

Rescuing the Social Function of the Economy

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Brazil is Back

By

Ladislau Dowbor

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PROLOGUE

The word ‘prologue’ sounds outdated. Well, I am a little outdated myself. I am 82 at the time of writing, and my thoughts inevitably migrate along the broader historical process I lived through. Considering what we are facing at present, taking a few steps back may be useful. I remember discussing so many things with my father, born in 1900. This is my father, not ancient history. At the time, the world population was 1.5 billion, but we were already shouting that we need vital space, more colonies, more guns. The planes were just being born, a few cars were moving around, but we had high-nosed leaders looking down on humanity, as ever. Some things change so much, and others so little. I was born in 1941, on the Spanish border, because Germany had invaded Poland, where my family originates. On the border because the Germans had invaded France. And not in Spain, a consequence of the recent Spanish war. My father was born in Russia, because at the time Poland partly belonged to Russia. He did participate in the war with Russia, in the early 1920s. His engineering diploma is in Russian. What I make out of all this is that, as a family, we were fed up with wars and leaders, and after the war, we migrated to Brazil. This is my nationality now, and has been my home since 1951. History just keeps pushing us. And it continues: just look around...

We are 8 billion irritated human beings presently, and so many things have changed. I was eight or nine years old when I went with my father to a meeting where we were introduced to a TV, black and white, of course. At the same time DNA was being discovered, we were starting to understand the mysteries of life. As I read about gene complexity in the 2020s, we know so much more, and yet the mystery has grown deeper. I am surrounded by electronics, images everywhere, but all this was born yesterday, so to speak. I can chat with my friends in Poland or in Angola, even seeing their faces, while walking in the Villalobos Park in São Paulo. Age goes with the privilege of remembering the past and feeling astounded with so many changes. In my father’s time, we still largely depended on our muscles.

Today we use, through the different sources of energy, hundreds of times our original strength. We use nature's accumulated energy, and it is boundless.

Harnessing economic development to nature's energy is much more than capitalism, and science made it possible. While we fight over ideologies, the world is being transformed by knowledge materialized in technologies. We are living through a full-blown digital revolution, a structural change as deep as the industrial revolution was two and a half centuries ago. We are still running on this innovation path, but mindless of where we are heading. For many, the faster we run, the better. No limits, no chosen direction. Just the speedometer. I like Ortega y Gasset's comment: "We do not know what is happening; and this is exactly what is happening". Reality is running ahead of us.

Except, of course, for the human being, human nature. We have immense capacities as creators of science, art and other miracles of the mind, but are real morons in what concerns social and political organization. We continue the eternal fight over the Middle East's oil resources, toppling governments – who remembers now what the US did to Iran in the 1950s? – the Americans took over the French Indochina war, spread military dictatorships throughout the world, particularly in Latin America. The Afghanistan war lasted 20 years, now we have Ukraine. As ever, every war comes with a huge amount of propaganda, narratives as we call them today. Hussein was a dictator and Iraq had weapons of mass destruction, but Saudi Arabia is respectable, it is on "our side", whatever that means, including 147 official beheadings in 2022.

The logic of it all, as I see it, is grab what you can, whatever the consequences, and whatever the means, making sure you build good narratives to justify it. Every human being has dark tendencies, the problem is when you legitimize them, make them institutionally powerful. These few flashes I mention because things have not changed so much, after all. And we are all taught that we are the good guys, and that what is happening is the fault of the bad guys, on the other side, wherever this side is. Well, we know whom to hate, where to direct our minds. Never mind the common violent reality.

Torture is everywhere, I myself suffered it during the military dictatorship in Brazil. I survived, my first wife didn't, she died under interrogation, she was 26. At the time, I remember Newsweek wrote that torture would continue, because "it works". I bring this here because objectivity lies not in pretending you just bring facts, but in clearly stating your values. We all inherit values, reflect upon what happens in our lives, trying to make sense of it all, and it obviously influences us, however objective we try to be. In my present narrative, wherein we attempt to reach an understanding of our headwinds, my past is very present. There is no analysis without points of view, more so in social science, and even more so in economics. Gunnar Myrdal, a solid scientist, stated this clearly, writing on objectivity in social research. Economic analysis is not just science, it is scientific interpretation.

With enough maths and a straight-face, you can depict almost anything as acceptable. Science as white-washing, or green-washing, is in fact just justification. My key conclusion is that we are hugely intelligent human beings, *homo sapiens*, but with impressive difficulty in organizing intelligent social life. Huge brains, and even big hearts individually, but morons on the social scale. The problem is not the likes of Trump, or Bolsonaro, but the fact that such people come to power. Hitler was elected, in 1934. Half the doctors in Germany entered the Nazi party. In 2023, just look around at what is happening. I like Maria Ressa's comment, on "how easily a crowd shifts to a mob".¹ If I comment on the importance of taking a few steps back, it is because it allows us to better grasp the depth of the structural change we need. Instead of being convinced about whom to hate, it is better to think about whether this solves anything, or where are the roots.

The economic world still runs on the 1776 moral justification, that pursuing your private profit, the overall result will be prosperity for everybody. Well, it does not work anymore. With 8 billion stubborn advantage-seekers, in a small planet, we are heading for disaster. We are not to put the guilt on Adam Smith's neck, he did write about moral sentiments. And at his time, with so many small-scale activities, like bakeries, it made sense. But in the

¹ Maria Ressa, Nobel Peace Prize, writes so well about this in 2022, see *How to Stand up to a Dictator* (New York: Harper Collins).

age of globalization and giant corporations, reviving it with Milton Friedman's *the business of business is business*, giving an academic lustre to ruthless greed, or chanting *greed is good* in Wall Street, has little to do with economics, it belongs to the eternal justification rhetoric. With enough highly trained economists and lawyers, you can tie a drop of water into a knot. This is a Brazilian saying.

The basic fact is that individual profit and social interest do not coincide anymore, or only in part. Maybe on this smaller part we could realistically build new ideas. Back to Adam Smith: "How selfish soever man may be supposed, there are evidently some principles in his nature, which interests him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it."² But Adam Smith refers to "man", not to institutions, not to corporations. And the larger the corporation, the more the feeling of solidarity becomes diluted. Man can certainly feel moved by direct contact with suffering, or injustice, but seldom by statistics. I vividly remember an old woman at my car window begging for some change. Nothing very new in São Paulo. But seeing her face, I was struck by her similarity with my old mother. I was deeply moved, and years have passed, and I still remember the scene. If she did not look like my ageing mother, well, just another beggar, the lights have changed, they are honking behind me. There are people honking behind us all the time.

The institutional erosion of solidarity, of respect for other people's suffering, even when we have all the information on over 6 million children dying of hunger every year, is impressive. We do know perfectly well their suffering and that of their families, but large-scale suffering becomes statistics. I am not writing this to move anybody to charitable feelings, but to stress that when politics and economics have moved from neighborhoods, where you can spontaneously help your neighbor, to Manhattan offices and the world economy, the chain of causality becomes radically abstract. We know that millions of people die from air pollution every year, that car emissions cause a great part of them, yet the highly trained and well-paid technicians at Volkswagen used all their knowledge not to reduce, but to conceal the

² Adam Smith. Data [1759]. *The Theory of Moral Sentiments*.

emissions of their vehicles, resorting to fraud. They are not bad guys, and certainly not ignorant, but the result is too distant, or abstract, and the pressure, from executives and shareholders, too present and powerful. Fraud becomes systemic, personal interest goes against the common good and social interest. The basic idea of free market, the natural convergence of personal and social interest, is deeply eroded. Even as a moral alibi it is not working anymore.

As the “moral sentiments” lose their grip or become simply irrelevant in the executives’ daily decision process – not to speak of the employees in general – the stimulus to ignore the common interest and the eventual social, environmental, or economic negative outcomes becomes more powerful. In Brazil, for example, Bolsonaro was elected in 2018 with strong support of the so-called agrobusiness, the export-oriented grain and meat producing corporations. These are technologically very advanced producers, among the most important in the world, but they fought to obtain the legalization of the use of all the toxic chemicals forbidden in Europe or North America. JBS became the biggest meat producer in the world. Cutting down the Amazon Forest was dramatically expanded for soy production and cattle raising. Killings of the indigenous population are still part of the deal.

This system is linked to ADM, Bunge, Cargill and Dreyfus, which jointly control 80% of world grain trade. This generates well documented environmental dramas, soil sterilization, contamination of aquifers, carbon emissions, encroachment on indigenous reserves, and an explosion of hunger, around 800 million in the world, some 20% of them are children. What we produce is more than enough to feed 12 billion. It is wasted by mismanagement (over 30%), or producing “clean fuel”, so respectably ecologic. Food became a global commodity, and we can throw it all on the Ukraine conflict. We are speaking here of top of the line, modern production systems, supporting irresponsible poisoning of soil and water, and not hesitating in hoisting to power fascist demagogues.

Not only does profit come first, but it justifies anything, including the assault on the government buildings in Brasilia in January 2023, once Lula was elected. There was no moral sentiment or hesitation from the executives of the Brazilian and international corporations, and evidently not from

shareholders in the international financial markets. Much less still from the asset-management industry, like BlackRock, at the top of the pyramid, whose algorithms are programmed for the maximization of financial profit. It is a system, and systems apparently have no “moral sentiments”. This is not about good guys or bad guys, but about the fact that systemic deformations need other approaches. No shouting will solve the logic of the intricate interest-based connected gears.

The argument we are conveying here is that individuals in this world-scale system have little say on any change of the overall logic, even if in the different corporations the public relations departments claim their faithful support of ESG, national interests, or even the fight against poverty. The political marketing, in the style “we feed the world” and “we protect the environment” used by JBS, is very well built, and uses the most advanced communication possibilities, including behavioral marketing. This kind of economic/political behavior is building what has been called a “slow-motion catastrophe”, yet we do not find evil decision-makers, it has become business-as-usual. And people around the world who place their savings in Blackrock, Cr dit Suisse/UBS or any other asset-management giant, seldom have a hint about what they are contributing to. And fundamentally, they have little choice. Of course, I can put my savings in the *Placements Ethiques* in France, and I do transfer the money from Santander, where my university pays me, to Caixa Econ mica Federal, where at least it funds useful initiatives. But this is a drop in the financial ocean. Yes, I close the tap while washing my teeth. But the problems are not at the individual level.

We are not used to long term and systemic thinking, the immediate challenges have become more powerful, the whole communication and information system invades us with a yesterday-today-tomorrow narrow band of reality show. Joris Luyendijk, in his *Swimming with Sharks: my journey into the world of the bankers*, interviews people at the various levels of responsibility in the financial system, particularly the City in London. Well-trained and hard-working people, but many of them are in personal crisis: some just ignore the conflicts, others are conscious but take the chance of easy money, others still manage to convince themselves that they are socially useful. But the key issue is that, in banking as in so many other areas and types of organization, we have lost the comforting feeling that

while earning our pays we are at the same time doing something useful. The divorce between private profit and social usefulness goes all the way down do how we individually feel about what we are doing. Do we have a choice?



*"Congratulations - you should be very proud
of what you've gone into debt for."*

This is reality, not a reality show. In Davos, in January 2023, Oxfam presented a stark picture on where we are heading, concentrating on inequality. "Whole nations are facing bankruptcy, with debt payments ballooning out of control. The poorest countries are spending four times more repaying debts – often to predatory, rich, private lenders – than on healthcare. Many are also planning brutal spending cuts. Oxfam has calculated that over the next five years, three-quarters of governments are planning to cut spending, with the cuts totaling \$7.8 trillion dollars. An age of crisis, creating huge fortunes for a tiny few. Meanwhile, the scale of wealth being accumulated by those at the top, already at record levels, has accelerated. The global polycrisis has brought huge new wealth to a tiny elite. Over the last 10 years, the richest 1% of humanity has captured more than half of all new global wealth. Since 2020, according to Oxfam analysis of Credit Suisse Data, this wealth grab by the super-rich has accelerated, and the richest 1% have captured almost two-thirds of all new wealth. This is six times more than the bottom 90% of humanity. Since 2020, for every

dollar of new global wealth gained by someone in the bottom 90%, one of the world's billionaires has gained \$1.7m.”³

We do not need to draw a picture, humanity is being torn widely apart. This is not working. To this social and economic drama, we must add the environmental catastrophe. Climate change, biodiversity destruction, water contamination, soil erosion, global pollution of the atmosphere, oceans, rivers, neighborhoods. Plastic residues are everywhere, even in our blood. The present text is not about our dramas, they are so well quantified, described and presented in the most diverse media – we can even relax and listen to David Attenborough presenting them in *Our Planet* on Netflix – but about the political and economic mechanisms that perpetuate and deepen them. The understanding of the carbon dioxide and other gases' impact on climate change got scientific roots in the 1850s, the alert was sounded in Stockholm in 1972, the Climate Convention alarm bell was sounded in the Rio de Janeiro 1992 global summit, and in Paris in 2015 we decided we were now going to proceed to action, and even put money in it. The financial goal was 100 billion a year (not reached), roughly 200 times less than estimated fortunes in tax havens, for a global catastrophe. We all watched bewildered and felt our helplessness during the COP27 meeting in 2022, in Egypt. COPs, Conferences of the Parties, that is how far we progressed in institution building, in bridging the means and the needs. And looking forward to COP28. Whom are we kidding?

The equation is simple. We are destroying this planet for the benefit of the 1%. I am not simplifying, the challenge is dramatically simple to understand, and fiendishly difficult to cope with. Not for lack of information, of understanding of the necessary measures, technological capacity or financial resources, but for lack of political strength, of the corresponding decision process. The common denominator of the social inequality explosive drama, and of the environmental global crisis, is that our resources, particularly financial resources, are not going where they are

³ Oxfam. “Survival of the richest: how we must tax the super-rich now to fight inequality” (Oxford: Oxfam, 2023), 8. Accessed May 4, 2023. <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/621477/bp-survival-of-the-richest-160123-en.pdf>

needed. On the contrary, the necessary initiatives are being financially drained or under-funded. And who controls the means, defines the aims.

In 2022 we reached a global GDP of roughly 100 trillion dollars. This means that what we produced in goods and services *per capita* in a year is equivalent to 12,500 dollars. Better understood for our daily bread, is that this means we produce the equivalent of 4,166 dollars a month per four-member family. What we presently produce is sufficient to ensure everyone in this planet can have a dignified and comfortable life. It would be ensured by reducing wealth participation at the top 1% by just a few percent. No, it is not more complex, it is as simple as that, as you can see in the Stiglitz-Sen-Fitoussi report on national accounts. The elephant in the room, so to speak, is that we do have a large population, but we also have bigger resources. Historically, this is a structural-change milestone. For the first time in history, we have the means to end suffering, hunger, ecological catastrophes. But we must change the way we manage them. We are a disorganized prosperous society, advancing in the midst of a social, ecological and economic catastrophe. A catastrophe we have all the statistics about, and seriously presented and discussed in the Davos meetings.

When people speak of communism or capitalism, I have the feeling that people are stuck. What created the present prosperity in communist China or in capitalist Europe, and can open the way for a new wave of progress, is not ideology, but science. This is the root of overall transformation. In the 16th century, Copernicus still hesitated decades before he published what he knew was the truth about the planetary system. Galileo supposedly denied what he knew, and his *eppur si muove* had to be whispered. After Newton everything accelerated. The hydraulic energy, electricity, oil and the combustion engine all liberated us from the limits of our muscles: this is our energy multiplied by hundreds or even thousands. Einstein was not a corporation and opened the way for atomic energy. Alan Turing opened the way to the information revolution while working for the British army. The www we all use resulted from Tim Berners-Lee initiative at the European CERN. The boost to the modern understanding of life was given by Francis Crick and James Watson at the university of Cambridge in the 1950s, but it belongs to a world-wide effort of so many institutions. This is the base on which prosperity was and continues to be built, in different political forms

or organization. Science belongs to humanity: every progress has been built on top of so many other contributions. The billionaires posing as the heroes of the modern prosperity, posing as capitalist vanguard, are surfing on borrowed legitimacy.

The prosperity we presently have – think of electricity, combustion engines, physics, chemistry, biology, informatics, AI – results from this scientific revolution, brought about by scientists, although “capitalism” has grabbed the merit. Think of capitalism with some realism: it is not just the global West, but also Brazil stalled in its contradictions, all of Central and South America, the African catastrophe, the *Asian Drama* Myrdal wrote about. Capitalism is working for the 15%. And in other forms of social and economic organization, particularly in China, the results have been impressive. This is about science and technology, and these can be reoriented to the common good.

Science, and knowledge in general, have this particular characteristic, that once the initial costs are covered, they can be reproduced and spread indefinitely, with no additional costs. Jeremy Rifkin called it the *zero marginal cost society*.⁴ With global connectivity, Open Access, Creative Commons, OCW (MIT), and so many other sharing economy systems, knowledge, information, and technology can spread: knowledge is a non-rival good. I can share it with you and still keep it, not like my bicycle. As knowledge has become the main factor of production, more than machinery, the way is open for a universal collaborative economy. Patents lasting 20 years could make sense a century ago, but nowadays 20 years’ control over new technology is nearer to feudal monopoly on land. Elinor Ostrom and Charlotte Hess spread it out neatly in *Understanding Knowledge as a Commons*.⁵ This not just about understanding our dramas but identifying the opportunities.

Finance is at the center of resistance to any change, particularly because it has become so hugely powerful, with virtual money, as well as hugely

⁴ Jeremy Rifkin, *The Zero Marginal Cost Society* (New York: Saint Martin’s Press, 2015).

⁵ Ostrom, Elinor; Hess, Charlotte, *Understanding Knowledge as a Commons* (Massachusetts: MIT Press, 2007).

lucrative. Few people understand big numbers, but consider that Larry Fink, the boss of BlackRock, a giant asset-management group, manages 10 trillion dollars. Biden's budget is around 6 trillion: try to make America great again. Since this book is basically about how this new system, financialization, is structured, I would only anticipate here that understanding who profits from this system, the *cui bono*, and through what mechanisms it expands, is essential. I called it *Rescuing the Social Function of the Economy* because reorienting resources to fund what we effectively need is central to any significant change. Our money has to be used precisely to face our two structural challenges, inequality and environmental disaster. Well, even at my age, I do have some future, and a lot of hope.

I

A QUESTION OF HUMAN DIGNITY

Inequality is first and foremost a social, historical and political construction.
(Thomas Piketty)⁶

It can certainly be said that our technological proficiency far exceeds our moral, social, and political development.
(Oliver Stone and Peter Kuznick)⁷

A general feeling of insecurity has spread around the world. We have prodigious technological progress, but we do not manage to use it for the common good. We have all the necessary scientific knowledge on climate change, but feel helpless, while corporations continue to fund denial, even when proclaiming the urgency of ESG through the public relations departments. We are connected to everyone and everything but feel lonely in this multimedia social chatter. Our limited space of attention is invaded by useless messages where beauty creams, sausages, sports and politicians are mixed, turning us into helpless spectators of our longer lives. The French term “*désarroi*” comes to my mind, maybe stronger than the English “*disarray*.” Basically, things are not working, and no pious mental subjection to ideological simplifications seems to provide a solution. How can so many intelligent and well-trained people proclaim so many absurdities, and get away with it? Probably because so many are feeling lost, and cling to any simplified certainty.

⁶ «L'inégalité est avant tout une construction sociale, historique et politique». Thomas Piketty, *Histoire de l'égalité* (Paris: Seuil, 2021), 20.

⁷ Oliver Stone; Peter Kuznick, *The untold history of the United States* (New York: Gallery Books, 2019), 734.

We are suffering in the midst of plenty. Our problem is not lack of resources, economic or technological, but an overwhelming social and political chaos. A simple figure helps us realize this: if we divide the 2022 Brazilian GDP, roughly \$2 trillion, by the population, 203 million, what we produce in goods and services is equivalent to \$3300 dollars per month per four-member family. It is less than the world average seen above, but here also what we produce would be amply sufficient for everyone to have a dignified and comfortable life. A very moderate reduction in inequality could ensure the end of so much dramatic suffering, conflicts and chaos. The key issue here is that we have the economic resources, the necessary technology, we have statistics and reports on every drama we have created. And for those who proclaim we need a roadmap, the SDGs detail what we must do, 17 goals, 169 objectives and over 200 indicators for the follow-up. And all nations have subscribed to them. We have the means, the technology, the instructions, but keep pointing fingers at whatever or whoever our guts suggest is responsible for our immobility. In times of frustration and insecurity, hate is a powerful remedy, preferably accompanied by the righteous feeling that it is justified. Politicians and corporations love to surf on this wave. *Deus, Pátria, Família* is what we heard so much in the far-right disastrous government.

The key challenge is that scientific and technological progress have outgrown our institutions. Speaking of “free markets” when world-scale corporations control finance, commodity trade, communications and increasingly politics, is deeply misleading. We do have competition for power, but not the traditional competition of businesses trying to better serve the customer. In the upper economic spheres, the link between expanding profits and serving the common good has been broken. What regulation capacity remains when the corporate economy works on the world scale, while politics operates at national levels? The result is economic stagnation, social disruption and environmental catastrophe. If we are looking for the guilty ones to point our fingers at, it is the wrong approach. With a step back, we can see that our challenge is not only in the economic, social and environmental dramas, but in our helplessness in facing them. It is a governance issue, a social decision process challenge.

In this short essay, we are looking at these challenges from the Brazilian perspective. How could a prosperous nation with so many endowments, as well as competent people, bring down an elected president and then elect a ridiculous fanatic? The problem is not in the fanatic – the world does not lack demagogues – but in the fact that he was elected, with the support of big media, global corporations and the traditional elites. In order to rescue the social function of the economy, we must bring together political democracy and economic democracy. One cannot survive without the other. From the point of view of the necessary resources, we certainly have them, and the world is ripe for deeper changes.

The background of this study is Brazil, but the system is global. Brett Christophers' book, *Rentier Capitalism*, is based on the UK financial system, but the author stresses that it brings light to the global flows. Similarly, as Brazil has the particularity of having one of the most ruthless financial systems, the gears come clear also for the global scale. In 2023, with Lula elected, Brazil is facing a deep political and economic reversal. To make the challenges clear, the final chapter draws up the key measures needed to bring political and social sense to our policies: inclusive development, how to pay for it, how to manage it, and how to generate the corresponding political support. It is not only possible, it is necessary.

A short history of exploitation

The digital revolution is having as profound impacts as the industrial revolution had in another age. What we call capitalism has its roots in industrialization, which involved changes in techniques, but also in the social relations of production, with wage labor and capitalist profit, in addition to a legal framework centered on private ownership of the means of production. With the digital revolution, which involves a radical expansion of technologies, as well as the generalization of the immaterial economy, global connectivity, virtual money and precarious work, the very basis of capitalist society shifts. In particular, the appropriation of the social product by wealthy but unproductive minorities no longer requires job creation and the production of goods and services on the same scale. It involves the intermediation of money, knowledge, communications and private information. Where industrial units dominated, today we have the

dominance of platforms on a planetary scale, which exploit not only people, for example through indebtedness, but also the productive companies themselves, through dividends paid to absentee owners.

The present study focuses precisely on what is changing in what we call the capitalist mode of production. Industrial activity remains, no doubt, as did agricultural activity in the face of the industrial revolution, but the axis of domination and control is no longer in the hands of the captains of industry, it is in the hands of financial giants like BlackRock, of communication platforms like Alphabet, manipulation tools like Meta (Facebook), commercial and digital intermediaries like Amazon, asset management giants like BlackRock. The mechanism of appropriation of the social surplus has changed, and with it the very nature of the system. We are in the midst of a profound transformation of society, in its economic, social, political and cultural dimensions, generating what has been called a civilization crisis. We are moving to another production mode, and the present study presents a systematic overview of the new mechanisms. In the last part we suggest ways forward, based on the Brazilian challenges.

The eternal surplus extraction

In different eras and societies, the appropriation of the social product by minorities has always been at the center of the organization of society as a whole. The starting point is the very existence of the social surplus. When the productivity of a society rises, allowing it to produce more than the basics necessary for families, elites appear that claim, for some reason, and with more or less dubious justifications, the right to have more than others, appropriating a third party's product.

In the mode of production based on slavery, they appropriated what the slaves produced, an appropriation based on force, and explained as the legitimate property of human beings. When Lincoln got the end of slavery approved in the 19th century, it was not the slaves who were compensated, but the slave owners, for losing “property”. There have always been explanations, which we now call narratives, to justify the absurdity: they were black, or savages, or they had no soul, as it was said at the time, or they were captured in a “fair war”, as it was also said. The essential thing

was that they produced a surplus, which allowed the luxury of the owners and the financing of the repression of the numerous uprisings. It was a mode of production based on slavery, unfair, but stable, it lasted many centuries, with laws that governed the system of property of human beings and religions that sanctified them. The reason of the strongest always seeks to appear just.

In the feudal system, elites appropriated the land, the basis of any economy before machines appeared. The feudal lords, for different reasons, but essentially because they had weapons and fortifications, in struggle with each other, ended up delimiting the fiefs, and the rural population that lived on the lands would not be the property of the aristocrat, but would be ruled by complex systems of obligations that prohibited it from leaving the manor. Men were serfs, they served. The surplus produced was appropriated, in the Middle Ages and in much of the Renaissance – in Russia until 1917 – by the “lords”. The land workers were obliged to yield to the aristocrats a large part of their production, wealth that allowed the noble to have a castle, live in luxury, and pay the troops that ensured that the system was maintained.

Here, too, there were numerous revolts and repressions. Part of the surplus also served to support the convents, in a religion that, from the 4th century onwards, sided with the powerful, and justified the system as a divine will. The laws ensured the coherence of the system, the rules of the game so to speak, including, for example, in Europe, the *jus primae noctis*, which gave the aristocrat the right to appropriate a peasant's first wedding night. The powerful like legality, as long as they make the laws. And for those who contested it, there was also the Inquisition and other repressive systems. In any case, it was a mode of production, it also lasted centuries, defined by an economic base, the land, social relations of production, serfdom, and ways of extracting the surplus in the form of impositions of various types. The set was governed by institutions, largely respected. The appropriation of the surplus was based on laws, justified by the blue blood of the nobles, sanctioned by the church with narratives, and guaranteed by military repression. Versailles' and Vienna's balls had to be financed by someone.

Witold Kula, a Polish historian, wrote for the feudal system what Marx wrote for the capitalist system. It was a system, a mode of production.⁸

Although the two systems that we mentioned above, the slave system and the feudal one, seem to us today historically distant, we need to remember that slavery in Brazil existed until the end of the 19th century, in the United States until the Civil War, that the exploitation of colonized populations was general and lasted until the middle of the last century, and that the *apartheid system* lasted until yesterday in South Africa and still lasts in Palestine. Neither the United States nor Brazil have yet managed to absorb and overcome the oppression and inequalities inherited from the slavery past, Africa is painfully facing the necessary reconstruction. The past is not that far away. It's a long tail that takes time to pass. In many cultural nations divided into countries, it is still structurally decisive.⁹

The capitalist mode of production appears to us with another level of legitimacy. At the base of the transformation was the scientific and technological revolution in so many areas, which radically increased productivity and, therefore, the possibility of generating a sustained cycle of social enrichment. The *Liberté, Egalité, Fraternité* of the French Revolution echoed around the world. With the Enlightenment, the search for values in society began to open cracks in obscurantism, the number of women burned as witches was reduced ("thou shalt not allow witches to live" instructs the Bible, Exodus 22:18), enrichment came to be presented as the legitimate fruit of effort, and the concept of merit as a virtue. The narrative had evolved. The worker now had the freedom to ask for a job and to be exploited. The industrial revolution brought another level of prosperity, but not for everyone. Progress, no doubt, and the mechanism of surplus extraction evolved, but remained. The narratives change, and the repression is modernized. In particular, more direct exploitation and violence moves south.

⁸ See "Can history help us out of this muddle?" (Dowbor, Wall Street International Magazine, July 9, 2021). Accessed May 9, 2023. <https://dowbor.org/2021/07/can-history-help-us-out-of-this-muddle.html>

⁹ For Brazil and the racist inheritance, see the study by Mário Theodoro, *A Sociedade Desigual* (São Paulo: Zahar, 2022).

The capitalism of the British empire did not hesitate to use slavery, forced labor and massacres in different parts of the world, and today we are impressed with England apologizing for what it did in India, Kenya and so many other countries, France apologizing to African countries for the violence of the past, the United States for what it did in Iran. In a few years they will apologize for what they did in Afghanistan. Remember that Belgium, in Congo, was responsible for millions of deaths, a process documented in the study *King Leopold's Ghost*, by Adam Hochschild. The prosperity of today's rich countries is not only due to the productivity and rationality of the capitalist system. *Fraternité* has clear limits. Many are still unaware of the primitive and violent subsystems on which the so-called capitalist liberalism was based. Brazil contributed a lot.

In general terms, the capitalist system of the rich countries was based on articulations with pre-capitalist systems in the colonized or simply “dependent” countries. Samir Amin, in a classic book, correctly called this system the “accumulation of capital on a world scale.” This dimension of accumulation allowed an extraction of the surplus, through the exploitation of workers and appropriation of surplus value in central countries, but also through direct colonial exploitation or unequal exchange, with the narrative of bringing civilization to primitive peoples, and evidently with military force. Religion, here too, has often served as a civilizing balm. That was yesterday, as my university years were contemporary with the liberation struggles in the colonies. Today we have independent countries, which can freely decide by whom they will be exploited, whether by debt or unequal exchange systems, or both. Exploitation changes form, narratives update discourse, military control becomes more sophisticated. But we are always serving elites.

The precarious balance: producing what, and for whom?

This small retrospective helps us remember to what extent the barbarism that would shock us today – slavery, servitude, colonialism, apartheid – is still close, and to what extent it survives and penetrates our daily lives. Just look at the color of people in our slums or in urban outskirts and in prisons in the United States. We must also pay attention to the impact that the different forms of economic and political organization had in developing

countries, not only because they remain largely specialized in primary products, which hinders modernization, but because those who export only need labor for work, not for consumption: the product goes to the foreign market, and elite consumption is largely guaranteed by imported products. For those who produce for the foreign market, and import the finished products, the consumption power of their workers is not essential. In the 21st century in Brazil, reprimarization generates the same contempt for the increase in the population's consumption capacity, and hinders industrialization.

The impressive misery of workers, something that we see until today in what we call developing countries, even with the presence of more advanced technologies, results from this form of capital accumulation, in which boosting the purchasing capacity at the bottom of society is not essential, because the accumulation cycle is largely closed abroad. At the same time, technological advances make the need to hire labor less essential, through the substitution process. We do have technological modernization, but with little transformation of social relations, perpetuating inequality and poverty. It is the social heritage of the North-South relationship. The essential idea, which I had the opportunity to discuss with both Samir Amin and Caio Prado Júnior, is that the cycle of reproduction of capital in poor countries is closed abroad, the need for labor is reduced, and unequal exchange and indebtedness secure the rest. Technological modernity coexists with largely prehistoric exploitation.¹⁰

In the industrialized countries themselves, in the so-called West, which represents about 15% of the world's population, the tension between increasing exploitation and ensuring the population's purchasing power has become very strong. It was necessary for the dominant capitalist world to face the crisis of 1929 for it to become aware that it is not enough to produce, it is necessary to ensure consumption to close the cycle of capital accumulation. Exports to the poorest countries, in exchange for raw materials, would not be enough, and Roosevelt's *New Deal* has in its essence the generation,

¹⁰ I present this articulation of the dominant capitalist system with pre-capitalist forms in Brazil in the book *A Formação do Capitalismo no Brasil*, published by Brasiliense, available online at <https://dowbor.org/2010/09/1-dowbor-formacao-do-capitalismo-no-brasil-ensaio-teorico-ed-brasiliense-sao-paulo-2010-isbn-978-85-11-00153-2-227p.html>

through the State, of greater purchasing capacity by the population in general. Sherwood, who wrote the Roosevelt speeches, detailed the program in a brilliant book, *Roosevelt and Hopkins*.

The American Civil War in the 1860s, in addition to the liberation of slaves, had broken the colonial cycle of cotton exchanged for British imports, internalizing the cycle of capital reproduction, in the new relations between the industrial Northeast and the raw material-producing South. But it was the *New Deal* that generated a broad incorporation of the American population into prosperity. Consumption at the base of society, initially financed by the State, generated demand, thus a reduction in inventories accumulated in companies, the resumption of production and increased employment, generating even more demand, allowing a cycle of capital accumulation this time in a balanced way. Eric Hobsbawm, in *The Age of Extremes*, details this economic and cultural transformation.

With the contributions of Keynes who demonstrated the need to ensure aggregate demand, the impact of the success of the *New Deal*, and the common sense of a Henry Ford stating that good wages were necessary for his cars to be bought, a new form of capitalism emerged, that of the *Welfare State*. It could no longer be said that workers would not have to gain from capitalism. For once, and in particular during the 30 “glorious” post-war years, we had impressive dynamics in rich countries, ensuring both production capacity and social demand, business dynamics and public investment. In political terms, we had social democracy.

Let's remember, once again, that for a primary goods exporting economy that imports industrialized goods, the market is abroad, and technologies replace jobs, so expanding jobs and raising workers' wages would not be priorities. Angola exports oil and imports consumer goods for the elites, in addition to rolling over the external debt. In Latin America, when you try to democratize the economy, and reorient it to internal needs, dictatorships return. We can have democracy as long as we don't use it: the result is formal political democracy, the vote, without economic democracy. The Covid-19 pandemic only deepened the economic, political and social fracture. In Brazil, one of the largest exporters of agricultural products in the world, we have 33 million people who are hungry and 125 million in a situation of

food insecurity, in the middle of 2022. With one floor up in terms of technology and extraction volumes, we have reached a new type of technocolonialism. With a few exceptions, as of course China, and also some Asian tigers, the planetary fracture of capitalism is getting deeper, even if using more advanced technologies.

State, business and civil society

In fact, as Mariana Mazzucato reminds us in her excellent *The Entrepreneurial State*, the dynamics of the post-war glorious years of this Welfare State was the result of the strong participation of public initiatives. On the one hand, because the State ensured a progressive tax system that allowed maintaining a reasonable social balance, through a set of redistributive policies. On the other hand, the State took on a series of policies as producer, in particular expanding universal free access to health services, education, security, basic infrastructure and other sectors, which improved the well-being of families with the access to goods and services for collective consumption. It also improved the productivity of the economy by expanding infrastructure such as transport, energy, telecommunications, water and basic sanitation, investments that greatly facilitate the operation of private companies. Public research systems, which can afford to develop the so-called fundamental research, have brought us the main scientific innovations, from DNA to microprocessors, information technology, the internet and many other technological transformations. Even the cell phone screen that we can manipulate with a finger result from research in public institutions, even though it appears to us as Samsung or Apple. The State was not the problem, it was a fundamental part of the solution.

Civil society organizations, both trade unions and countless non-governmental organizations, complemented the overall balance, which we could call social architecture, a decision-making process balanced by the organized convergence of different interests. This much-underestimated dimension of the overall political balance is essential. Sectors that have grown enormous in society, such as health, education, security and other social policies are not placed on supermarket shelves, they are capillary services that have to reach every child, every person in a differentiated and personalized way,

demanding decentralized and participatory management. Social organization at the bottom is essential for the system to work. The average Swede participates in four non-governmental organizations, in the neighborhood school meetings, discussing environmental policies, the city budget. Kroeber, in his excellent *China's Economy*, notes that China is even more decentralized than Sweden. Democracy boiled down to voting is a fragile construction, if not a decoy.¹¹

This model of capital accumulation, with a reasonable balance of the State, businesses and civil society, despite the inequalities and in particular the dramas of developing countries, represented a model of dynamic capital accumulation that still populates the imagination when we speak of capitalism, of the capitalist mode of production. But the capitalism that prevails today has changed, and it doesn't give much importance to our memories. The essential thing, as we examine the ongoing transformations, is that the capitalism of the social-democratic phase exploited workers, but in order to exploit a worker it would at least need to secure him a job: it is the conditioning and limitation of the surplus value extracted by low wages. On the other hand, in order to have someone to sell the products to, the volume of which expanded with new technologies, it would need to limit exploitation, ensure more decent wages and social policies.

In this model of accumulation, therefore, the appropriation of the social surplus by the elites found limits, both due to the form of generating surplus value, based on wage exploitation, and due to the need to maintain a high aggregate demand, in order to have someone to sell to. It would also be realistic to remember that the presence of a powerful bear in the East tended to make capitalists more politically flexible. All this would change, leading to a profound shift in the heart of the capitalist mode of production, which is the mechanism of capital accumulation, the form of generation and appropriation of the social surplus.

¹¹ Kroeber's study helps to understand the dynamics of China, which adopted a mixed system of economic and social organization from 1978 onwards. We have many opinions and ideological simplifications about China, but little knowledge and understanding. On Nordic countries see George Lakey's excellent *Viking Economics* (Melville House, 2017).

The post-war “glorious thirty” were a success, limited to today’s developed countries, and lasted, precisely, only 30 years. Capitalists have appropriated the glory of success, proclaiming the free market, private property and free enterprise as the ultimate solution for humanity. *There is No Alternative* (TINA), proclaimed Margaret Thatcher. The state is not the solution, the state is the problem, echoed Ronald Reagan. Milton Friedman would give an academic gloss with the simplification of *The Business of Business is Business*, Wall Street speculators began to repeat their *Greed is Good*. Economists have built numerous models, based on the simplification that there is no society, only individuals, and that individuals can be simplified as maximizers of individual advantages, becoming predictable. Political economy became “economics”. Neoliberalism was born. Robert Reich in *The System: who rigged it, how we fix it* summarizes: “The economy has migrated from producing things to producing financial instruments. Product entrepreneurs have been replaced by financial entrepreneurs”. Capitalism today navigates on the memory of a past that worked, a case of borrowed legitimacy.¹²

Financial capitalism

The phase of reasonably balanced capitalism in rich countries, both with the New Deal in the United States since the 1930s, and more generally in the post-war period, characterizing the welfare state, was being dismantled by the end of the 1970s, with the very accelerated evolution to what is now called neoliberalism. Here we are interested in the change at the heart of the system, which is the mechanism of appropriation of the social surplus. In the previous phase, the capitalist, in order to get rich, needed at least to produce goods and services and generate jobs, and even pay taxes, which enriched society. In the phase that began in the late 1970s, the capitalist discovered that financial mechanisms could guarantee him enrichment with

¹² Robert Reich, *The System: Who Rigged It, How We Fix It* (New York: Alfred A. Knopf, 2020), 31. Let us remember that in 1971 Nixon broke the Bretton Woods system by decoupling the dollar from the base in gold, and that in 1973, with OPEC and the radical rise in the price of oil, and the flood of petrodollars, the gates of the financial speculation went widely open, in relation to the productive accumulation of capital. It was the beginning of the end of the “thirty golden years”.