Funding the Future

Is post-growth capitalism possible?

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There is an article on The Conversation (a web site reserved for comment by academics) Today that discusses the possibility of post-growth capitalism. Written by Adam Barrett , a multi-disciplinary researcher at Sussex University, it is based on macroeconomic modelling based on Minskian theory. As he notes:

[Minsky] argued that financial crises are to be expected in capitalist systems because periods of economic prosperity encourage borrowers and lenders to be progressively more reckless. Minsky's work was rather overlooked prior to the 2008 crash, but has received increased attention since.

To test the hypothesis that capitalism might survive in a post-growth model he notes:

The model included a banking sector that charges businesses interest on loans. That way, it could address the concern that this key feature of capitalism might in itself create a need for growth. (While other aspects of finance could be reformed for a post-growth economy, it is hard to imagine a capitalism without debt and interest.) The model also included a basic labour market, with dynamic wages.

I stress, I have not read any more on his work, but he concludes:

There are of course reforms that would have to be made to the global financial system. I found that an end to growth reduces profits for business owners. Therefore, if it remains relatively easy for money to flow across borders, then investors might abandon a post-growth country for a fast-growing developing country. Also, businesses are beholden to shareholders keen on growth as a means to rapid profit accumulation.

And adds:

It may be that environmentalists trying to protect the Earth's resources do not have the power themselves to curb the excesses of capitalism. However, growth has slowed in advanced countries, and some mainstream commentators and economists are now predicting a transition to a post-growth era, whatever our environmental policy — which means the study of post-growth economics is a field which itself will grow.

Instinctively I agree with the findings. I cannot see why very low interest rates and so banking as we know it, could not survive in a post-growth economy. But, I stress the essential condition of low rates. The old ‘normal’ was the aberration.

I can also see no reason why the profit motive cannot survive. Indeed, I cannot see how it in its genuine, return to entrepreneurial activity, form it could be suppressed without considerable harm to human rights and society at large.

What I think the model really suggests is that what is required is a control on rent seeking. After all, that is what most of the return that is now called profit really is. It is actually rent extracted from land, resources, the exploitation of people, the abuse of power, the arbitrage of regualtion including that on tax, and so much more that is antisocial and harmful to society at large. What I suspect the model suggested is that in a post growth world such abuses have to be curtailed but that there may be a potential first mover cost to those who taking first steps to challenge that abuse.

Should that stop such moves? Clearly not. But that is, for example, not what anyone in politics will say to justify their leaving the EU, if that is their motive. I also happen to think such moves will, of course, work best cooperatively, and so by staying in the EU. I also happen to think such organisations now offer the best way to deliver such change because they now seem vastly more responsive to change than once they were (but it’s been a painful progression, a characteritistic that will remain, no doubt as old style rentier capital fights back, as it is in Brexit campaigns).

In that case the debate is completely worthwile. As is the research. For that reason the linked article is worth reading.