism. On the one hand, the needs of people globalize, they lose their specific cultural connotation, but, on the other, the sense of community life is concentrated in localism, where there is no debate over fundamental values. What really counts is often decided elsewhere or, in any case, escapes the full decision-making power of a concrete community, despite its desperate attempts at re-appropriation. (Viola 2010, 90)

According to J. Habermas' well-known analyses, 'nation states maintain a sovereignty that has been empty for some time', whose 'capacity for political intervention can no longer hide from the imperatives of a bloated, dysfunctional banking sector'. Indeed, 'they are now reduced to the role of impotent extras in the globalized markets' (Habermas 2014, 56). Thus, in Europe's case, 'economic restrictions … combined with the technocratic flexibility of a strong executive' risk leading to 'a unification conceived for the people without involving them', in other words to adopt 'a political direction detached from a vibrant public milieu and from a citizenry that is ready to mobilize' and thus unable 'to channel the imperatives of a capital geared exclusively to finding the most profitable areas … in a socially compatible manner'. In short, there is a prevailing 'technocracy without democratic roots', which 'has neither the strength nor the motivation to take seriously what the electorate wants regarding social justice, social security, public services and collective goods', especially where this conflicts with the systemic requirements of competition and growth (Ibid., 21).

Constitutional democracy therefore feels the backlash of globalisation processes that threaten the political function. As P.P. Portinaro writes, in the context of globalisation and its 'unruly and anarchic capitalism', the democratic process suffers from forms of colonisation 'by private and particularistic interests, which generates a state of "post-democracy" or "depoliticized democracy", to which reacts a "populist spiral" inducing "a retreat towards the plebiscary democracy (Portinaro 2013, 55–56). The progressive colonisation of the public sphere by the actions of economic powers worsens the issue that is always present in constitutional democracy, of representation and of the law, to the advantage of bureaucracy and technocracy (or 'expertocracy') and their lobbies and 'invisible' powers. In this crisis, the political system reacts with a general populist trend and with specific forms of refuge 'in the illusory fortress of the identitarian community', that is, in gated communities as:

> social units that are defined based on membership (like all involuntary societies) and a special identity that is perched high by erecting exclusionary thresholds. The paradox is therefore that globalization promotes a regression to tribalism at the very moment in which the maximum of cultural and political inclusion is needed.… For the citizen of the global era, the open society is, even more so, only the place of heteronomous powers, while the community appears as the last space of social autonomy. (Ibid., 57, 60–61)

With all this, however, observes Viola, 'the particular political community [properly rethought] continues to be necessary and perhaps even more so than in the past, because it defends the individual from the danger of being decontextualized and of being alone against a mega-society that dominates it' (2010, 91).

To conclude, universal modern ideas obtained their supremacy at the price of reducing and subordinating communal realities (social, religious, cultural), whereas the technocratic subversion of modern universals happens rather by unifying procedures, although it is unable to rebuild a real socio-political whole. The technocratic regime is precisely that of neutral and homogenising generality, within which it houses, in addition to its technocratic ideology, also the libertarian individualism and narcissism of organised consumer society, along with the culture of the new rights legitimised with the tradition of human rights, with residual forms of communitarian aggregation in the face of the structure of power, impotent to provide effective alternatives and exposed to the communitarian degeneration. Nothing that can respond to the realistic need expressed by Viola.

Uniformity and Universality

To explore this diagnosis, it is necessary to proceed to a more abstract analysis, but which is more essential about the relationship between uniformity, universality and commonality. These three terms have as their common denominator the idea of unity, but yet have entirely different and even opposed meanings. More precisely, we should speak of the classic sense of community, of modern universality and of the postmodern uniformity, or rather of the importance of universality to disambiguate with respect to uniformity and commonality. The social and the political realities cannot in fact live without some form of universality; but this can assume different shapes.

'Universal and uniform: the world today seems to confuse them, as if the second was the realization of the first', says F. Jullien, while it is the 'corrupted copy that globalization is now spreading everywhere', that is, the 'infinite repetition of the same', and thus the secret 'perversion' of the universal (Jullien 2010, 1 and 13). The uniform, says this author, is not in fact a 'concept of reason, but of production'; it is an expression of the 'principle of functionality', 'essentially economic and managerial', it has a straightforwardly cumulative logic and, at its level, powerful logic.

While the universal dimension is the opening of a meaning, the process of pursuing uniformity is the offshoot of technical-production and management processes. Globalisation entails this phenomenon of broad, global standardisation, which 'imposes its own standards as the only conceivable landscape, masking the fact that it imposes them. Hence its dictatorship is discreet' (Ibid., 14, 16) yet relentless. In essence, we could say that globalisation is not a carrier, beyond appearances, of a conjoining idea, but it is very much a power that poses—as the sole factor of identity—the unique, repetitive, uniform, anonymous, encompassing manufacture of all its products (financial, informational and commercial). This uniformity therefore applies in terms not only of the content of the products but also of the power of its existence (production) and circulation (management).[1] The web, from this point of view, is now the unsurpassed metaphor: the unique identity of the endless variety of its elements existing as nodes, which are relevant only as elements in the web.

The explosion of the global proceduralism that produces uniformity, on the other hand, corresponds to the implosion and disintegration of modern universals that are already, in their turn, abstract and hypostatised universals, 'extracted' from historic factuality and idealised. These universals are written with a capital and placed at the head of the tiny existences of people and individuals, against which contemporary culture has, however, reacted with their most radical secularisation and pluralist dissolution. The abstract universality, in fact, 'breaking away from experience … openly raises the revolt of singularities' in all this universal logic (post rem) that purports to regulate the outside reality (Ibid., 14 and 22). Thus, as Jullien says, we make the cultural transition from an 'easy universalism' to a 'lazy relativism' and on to—as we see—a nihilistic negation of the universal.

This provides a historical justification of the dethronement of the universal 'abstract', culminating, however, in a postmodern empiricism,

[1] Here, as the current reorganisation of the world unfolds, we find at work the philosophical approach of influential author Gilles Deleuze, articulated by the title of his greatest work, *Différence et répétition* (Deleuze 1968). He asserts that reality must be interpreted as a combination of uniformity and difference, of the univocal and uniform occurrence of equivocal, distinct differences. This effectively corresponds, as he says in another work, to a global movement in contemporary capitalism that, while giving rise to that anarchic fragmentation of the world is also engaged in an opposing, coercive and recurrent effort to contain nomadic and rebellious tendencies.

excluding the 'real' universality and its unifying potential. The function of ontological universality (*in re*), conceived as either the 'concrete universal' or a universal claim in and of the particular, underpins the transversalism and communicability of the various cultural forms while ruling out any total universalisation of any of them, precisely because they are a 'concrete' universality that is always related to their historical particularity.

The universal dimension of the concrete has not only the positive function of conjunction but also the 'negative function' of disjunction, that of 'emptying out every institution-formation of its own security and (of) re-opening a gap in this convenient closure'. Indeed, the universal significance of the concrete reality highlights the limitations of this in relation to the scope of its meaning: 'The universal', says Jullien suggestively, 'is this missing fullness, this continuous incomplete'. This signifies that the real functionality of the universal is primarily to preserve an 'internal transcendence' to the single particular phenomenon. Indeed, the particular and the universal, the experience and the ideal are always mutually in excess, are constantly transcending one another, since the richness of content of the particular cannot be exhausted by its universal meaning and the ideal sense of the latter can never be fully realised by the former (Ibid., 101, 14 and 221; see also 150). This is why individual realities can take on the value of the ideal and exemplary, as happens in the myths and symbols of a culture, in its works of art and institutions, and so forth.

From the perspective of the universal, this means that its functionality can be synthetically characterised, then, as 'universalising', as the opening of a sense that both unifies and transcends what already exists, as an ideal of what still remains to be brought into concrete existence—as always, both under construction in the concrete and also a 'carrier' of that historical actualisation. For this reason, the universalising function of the universal is also the principle of intelligibility of the historical realities in their concrete cultural becoming (see also Ibid., 127 and 150) and the basis for effective, fertile communication between the various cultural identities and forms.

Commonality: The Commons and the Common Good

This is the way concrete universality functions, that is in generating historical reality, in which the universal and the particular are neither juxtaposed nor in conflict, but indissolubly coexist in a way that produces new realities. According to the great and eloquent example of the history of Roman law, where, as duly noted yet again by Jullien, the event of the institution of citizenship, originally restricted to the area of origins, was gradually extended to render the 'Roman homeland' common to the entire empire (Edict of Caracalla AD 212): 'the importance of Rome lies precisely in bringing together the "City" under the same legal constraint as the "World"—"Urbs et Orbis"'—in an operation which conjoined realistic convenience with political ideals. Rome managed to insert 'its territorial and civil extension—promoter of the communal—into a unique legal status (Roman citizenship), that establishes the universal'. It is therefore in Rome that through the law 'the community has begun to universalize in a positive way'.[2] Here is an example of a universalist idealism that does not replace or overlap with historical particularity (as in the case of universal Enlightenment), but that lives from within a historical commonality which it transcends and transforms; this is precisely how it can be progressively universalised, without abandoning the essential reference to its concrete historical reality. This means that true historical concrete realisation of a universal idea does not aim at its pure universalisation and, correspondingly, the community cannot be realised in an authentic way by anti-universalistically closing down and then becoming a more exclusionary rather than inclusive.

[2] Ibid., 45, 48 and 49. The consideration of the universalising process of Roman law, as its defining characteristic, is a key focus of G.B. Vico's ideas (see in particular Vico 2000 [1720]), as a paradigmatic example of a doctrine of natural law that is not ahistorical but based on an evolutionary principle of human history. Here, indeed, the affirmation of the universalist idea is not conceived as a progressive abandonment of the particular but rather as a universalising force that acts from within cultures' particularist mythologies and lends them unifying mythopoetic, religious and institutional forms. The universal works originally from within the particular, following the creative laws of the 'fantastic universal' (see Botturi 1991). This anthropology, which embodies the profound imprint of Roman, humanist and baroque tradition typical of Latin culture, constitutes an alternative paradigm to that of rationalist (Cartesian and natural law) abstraction, which Vico's entire body of work actually refutes.

The Communitarian Claim

Modern socio-political culture has been the bearer of an ambiguous universalistic idea, mostly inspired by abstract universals immunised from their embodiment in a conjoining historical reality. It is understandable, therefore, that in the context of the ongoing globalising process and its technocratic tendency, the communitarian claim has reappeared.

But modern statehood, according to Hobbes' influential model, is defined precisely in an anti-community sense that conditions the course of modernity. The new basis of politics—a fear of the other—implies the organisation of a system of power to immunise relations as much as possible, to the extent that it is no longer built on social bonds. The Hobbesian state, R. Esposito observes, desocialises the community link and bases itself on the dissociation of people and on their re-association as pure individuals: 'if the relationship between people is inherently destructive, the only way out … is to destroy the relationship'. Henceforth, political unity must comprise a 'unity without relationships' (Esposito 1998, 12 and 14). An inverse proportionality begins to be definitively established between community and state, because the Hobbesian state exists on the presupposition that social relations are 'naturally' dangerous and therefore essentially impolitic. For 'what produces an unsustainable violence' is 'the community in itself', and the members of the 'original community' are literally exposed to what they have in common, to their 'nothing-but-community' nature (Esposito 2011, 252–54).

As a logical consequence, politics *per se*, looking beyond its directly Hobbesian guise, will be considered as an immunising device that establishes protective boundaries both with the outside and internally between members. Thus, 'whereas in Hobbes, the absolute state arises precisely from the rift with the original community, in favor of an order based on the vertical relationship between the sovereign and each of their individual subjects, in Locke, meanwhile, it is the institution of property that separates the world into as many parts as there are people living and working in it' (Ibid., 257). Indeed, the logic of the 'own' runs contrary to that of the common. Throughout the second modernity, the three figures of sovereignty, property and then liberty have acted as immunising shells, and essentially depend on the individualism to which sovereignty politically gives rise, as perpetuated in the relationship of property and multiplied in the plurality of individuals, like many sovereigns (in a libertarian regime). Not by chance, liberal liberty is mainly a negative liberty, a guarantee against the interference of others' liberty (Esposito 2004, 54–62 and 72).

Esposito believes that the modern state originates, therefore, as an immunising device and that all of modern politics is marked, to varying degrees and in various ways, by the prevalence of *immunitas* over *communitas*, which is deemed an insufficient principle for combating the violence that it generates. In the process, the inherent immunising component of each community, as of each living organism, is extrapolated until it clashes with the community itself. The result is 'an outcome that contradicts the entire paradigm', incorporating the violence of the *communitas* 'into the same device that is supposed to abolish it', to the point that the society is exposed 'to a potential violence that is even more marked, because it occurs within the protection mechanism itself' (Esposito 2011, 258–59).

Clearly, the hegemony of this multilayered pre-existing model leaves the communitarian claim still unable to make easy headway. Globalisation itself demands a radical rethink of the socio-political paradigm while also working in other ways to reinforce the old immunising tendency. The process of globalisation marches on, inexorably. It seems more 'a compulsory standardization' than a 'unification of the world' and tends to produce a single undifferentiated space that leads to an 'unstoppable contagion' of identity and culture (Ibid., 262). Those two aspects create extensive and pervasive phenomena of rejection, which are especially evident in separatist tendencies, xenophobia and a resistance to immigration. On the other hand, as already mentioned, the cost of standardisation is the spread of deep social and economic inequalities, which technocracies produce and attempt to manage in order to justify and strengthen their power.

There are a couple more interesting conclusions to draw from Esposito's ideas. The first regards the precise meaning of the term *communitas*, couched in its etymology as a composite of *cum* and *munus*, a combination of sharing and cooperating in what is both a gift and a duty (Esposito 1998, X–XV). This is not enough to bring about a community that exists and operates together, although that needs to be founded on and motivated and oriented by something that qualifies and justifies being together. That something needs to act as an intermediary among the interrelating subjects, as a third-party dimension to the *munus* that is partly a prize already won, to preserve, cherish and pass on, and which partly still continually needs to be enacted. This dynamic founding idea of community has an identifying value while excluding reductive, sentimental, psychologistic, instrumental and functionalist senses of community. On the contrary, every community is identified qualitatively by the content of its recognised *munus* and is also functionally enabled by that objectivity which also equates to a social principle.

The second point regards the substance of a community. The meaning attributed to it now is quite different from that asserted by both German organicist sociology like Tönnies and American neo-communitarianism, which 'link the idea of community to that of belonging, identity and property'. 'Common' rather means the opposite of 'own'. Hence, it is qualified by the not-own and by the inappropriable: community is the opposite of identitarian, participative, communional self-appropriation, like 'a whole filled with itself'. On the contrary, 'the idea of community expresses a loss, a removal, an expropriation' (Esposito 2008, 116, 91, 117) that relate more to a void and to an alteration than to a whole with which to identify.[3] In this sense, the community's nature is not properly that of a collective whole or a social subject, but is rather 'being as relating'; it consists in the link between the subjects, their relationships. Again, in Esposito's view, 'common is just a deficiency; it is not possession, property, appropriation'; it is a lack of 'subjective substance' that cannot be filled by nothing, 'if it wants to be effectively shared' (Ibid., 92).

The two statements about community—being together as a gift/duty and identitarian expropriation to favour relationships—combine to illuminate the conditions under which the communitarian claim can be met non-reductively in view of the technical and structural uniformity or the abstract universalism of values.

[3] For this intrinsic 'expropriation', the community dynamic includes the immune defence that the individual cannot not exercise in relation to the *cum* in which they are included but that, if they break the equilibrium with the commonality, leads to the community's dissolution.

The reference point is, therefore, the idea that authentic, effective community demands the recognition of a self-consistent *munus* endowed with intrinsic value, to which one must dedicate oneself in a constantly nourished and renewed web of relations. This demystifies the deeply ambivalent attitude towards the relational dimension of the global self that C. Giaccardi and M. Magatti have discussed (Giaccardi and Magatti 2003). At a time of crisis in the modernity project, the appeal to community should be no surprise, as a spontaneous way to provide a reassuring response to the need for identity, belonging, solidarity and shared meaning. But this occurs through a subject that is largely unstructured—that is, lacking a certain equilibrium between the Self and Us—and therefore vacillates between an emotional individualism and a quest for collective togetherness, if not fusion, to make up for the lack of subjective substance.

This direction opens up a vast phenomenology surrounding the characteristics of impermanence and voluntarism, socialisation and non-autonomy that recur in many forms of community examined in specific sociological studies (e.g. peg communities, virtual communities, 'womb' communities, tribes and neo-fundamentalist groups). All these cases clearly lack Esposito's characteristic community traits, thus confirming that the great course of modernity seems to have not only destroyed Western culture's community fabric but also obscured its underlying idea. Moreover, it is true that the communitarian claim, albeit in a distorted and concealed form, is still alive at the heart of Western culture. For, as D. Hervieu-Léger affirms, 'even in a society of triumphant individualism and mass communication', the community remains 'the place where fundamental social links are forged' (Hervieu-Léger 1996, 149).

One of the most common errors in modern political philosophies after Hobbes is the belief that it is actually the institutions that are responsible for underpinning coexistence (a conceptual forerunner of the idea of a techno-structure replacing the 'lifeworld'— to use Husserl's expression). Meanwhile, this has an irreplaceable primacy (that, too, already culturalised and mediated, of course) in a community form that is fundamental to further institutional mediation.

And the important Habermasian discourse on 'civic solidarity' and 'political community' as effective conditions for a democratic political life that is not subordinate to the markets has a negative paradigmatic value. Solidarity, Habermas opportunely affirms, 'refers to a shared interest (including self-interest) in the integrity of a common form of political life', and its most important characteristic is the 'active commitment to fulfill a promise implicit in every political system's claim to legitimacy' (Habermas 2014, 34–35). Equally, that means that 'community-minded behavior presupposes … life connections that are political and hence legally organized and thus artificial', without relying 'on the ascriptive naturalness of a historically inherited community' (Ibid., 34). In Hegelian terms, then, before the intervention of the state and its legislative power, relations possess only an empirical meaning without universal value, and the 'natural' human commonality, specified in community terms, does not provide forms of concrete universality or, with it, a primary informal yet real basis for coexistence.

The problem arises again regarding the concrete universal of which historical communities can be an expression. The commonality of *cum* and *munus* defines the essence of being-in-common by contrasting it with subjectivist or objectivist counterfeits, but (as already noted) the value of each form of community expression depends on that of the *munus* that motivates and justifies it. Hence, the axiological cooperation or conflict between commonalities and their interpretations—as well as the possibility of having historical communities that bear—conserve and articulate *munera* of great universalist and universalising scope.

Commons and Common Good

In current social and political terminology, 'commons' and 'common good' are the most frequently used expressions evoking the dimension of the 'common'. The problem of the commons today constitutes the most reliable formula of that instance, to the extent of giving a joint focus on the economic and the political. Beyond the theoretical disputes to which they have been subjected and the opposing manifestoes that they have inspired,[4] the problem of the commons brings to light the relational

[4] See for instance, inside the Italian debate, the contraposition between Mattei (2011) and Vitale (2013).

dimensions of economic goods beyond that of the equivalent exchange. The 'commons', common-pool resources (E. Ostrom), in fact, exist not in the material sense but through the system of rules under which they grant the ground for collective actions, ways of life and community activities (Ch. Hess).[5] The regulation of the commons distinguishes them from private goods (exclusive and rivals) and public goods (non-exclusive, non-rival) as goods not exclusive and yet rivals (Ibid., 140).

The theories of the commons identify a multiform category of goods qualified by a commonality of rules of consumption and of a universality of value that reveal a different basis of coexistence, albeit without seemingly being able to formulate it properly.

In the terminology of C. Taylor, humans do not take advantage only of 'converging' goods, that they collectively enjoy but do so in a way that is functional to their exclusive individual interests (such as public services). Existence itself is woven not only with goods that gain added value because they are enjoyed together, that is, 'mediately' common goods, but also with those goods that are good precisely because they are enjoyed collectively, that is 'immediately' common goods, such as cultural goods. Furthermore, there are goods that are shared because they are put into existence by the interaction of the subjects; as in the case of the conversation, which is a good not realisable from the sum of two monologues (Taylor 1992, 147–50). According to Taylor, then, it is this type of property that is essential to the good life of political societies, which needs to be 'animated by a sense of a commons shared in immediacy. To this extent, the social bond resembles the bond of friendship, as Aristotle noted' (Ibid., 151).

In other words, the dimensions of the commons hold profound differences, ranging from having goods in common as individuals to sharing something good as a way of being in relation among subjects. This is the case of relational goods, in which the relationship is not only the mode or condition of the good (as in a good characterised socially to some extent), but is constitutive of the very good itself, as it is 'made' of relations. The

[5] On account of this characteristic, the common-pool resources regime could/should underpin a substantial change in the economic and political landscape. See G. Giraud's proposed 'ecological transition' regarding the epoch-making question of a globalised economy centred essentially on the consumption of fossil fuels (Giraud 2014).

theme of the commons highlights the relational implications of basic goods, such as air, water and food, but there are common goods which, as such, have a relationship not only as a component functional to a certain content but also as their main content: family, places of education, places of care, cooperative enterprises and so forth. These are commons in their most specific sense.

What seems generally lacking in the theories of the commons is an overall and graduated view of the community of goods and in particular a discussion of the idea of relational goods. These—as previously stated—are not commonly characterised by the fruition of more or less indispensable things, but they consist of an active commonality between subjects in relationship; they are the commons which evolve the system of having in common into that of being-in-common. Consequently, the significance of universality, which is already intrinsic to commonality, changes. In the commons of use, the universal is on the side of shared content, all the more so that this can satisfy essential needs; in the relational commons, the universal is instead in the relationship itself, especially where this is really essential or otherwise fundamental to the subject. Indeed, in Donati's definition, commons 'consist of social relations, which are a unique reality; they are produced and enjoyed together by the participants; the good that they comprise is an emerging effect that benefits both the participants and those who share in its effects from outside, and none of the individual subjects can appropriate it for themselves alone' (Donati 2013, 156).

It is in this relational specification that, in my opinion, the transition lies to the idea of the relational good par excellence: the more inclusive and unifying good, or rather the common (social and political) good itself, that endows the commons with their full significance as horizon and foundation of the commonality. Donati encapsulates this when he says that the common good is the privileged place for interactive social relations, when subjects tend to promote the good of relations among them and therefore also the objects that represent those goods (commons). Clearly, the common social good is not a good shared by only some people or by certain sections of society. It is not the sum total of the specific goods, nor is it a good that regards everyone in the sense of its being obtained by a superior power (such as the state, as with the public good). Rather, it is that relational good which is common to all members of a society.

The idea of the common good therefore needs to be critically reappraised (Ibid., 166; see also Botturi 2014a; Donati and Solci 2011). The contemporary crisis of the abstract universal and the prevalence of the uniform technical and procedural generality objectively open up a space for rethinking the idea of commonality, of the social common good and of the political common good (as a genuine political universal). But this creative recovery is obscured by an uncertain and confused vision of the issue at stake.

What then is the logic of the common good?

For Aquinas, who formulated an organic theory, the idea of the good signifies the relationship that everything has with its perfection and with the fulfilled realisation of what it needs. In this sense, the good of a thing is its suitable end, where it attains an increase of its own being. Thus the common goal of an organised whole is not an option, but a constitutive necessity of the whole, without which it could not exist and operate according to its own dynamism. Human society is a layered complex of operations; that is, precisely its unity in the common purpose gives it its meaning; without this its operational totality would dissolve. 'All (human) communities', writes Aquinas in his commentary on Aristotle's *Politics*, 'aim at a certain good, that tend towards some good as their own end' (*Sententia Libri Politicorum*, I, l. 9–10); a good, let us say, that fulfils the same constituent and binding function as Esposito's *munus*.

The idea of the common good therefore involves a relational and dynamic conception of human society. The political community is that community which includes the other minor associative forms and is established in order to ensure the essentials for a social life worthy of the humanity of its members. This evidently functional concept does not predefine the content of the socio-political realities but provides general criteria of historically variable reality, from medieval *civitas* to the eventual multipolar structure of the international global community and its regional localisations.

Clearly, then, the notion of 'the common good' is not primarily of a moral nature and does not bind to a certain substantive ethic (as is often argued), although it is understood that without some moral initiative that good could not exist and be sustained. The common good is rather a condition of ontological possibility (of social ontology) and a structural principle. But above all, the common good is not something that pre-exists concrete social realities, as if it were a table of values or a design for an ideal city; rather, it is their fundamental condition of shared existence. Therefore, the primacy goes to the spontaneous formation of society, that is called civil to distinguish it from the political, which is the inevitable institutional mediation. The original commonality is therefore the civil one, which carries in itself its founding purposes of care, protection and historical realisation of the relations of which it is made. The ontology of social being is the being-in-common, not just as an exchange of equivalents or a behavioural strategy but rather as a symbolic exchange of reference to and connection with the other, whence the emerging effect of being-in-communication, in-interaction, in-synergy. In that sense, the social ontology equates to living together as shared social good (gift and duty), as a 'hyper-good'—one could say, using Taylor's terminology—of the active relational, interactive and cooperative, dialectic and competitive network, in short of social communications that concretise 'being-in-society'.

Therefore, the common good of a society is the human good which we have always shared, which is in common among people from the same social reality; in summary, it is the good of their own being-in-common towards a good participatory life. This demands to be protected and guaranteed; that is, knowingly assumed and administered, to become the normative and institutionalised political common good. The political body is born when society recognises the relational condition that grounds it, judges that it is good and establishes itself as a common binding end. Political power consistently understood, therefore, does not have society as its object, nor adds an additional purpose to it, but rather has society as its end, taking responsibility for society as its charge. In this sense, the (right) political power is the conscious self-finalisation of a human society as a whole.

By its very nature the political common good is not the foundation of closed communitarian entities, but of open political entities, because it is the concrete political universal, that can be participated in without limits, which does not carry within it reasons for exclusion except for eliminating those who do not respect the covenant of 'reasonable cooperation'.

Consequently, the political common good, even if it cannot be reduced to a neutral procedure, does not even require adherence to a substantive selective vision, because it is based solely on the evidence of a possibility of the existence of the socio-political unity, which can be differently founded according to different and even conflicting theoretical visions, but can nonetheless be shared as such; in this the idea of the common good is compatible, within certain broad limits, with a pluralistic society.

Finally, the political common good is not an inactive ideal, because its fundamental judgement that 'it is good to be-in-common' translates immediately into the pursuit of the great goods that realise any social life: the political good of peace, the economic one of living standards and the ethical one of a kind of behaviour that is in keeping with the common dimension of all social activities. This is the implementation on the historical level of the common good, a constant object of interpretations and choices, of technical expertise and dialectic and political deliberation, with which the common political good is translated into the historical projects for the public good.

Conclusions: Towards a Renewal

A typical by-product of the second modernity is the polarisation of social and political life between state and market, and hence the reduction of citizenship to a combination of market opportunities and rights granted by the public authority. This manifests as a typical hybrid of liberal and social-democratic traditions, with a corresponding democracy inspired by emancipatory libertarian motives and sustained by systemic control mechanisms. As Donati observes, this state of affairs fosters a concept of society as an economic and political web, where the civil dimension shrinks down to the private sphere, civil solidarity is barely relevant as a citizenship criterion or for democratic consensus, and the citizen is defined essentially as a recipient of rights. Essentially, the civil is seen as dependent on the state and the market, while citizenship 'is the result of a political regime that progressively extends the combination of provisions given by the market with rights or entitlements given by the state' (Donati 1993, 238).

Now, this lack of theoretical and practical acknowledgement of the social subjectivity of the civil in the democratic governance of today's highly differentiated and complex arena has become counterproductive (hence the crisis in the welfare state). Nevertheless, the technocratic hypothesis, which globalisation enables, is not changing direction but seems rather to be continuing the exclusion of the civil from the act of playing one's specific role in society. Underpinned by the growing techno-structure's power of resolution, conditioning and governance, technocracy focuses on creating powerful new transnational lobbies, on modernising the market in financial terms, on subordinating the role of nation-states and on spreading the culture and legally safeguarding the ethos of mass libertarian individualism. This is the extreme attempt to manage the 'world' of relations from on high, as if it were a technical or scientific 'globe' that actually needed strong elites rather than communities and peoples in order to function and to govern.

But, without an acceptance that it is the techno-structure that gives meaning (means, purposes, norms and values) to historical and social existence, there is no alternative but to reassess the centrality of the lifeworld, which assumes a social importance in its community forms. Only on this condition does it become reasonable to hope that the overall landscape of power will take account of the civil world of relations and leave room for its humanising function. Besides, one cannot underestimate the realistic consideration regarding the demanding conditions required to provide a community, civil and societal fabric of relations, such as the deployment and mobilisation of personal and social identities, the motivation to act not just as a means to an end, the practice of reciprocity in symbolic exchange, and the stable and reflective development of a conformant culture (Donati and Solci 2011). It all begs a question. In today's postmodernist world, are there enough active theoretical, practical, ethical and social resources to drive and maintain a change process like this?

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