

## Appendix 3: What are the crises and what has caused them?

There are various ways of describing the crises and their interrelations, but an adequate approach will have to go right to the roots. For this we need to take a long view and try to understand the dominant economic system under and within which the majority of the earth's population now lives<sup>53</sup>.

Underpinning everything is an economic and social system that for some 200 years has efficiently created an explosion in production, access to goods and commodities, technological sophistication, population, longevity and knowledge. The motor for this has been capital, something that within this system has the propensity to increase. That increase in Capital<sup>54</sup> is based fundamentally on exploitation – of workers, consumers and natural resources. An inherent tendency is for the rate of profit to fall, and yet the system has proved immensely adept at overcoming these *internal* contradictions – **until now**.

We can identify distinct phases of capitalist evolution and the fixes that Capital has found to keep on expanding. This is inevitably a simplified picture.

- 1) *Classical industrial capitalism* of the 19<sup>th</sup> and early 20<sup>th</sup> century. Fixes included exploitation of the first 'energy subsidy' – coal, and colonial administration to suppress competition (e.g. Indian cotton, Irish corn) and find new markets.
- 2) *Fordist industrial capitalism*. Fixes included the use of cheap immigrant labour, new energy subsidies (petroleum), the development of new markets and new lines of production and the rationalisation of the labour process on Fordist lines.
- 3) *Welfare capitalism*. After the great anti-fascist war of 1939–45 a compromise was made with the labour movement, trading off welfare subsidies via the State for Trade Union militancy and radical system change.

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<sup>53</sup> This analysis is broadly a green Marxist one. However we have to acknowledge that while the insights of Marx and contemporary Marxist scholars are a rich resource for analysis of the system as it is and as it has developed, they offer less help with defining a future sustainable, non-exploitive social and economic system. For that urgent task it is necessary to draw on a wider set of ideas.

<sup>54</sup> We use the word with a capital 'C' to indicate the subsystem of capital in economic terms together with the actions, strategy, ideology of those who work to increase the accumulation of capital – its production and reproduction and expansion. These people were initially the classical industrial capitalists of the 19<sup>th</sup> Century, but over the last 100 years the function has been to greater or lesser extent become systemic in nature, with the development of professions such as accountancy and the establishment of bodies such as pension funds and corporate bonds that function objectively as the capitalist.

However as a result of this accommodation Capital was able to externalise some of the 'reproduction costs' (e.g. education and welfare of the workforce) to the welfare system. Further technological innovations and expanded energy subsidies (including nuclear power) also fed this as did the continued expansion of global markets (post colonialism) and resource extraction.

4) *Neoliberal phase of capitalism* (a.k.a. globalisation, post-Fordism). When the post war settlement began to break down (exacerbated by the 1974 oil shock), Capital again adapted by means of a set of linked strategies that all had roots in the earlier phases. The fixes this time included

- \$ Restriction of Trade Union power by (depending on location) violence, legislation and the harnessing of State power to capital interests.
- \$ Privatisation of socially owned functions and enterprises – creating new sites for capital creation and accumulation.
- \$ Outsourcing of production (and some other functions) to cheap labour economies.
- \$ Dual process of extortion and control of non-core system economies via economic and military warfare, leading to the collapse of the soviet block (which besides opening up a huge new terrain for Capital also weakened alternatives and opposition in the rest of the world for some 30 years), the subordination and integration of dependent economies into the global system through the now neoliberally modelled Bretton Woods institutions (World Bank, International Monetary Fund and its regional proxies, and the World Trade Organisation), along with bilateral and multilateral trade agreements (e.g. NAFTA).
- \$ Associated with the above, resource wars, whether direct (Iraq) or by proxy (Congo).
- \$ The hyper-development of finance capital. Banking became in its own right a site for capital accumulation rather than an aid to the smooth working of the productive economy. There was the transfer of State and mutual resources to private capital, the de-regulation of the system and then the recursive growth of finance capital via secondary products – derivatives, unsecured debt and associated bundling: a finance bubble that as we know has just crashed dramatically, plunging the rest of the global economy into free fall.
- \$ New commodities and the extension of market mechanisms to more areas providing a terrain for the operations of Capital.

The economic system as a whole can be thought of in three parts<sup>55</sup>. Starting in the middle:-

A real economy<sup>56</sup> of production with a motor of capital and steering mechanisms of market and government – *economy 2*.

An unreal finance economy – that grew larger than the real economy, developed autonomously from it and which we now know was no more than a speculative bubble – like those in previous stages of capitalist evolution – *economy 1*.

Underpinning everything, an earth economy based on the natural processes of the ecosystem and the fundamental cycles that structure it – water, nitrogen, carbon, oxygen – all powered by sunlight – *economy 3*.

*Economy 1* presents a short-range problem. Its explosion has meant the destruction or at least severe damage to the financial tools – banking, savings and credit – that underpin *economy 2*.

*Economy 2* sprouted *economy 1* as one of Capital's solutions to its *internal* constraints (basically the inherent tendency of the rate of profit to fall). But it also faces some other constraints that are fatally limiting: the crisis of *economy 3*. The most important of these are firstly the increasing scarcity in the form of fluid hydrocarbons (oil and gas) – peak oil. And this constraint arrives at the same moment that we learn decisively that (secondly) we cannot afford to increase carbon emissions and indeed need year by year reductions to mitigate the impact of the now present and inevitable change in global climate. This can only mean living on greatly reduced energy inputs. So the real economy, currently structured by an intrinsically expansionist motor of capital accumulation, has reached its limits to growth and needs to be restructured on the basis of production for need on an ecologically sustainable basis.

Allied to the crisis of *economy 3* is the food crisis – itself a product of the energy and financial crises – and the population crisis, less a cause of the ecological crisis *per se*<sup>57</sup> but an index of probably unsatisfiable human want.

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<sup>55</sup> This idea comes from JM Alier *La crisis económica, vista desde la economía ecológica*. <http://www.ecoport.net/content/view/full/82771/>

<sup>56</sup> Distinctions made here are relative. The finance economy is also real in the sense that it is a material construction – the distinction is that the economy of production deals with physically material things rather than abstract entities. However, as Marx showed, the concepts that every day structure this real economy also have an abstract and ideological quality.

<sup>57</sup> WWF Living Planet Report, 2008.

Let us be clear, these crises are killing people and they will kill many more of us yet.

So the conjuncture of crises can be summarised in the following terms:

### 1) Financial crisis.

Requires a complete restructuring of the financial sector, with a return to its basic functions for any economy – provision of banking, savings and credit facilities, either on a social ownership basis, or if profit is to be made, at least it should be at a rate commensurate with the real sums invested.

This crisis can be fixed by action at local, regional, national and international levels. *It is not enough to re-regulate the financial system – it needs a thorough rebuild.*

### 2) Energy crisis.

The increasing shortage of hydrocarbon fuels – initially in the case of the fluid fuels gas and oil. *This will have impact on all other sectors and means an austerity energy budget.*

### 3) Climate crisis.

The urgent need to decarbonise the economy. This means that in addition to facing the energy cost problem, action is needed now to progressively put the vast majority of fossil carbon fuel *beyond use.*

### 4) Economic crisis

This is the product of the three forgoing crises and of the internal contradictions of the present governance (or lack of it) of the real economy. Responding to this requires more than a return to a Keynesian demand management model – albeit a green version. For this reason a **Green New Deal has to be based on localisation / trade subsidiarity, and production and distribution for need.**

### 4) Food crisis.

*The energy crisis, with the climate crisis, makes food security a pressing priority for a country that is a net importer of food.* Basically we eat oil: we are dependent on high energy subsidies to cultivate, harvest, distribute, store and prepare our food. The energy and climate crises mean likely hunger.

### *The context for action*

The present unprecedented combination of crises presents both an enormous challenge, but also an unexpected opportunity.

The challenge is a result of the crises. It means the stakes have never been higher. Moreover the collapse of the financial systems makes it difficult to

mobilise the investments needed to safeguard our population and transform the carbon economy – that is to make the transition. Moreover, many of the needed changes will seem like going back to a more primitive way of life with more physical labour and fewer luxuries.

An opportunity, though, is also present in the combination of crises. Because the dominant system is so obviously broken, minds and energies are more likely to be open and ready to address the challenge with the radical vigour that is required. While action needs to take place on all levels from international down to the domestic, it is our view that the bioregional level holds the key to the most significant redesign of our settlements and the way we live in them.



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