# Economy and Politics

*We could have saved the Earth but we were too damned cheap. ~Kurt Vonnegut, Jr.*

*In its broadest ecological context, economic development is the development of more intensive ways of exploiting the natural environment. ~Richard Wilkinson*

Money! We all want more of it. And it seems that no matter how much we earn, it doesn’t feel like enough. This is true of virtually every income bracket. Even those with incomes in the six figures argue that the lifestyle they want or feel they should be earning, is still too expensive for their bank accounts. No surprise then that when the American public considers issues on the ballot, economic issues dominate. A strong economy, the mantra of our public and our politicians, is emphasized in all aspects of life from our media to our politics, to our personal lives. People want jobs, they want money in their back accounts; they want to be able to buy themselves, their children, their families the “stuff” that says we have the good life. We care so much that we vote for politicians who we see as best able to give us economic stability. Growing the economy is the standard by which all presidents and congressmen are judged, scrutinized and re-elected. If they fail to do this, no matter what their ethics and other accomplishments, they will face losing their jobs in the next election.

Further down that list of concerns are other issues that tend to wax and wane in popularity with the media and the public: crime, foreign affairs, education, social inequalities and environmental issues. People do care about these things, but generally in measured doses that are often circumvented by perceptions of a strong economy. If our economy is strong, we feel that some time and energy can be spent addressing these other issues. If our economy falters, these issues fade into the background. What is forgotten in all of this political posturing is that the economy is not a separate system from our other concerns; it is the basis for them. While we focus on an economy that creates greater wealth, it is actually the goal of creating greater wealth equality (something that does not require a perpetually growing economy) is more vital in controlling crime, improving education and addressing a wide variety of social issues. This is even truer of our environmental concerns. A strong economy means more stuff. More homes to buy…more cars to drive…and more shopping to be done. Our economy is so intricately connected to our ability to buy goods that economists even refer to the strength of the economy based on the index of our consumer confidence. They more confident we are to go out and buy stuff, the more optimism economists have about our economic forecast.

But where does all this stuff we buy come from? It is unfortunately not magically created in Santa’s workshop. The raw materials and energy that we need to make all these products come from the planet. We mine mountains, chop down forests, burn coal, drill for oil, and siphon water supplies to produce all the stuff we buy. There the process doesn’t end, after using the stuff, we discard it and it becomes waste back to the planet. A growing economy means more stuff to be produced, sold and discarded. This means more resources mined, more energy burnt, and more waste produced. Our economy is built on the back of our environment, so to talk about environmental issues without addressing economic policies would be blind and limited. When we are talking about growing the economy, we are, without intention, talking about consuming more of the Earth’s resources and creating more pollution. The two go hand in hand.

Inevitably, if we start talking about our economy, then we have to talk about our political systems. Politics is after all, simply one big system to maintain and grow our economy.

We want our politicians to concern themselves with our economic strength and our politicians focus on the economic well-being of the nation. Unfortunately, this intimate connection between economics and politics means that economic policies are highly politicized and highly idealized, without concern for realities or broad benefit to the public. Those with the most political clout will push for economic policies that benefit themselves, a small segment of the entire population. This politicization of economic policies has meant that one economic philosophy has dominated the U.S. landscape for more than a century, to the exclusion of competing ideas and even factual contradictions.

In the United States, when we talk about the economy, we generally mean "Capitalism."  Capitalism is synonymous with our Market Economy. While it is not the only theoretical model for economies, it is the only one that is given credibility in the United Sates. Even competing economic policies in the U.S. are simply competing versions of capitalism. Since Adam Smith and the doctrine of the market’s ability to ‘regulate itself,’ politicians and economists have not questioned whether our market can provide wealth, distribute resources, produce jobs and provide the ‘good life’ we all want. It has become the model of economists and politicians who are in charge of implementing both national and global economic policies, both democrat and republican.  Capitalism is viewed as natural and normal. Objections to the underlying principles and ideas are dismissed out of hand.

Capitalism is so taken for granted that most economists present it as a set of rules and assumptions that we simply observe and study, much like we were observing the natural world. They forget that capitalism is not an economic system that just ‘is,’ like gravity or light. It is an institution that has been actively created and maintained by our political system. Capitalism exists because we have created it.  This distinction is an important one. Biologists study biological organisms and natural ecosystems. They exist outside human intervention. They truly have characteristics that exist beyond human systems that we attempt to study and understand. Capitalism is studied as if it were a system outside human intervention, as if it were a natural system that we have to discern its inherent properties.

It has pursued overtime because we have actively protected it, even when it has appeared on the brink of collapse.  It is by no means, the only economic model that can or will ever exist.  Free market capitalism is also not the only form of capitalism. As we will see, most economic systems throughout the world have various components of privately owned ventures and publically owned services. Driving in the car the other day, my 7 year old son asked me who owned the University where I worked. I then proceeded to explain to him now nobody and everybody did. It was owned by the public. I found myself in a mini economics lesson as I explained that the taxes that all of us pay are used to keep the University operating. It isn’t owned by one person or even one group of people, it is owned by everybody in Colorado. Looking around, it is obvious to see how much is owned by the public, besides the University: The road I was driving on while I was explaining “public” institutions, the school he attends every day, the hospital where he was born, and even the recreation center where my kids play sports. Even our military system is publically owned. All nations have some elements of social systems that are public and some that are private. What differs is the proportion assigned to each and the industries that are privatized or left in public hands. What we view as a fight between capitalism and socialism is really just a battle between how much capitalism and how much socialism. Even Adam Smith himself, argued that some social commodities should remain in the hands of the public. Vice versa, even “communist” nations like China have large portions of their economies in private, for-profit enterprises.

When we have debates over a system that is “natural” like capitalism and a system that is “government controlled” like socialism, we really need to understand what is at the heart of this controversy. The entire economy, both publically owned and privately owned enterprises, are subject to rules and regulations that either protect consumers, employees and the public or protect the enterprise from threats to their operation. For instance, private corporations must follow certain rules that ensure they don’t endanger the welfare of the public, consumers or their employees. General Motors for instance is currently under fire for selling cars with a faulty ignition switch that lead to dozens of deaths. But with their requirements to follow rules that do not harm employees, consumers or the public, they also benefit from regulations that protect their ability to make profits. They receive tax breaks and are often given permission to circumvent policies that may hinder their profits. They can generate profits, create stock values, lobby government officials to pass policies that will improve their stock values and so on. Governments are often promoting policies that enable corporations to grow and prosper, often under the guise that their prosperity leads to the public’s prosperity. Public enterprises must also follow regulations. They must also pay minimum wages and protect consumers and the public from harm. Similarly, they receive protections that enable them to carry out their operations without “interference” from unrealistic consumer, employer or public demands.

What these regulations show is that no economy is “natural.” All elements of our economy are structured by government rules and regulations that define our economic system functions. It is not a system we study; it is a system we create. This distinction is an important one. Economists too often promote the idea that economics is a system, unto itself that cannot be interfered with. We treat it as if it were a delicate ecosystem in which human intervention could cause harm to the natural order. But economic systems are not a natural order, they are a created and designed order; they are created and designed by our rules and regulations. They both help and they hinder enterprises. What “free market” capitalists are really arguing for is the creation of a system that implements policies to help their profits and hinders policies that hurt their profits.

Economics may appear as a nebulous discipline, where economists attempt to scientifically model the intricate underpinnings of the market economy.  Economists are awarded prizes, including Nobel Prizes, when they “discover” some force of the economic system. They publish papers that model the intricacies of the economy. But this is far from the truth.  Economics, unlike the physical and natural sciences is not a discipline that models the natural world, it is a discipline that creates ideas and implements those ideas.  Our economic system is created by economists who have developed theories about how wealth should be managed. Those theories are the result of ideology and bias, not of meticulous study and research. Much of the research is geared towards maintaining these biases.  For instance, the idea that corporate profits need to be maximized for economic growth has been proposed by economics theories of all bilks and endorsed by both political parties. This tenant survives even if it comes at a cost of lost wages or disappearing jobs.  Or the idea that debt produces wealth, even if it costs families greater shares of their earnings.   Economic theory is inherently biased. It concerns itself more with determining what policies create the most amount of wealth. Unfortunately, that is but one small measure of our economy. They could be developing economic theories that instead focus on the number of people who are living without the basic resources to survive. They could focus on the ability of an economy to distribute resources to all members of the community in a fair and judicious manner. They could focus on the efficiency of an economy to provide for its members while ensuring longevity and preventing collapse by protecting the long term existence of the natural environment. All of these are worthy outcomes, but the bias for economists is that only the goal of producing wealth, no matter what happens to other goals remains their bias.

## Defining the Economy

A simplified definition of the economy is the combination of all the work we do, all the things we need to survive, and how we distribute those things to people.  The economy includes both the things we do and the things we have. The biggest problem the study of economics has with figuring out all the things we do and need is that it leaves out and ignores tremendous amounts of contributions to the economy, because money is not exchanged, produced, or distributed.  This includes a wide variety of work such as volunteer work and housework; all of the work that is performed with no salary.  It also includes a wide variety of resources and benefits provided for the economy by the natural environment.  Production of oxygen by trees, pollination of plants by bees, recycling of water in the atmosphere and water supplies.  Economists have estimated that the economic value of these uncounted benefits from the environment equal to more than 8 times all of the value produced by the money producing market economy.  To attempt to replicate these natural processes for our livelihoods and survival would increase costs by more than 800%, and nature does it for free. Because all this work is done for free, it is not included in any economic models.

The Gross Domestic Product (GDP) is the most widely accepted measure of the economy.  It simply adds up the value of all the money produced and exchanged in the economy.  The GDP is calculated so items are not double-counted in the figures. Inputs and supplies that have already been measured in one sector are deducted when they are used in another sector. Only the value added at each stage of the production process is included. The other important characteristic of the GDP is that it only counts goods and services produced and traded for money. All work and services that produce no exchange value are excluded, even if they contribute significantly to the well-being of our lives. Additionally, the GDP does not differentiate between those goods and services that indicate health and those that indicate social decline. If money is spent, even if it is for goods and services that harm human health, the GDP is effective positively. This means that when even tragedy hits a nation, the economic indicators can show positive growth because the GDP goes up.  When couples divorce, people get sick, floods strike, or debt rises out of control, money is exchanged and produced and the GDP goes up.  If obesity levels lead to increased medical costs, the GDP goes up. Finally, the GDP does not accurately account for goods and services that are traded for money, but are traded in the black market, like the drug trade. These shadow economies can be quite extensive, and can mask the true dynamics of economic systems. Despite its flaws, the GDP is still the accepted standard for measuring economic health. Some economists have attempted to develop measures that address the weaknesses of the GDP. Interestingly, while the United States scores very high with the GDP, we compare poorly to other nations when other measures are used. This may be part of the reason that GDP is still the gold standard in economics. The bias would be to promote any methodology that makes capitalism look good. Personal debt raises the GDP, so aggressive lending practices must be good. Corporate profits raise the GDP, so it must be good. Rising stock markets raise the GDP, so it must be good. Mining fossil fuels and burning them to exhaustion raise the GDP, so it must be good. Never once do we ask the question, good for whom?

The weaknesses of this bias became apparent in 2008 after the crash of the housing market. Through the 1990's and early 2000's the GDP was steadily rising. The housing market was the fuel for this rise in the GDP. Restraints on lending practices were lifted allowing banks to lend money to people under any terms they wanted. As banks handed out money, people took on mortgages. But many of these mortgages had terms that would inevitably cause many of these borrowers to default. The interest rates would rise and people would no longer be able to afford the home was but one example. But with more people borrowing money to buy homes, demand for homes skyrocketed. When demand for homes went up, home prices also went up. People who sold a home would walk away with large profits and those who owned homes saw their equity increase. If a homeowner saw a rise in their equity, they could borrow that money with a home equity line of credit.  And borrow they did. That money was used to fix up their homes, buy furniture, send kids to college, and take vacations. Spending went up as home equity went up. Economists saw an economic boom, a bull-market.  Home prices were rising, banks were lending, and people were spending. But little thought is given to the non-fiduciary costs.  While home ownership was rising and home equity values were lifted as a result, many American families were over extended with debt.  They were buying and living in homes without the matching incomes to pay for them.  They were accruing massive debt to finance their consumer spending sprees.  Similarly, while Americans were digging themselves into deeper and deeper holes, this massive US spending spree led to unparalleled increases in carbon production, forest deforestation, landfill growth, and toxic chemical production and waste.  We now know that what appeared to be an economic bull market was actually a sitting time bomb of financial debt and environmental waste.

And the bomb went off. In 2008, people could no longer borrow their way into a higher social class. People were spending more than they were making, and that could only continue for so long. Eventually people began to default on their debts. When they couldn’t pay their debts, they cut back on their spending. People couldn’t make their mortgage payments, pay the minimum balance on their credit cards, or go on shopping sprees. As rising numbers of people began to default on their debts and reign in their spending, bankers began to lose money. Homes that were foreclosed flooded the market. People didn’t have the money to buy those homes. With a growing supply of homes and dwindling borrowers, home prices fell. People who had borrowed on that equity, lost that equity. All of a sudden, homeowners who still paying the mortgage owed more than the home was worth. Some homeowners walked away, flooding more homes on the market. Other homeowners, unable to borrow on the equity that no longer existed had to reduce their spending. This forced businesses to cut back on their work force. The stock market dropped and jobs were lost. In 2008, after a decade of economic growth, the market crashed.

Despite this lesson, the same economic theories are still touted. Debt creates wealth. Consumer spending should be encouraged. Economic growth among financial industries at a cost of lower wages for employees encourages wealth production. As long as our economy is focused on rising GDP at the exclusion of all other factors, then wages will remain low for the vast majority of workers, investment in infrastructure, education and healthcare will take second seat to investment in consumer goods, environmental damage will continue unabated, corporations will continue to grow in scale and power, and our economy will continue to have uncontrolled booms and busts.

## Capitalism, investment, stock market

Let’s talk about a few key features of capitalist economic theory. First, the key component of capitalism is competition. Adam Smith referred to this characteristic as the most regulating feature of our economy. He even referred to it as the “invisible hand.” The theory is actually very simple. Different companies compete against one another for consumers. Consumers, by their selection of a product, will decide what company they are willing to do business. If consumers aren’t buying the product from one company, but from their competitor, the company will have to build a better product, provide a better service, or lower their price. This competition will force companies to provide better and better services at lower and lower prices. According to pure economic capitalism, the government need not do anything. Their interference in the natural forces of the economy will only hinder the forces that competition will have on product quality. As Adam Smith argued, let the “invisible hand” of competition do all the regulation for us. Government regulation need not do anything.

Pure capitalist economic theory doesn’t just argue that competition helps regulate product quality and price affordability, but unemployment as well. Companies also compete for workers. A cushion of unemployment provides a steady availability of workers for new or growing companies. Additionally, workers can always walk away from companies that they perceive as not providing sufficient pay or other worker benefits. Companies must compete for these workers.

Finally, companies must compete for capital. Companies need people or financial institutions to invest in their business. Investor’s will always be looking for the biggest return on their investment, so a company must always show that they can generate larger dividend payouts than other competing companies. Under ideal capitalism, this perfect competition will help regulate quality, profit, worker benefits, and unemployment. This “invisible hand” is a representation of perfect competition and idealized capitalism. Unfortunately, this process is far from perfect. Several factors make this an unbalanced competition tipping the scales in favor of larger, wealthier companies. First, larger companies have several advantages. They can take advantage of economies of scale; meaning that as they produce more of a certain product, they can produce each item much cheaper. Small or new companies that try and compete will lack a competitive advantage. Additionally, companies attempting to make products in a more environmentally friendly way will also lack a competitive advantage. Lower prices drive competition, not environmentally friendly production. Most people buy what is cheaper. Most people have no choice, because poverty or near-poverty requires us to buy the cheapest options. Second, advertising has changed the landscape of competition. In reality, the market place is heavily influenced by advertising. Advertisements tell us we’ll be cooler, we’ll be beautiful, we’ll be happier if buy their product. The moisturizer will make me look younger, the jeans will make me look thinner, the car will make me look wealthier, and the all the rest will make me happier. Those wielding the greatest advertising dollars are able to convince more people their product is awesome. That money spent on advertising comes back to the company 10 fold and they see the greatest return on their investment. None of this money spent is actually making their product better, it simply changes our desire for their product. This changes the market place. Products we buy, the value of those products, the profits of a company, and the demand for workers are shaped by advertising, not by product development. When Adam Smith was writing his book to describe the dynamics of the market place and free competition, advertising was not part of the equation. Larger corporations develop a better competitive advantage, not because they produce better products (they don’t), but because they can convince more people to buy their products.

While competition can product some improvements in the economy like innovation and consumer choice, it also has many wasteful features. Companies will be pressured to lower workers’ wages and cut back on their benefits. They will be pressured to externalize costs to the environment or onto those people do poor and powerless to fight back. At the same time that companies are trying to reduce costs for production and worker pay, they will be increasing costs for marketing and advertising. This will add more waste into the system. Consumers will be pressured, through marketing ploys, to buy products they don’t need. Consumption will increase for a wide range of useless, environmentally damaging products.

A second, primary feature of capitalism is investment. Companies need to buy equipment, machinery, buildings and workers. To do this, they need money, or capital. Investment is the single most important component of capitalism. Without it, companies can’t operate, pay their employees, ship their products and sell to customers. Our economy dies. Even the things we care about can’t occur without investment. We need it for researching cures for diseases, researching and building renewable resource energy, building and operating schools, building parks, and taking care of the poor. Investment can even help evolve our economy by moving our society towards stronger infrastructure, more environmentally friendly sources of energy, schools, medical care, and newer products like Ipods and cellphones. The problem is not investment itself, but that what we investment is driven by what produces a greater return on that investment, rather than what is most beneficial to society. If some electronic toy for kids, filled with toxic substances makes more profit than a park for kids to play in, investment dollars will go to the toy. This means that those with money to spend drive where money is spent, and money the driver of social development, not the social good. If you had the opportunity to invest your money, where would you invest it?

This investment process creates what is called the secondary market. The primary market is going to the store and buying food, clothing, gas and other items for our daily lives. We put money in and get a product back. The secondary market is taking our money and investing it in “the stock market.” But this market doesn’t make anything. It doesn’t sell anything. It doesn’t contribute in any way to resources and products. Simply, money goes in and hopefully, more money comes out. Money makes money. You invest your money in a particular stock, a part of a company and hopefully the stock will go up and you will walk away with more money. The best analogy is gambling. You go in with some money, put it in slots or play it at a table and you will hopefully walk away with more money than when you started. The secondary market does not make money by producing and selling things, it makes money on speculation, this betting process. This means that people take their money and bet it on the company they believe will produce a profit. If a lot of people bet on this company by buying their stock, then the stock value goes up. Not because they company sold more products, but because more people invested in their stock. The result is that those stock buyers make money because the stock went up.

But the secondary market is a place where wealth is concentrated into the hands of a few. This is the place in the market where wealth becomes highly stratified. Less than 10% of the wealthiest individuals in the US own more than 90% of all the stock funds. Money is diverted into stock portfolios of a few wealthy individuals accumulating millions, hundreds of millions and even billions of dollars. The primary purpose of companies in this market is to increase their stock value by any means necessary, very little of which has to do with improving their business practices.

The power of investment in economic growth is a major premise behind “trickle-down economics,” the idea that promoting corporate profits will create more wealth that will be re-invested back into the economy. That re-investment will allow companies to produce more, hire more people, expand their operations, and increase their wages. Corporate profits will translate into more jobs, benefits and wages for everybody else. It will trickle down from the top corporations to the average worker. The other added benefit is those workers will have more money to spend, buying more products and expanding the economy. Companies will sell more, produce more and hire even more workers. This theoretically should provide an upward spiral of economic growth. It is also known as the “accelerator effect.” But over the last 30 years, this accelerator effect has not been working. Corporations are making tremendous profits, thanks to governmental policies designed to help them, but those profits are not being re-invested back into the economy. They are merely accumulating large hoards of cash that are being kept for shareholders and the secondary market, which doesn’t produce anything or use workers other than wall-street investors. Part of this hoarding is to prevent the market from “overheating” and leading to run-away inflation. Capitalism, according to economists, works best when there is some unemployment because there is always a group of people willing to go work for low wages. Even those with jobs should be constantly nervous that their job may disappear for “downsizing. The goal then is to keep workers in a precarious position. Chomsky even refers to these workers as a new social class of the “precariate;” people who are so nervous about their job stability and wages that they remain desperate for a job, even if they already have a job. So, in the last 30 years, profits have not been turned towards workers in the form of wages, benefits and new jobs, but have turned towards the secondary market. And the rich have gotten richer as a result, and the rest of us sit on the edge of our seat hoping our jobs won’t disappear. In essence, we have to realize that there are two simultaneous economies co-existing; one where we work, living paycheck to paycheck, and one of the stock market where profits are created on speculation for the rich.

Now, the problem with the environment and solutions to our environmental problems lies with this bifurcated economy in several ways. First, investment dollars go where the profits are. Right now, fossil fuels make more profit than solar or wind energy. Large SUV’s and trucks make more money than bikes, public transportation, walking and Smart cars. But it’s not just environmentally friendly businesses that suffer, but public parks, schools, hospitals for the poor don’t generate profits. They only generate well-being. There is no money in making citizens happy, healthy and well-educated. Meat makes more profits than vegetables and sugary drinks make more money than fruits and nuts. Corn makes more money than anything! Second, people strapped for cash spend their money on less environmentally friendly products.

1. Workers must buy cheap
2. Investment in what is profitable, not what’s eco-friendly

In the primary market where goods are actually produced and sold are workers and consumers. Within the secondary market, the primary players are shareholders and investment bankers. What has happened in the last several decades is that wealth in our economy is increasingly concentrated in the secondary market. This unfortunately, does not only mean higher concentrations of wealth in the hands of a few, but it also means that any economic policy that increases stock value and wealth in the secondary market is pushed. For instance, debt increases money for bankers. Why? Because people have to pay back interest on the money they have borrowed. So, this means that economists push for economic policies that encourage consumer debt. People borrow money, buy what they need, and then pay back the loan with interest. All that interest is profit for the company to raise their stock value. Shareholders and investment bankers make money. In the meantime, average workers find themselves drowning in a sea of debt, barely struggling to buy food so they can pay off interest payments on loans from mortgages to car loans to credit cards. But, our GDP has gone up! Remember, capitalism doesn’t care whether an entire sector of society has less money and more debt, if the total collection of wealth has increased. This is true, even if the entire collection of wealth has increased for a small select group of very wealthy individuals. Economists don’t care who has the money, just how much there is.

Another consequence is an extreme focus on short term profits over long term stability. When the focus shifts to the secondary market and stock values, there is a built in incentive to only worry about the next quarter. The best example of this is General Motors prior to 2008. In the early 1990’s, GM knew they could make more profit from large SUV’s and the Hummer than from smaller, fuel efficient, hybrid and electric cars. So, what did they do? They killed the electric car, scaled back on fuel efficient vehicles and launched full throttle in to the large, gas guzzling car market. And they made a profit….for a while. But then, Americans saddled with tremendous debt, stopped buying the larger cars and turned to more fuel efficient vehicles. That meant buying Toyotas. Beginning in 2006, GM watched their sales fall and Toyota made a profit from the windfall. General Motors, along with several other American auto companies, ended up receiving a massive bailout from the Federal Government just to stay afloat. Their short-sighted strategy, a result of their short sighted focus on immediate earnings and stock prices, encouraged them to ignore the potential in the market for the future in exchange for immediate market. This strategy also came at a cost to our air. Those larger SUVs and trucks polluted our air and contributed significantly to global warming gases.

Another example of the short sighted economic interest in stock values comes from almost a decade earlier with a company named Enron. Led by two ruthless executives named Jeffrey Skilling and Kenneth Lay who argued that “greed was good,” engineered a series of complex financial transactions and tricks that made it appear to Wall Street regulators that they were making huge profits. Their stock went up and their employees vested their entire savings accounts in the company stock. Particularly, the top executives made hundreds of millions of dollars from the growing stock values. But it was all an illusion. Secretly, the company was not making any profits at all. When they could no longer hide the pretense, they quietly sold all their shares while they were still high and then declared bankruptcy, letting the stock value plummet. Their employees lost everything. While Skilling and Lay were held accountable in the courts (Kenneth Lay died of a heart attack after being indicted), with Skilling being sentenced to four decades in prison, their behavior demonstrated the intense pressure to focus on immediate stock value over long term viability and health of a company.

With our almost toxic belief that our economy centers on stock values in the secondary market, regardless what else is occurring with the personal lives of real people, wages, health, working conditions and the environment, we have too often conflated profit with productivity. Simply because one company can make more profit than another company operating with higher costs and cleaner technologies, does not mean they are more productive for society. For example a solar farm may produce as much energy as a coal plant, but if the coal plant produces greater profits it is considered more productive. But as economic theory stands today, profit equals stock values, and stock values equals investment and investment equals growth in the economy. This is a central tenant of economic theory.

## Treadmill of Production

A Sociologists by the name of Schnaiberg attempted to explain this contradiction between a single minded goal for profits and the resulting environmental crisis in a book called *The Treadmill of Production*. Schnaiberg outlines the economic goals that lead to the demand for ever growing production and consumption, resulting in massive strains on our environment. He argues that modern economic policy has touted clearly defined goals of increasing production, economic development and consumption.  Based on the premise notion that economic growth increases social well-being, our ultimate goal remains increasing our GDP so jobs and consumption can grow.  The philosophy is that a rising tide lifts all boats.  This increase in the economy and production trickles down to mainstream society in the form of jobs, wages and benefits.  Higher profits for these companies means greater pay for their workers.  More workers translates into greater tax revenues that the government can then use to reinvest in production.

This economic model requires three outcomes:  1) increased production means we must manufacture more goods; 2) increased consumption means we need more people to buy these goods; and 3) increased profit so companies can raise their stock values.  Without profit, the argument goes, tax revenues go down, jobs go away, and reinvestment in new business sectors doesn’t happen. These goals, Schnaiberg argues, puts us on an economic treadmill where we must continually grow and grow, without ever gaining ground.

The treadmill evokes an image of walking or running faster and faster, but gaining no ground relative to where you are.  Just as people run on a treadmill without going anywhere, companies must grow and grow without going anywhere. In both cases, if you slow down, you fall off. The propulsion system for the treadmill comes from the requirement that businesses must continually attract new investors. Investors’ help a company operate. They provide the money that pays for the materials, pays workers, pays for advertisement, and the myriad of other costs needed to run a business. But investors aren’t going to give their money to any business. They want to see a return on their investment. What they will do is seek out the company that is not just making a profit, but is making a bigger profit than their competitors. If company A is seeing a 2% growth, but company B is enjoying a 2.5% growth, investors will go for company B. Company A needs those investors, and to get them back, they will have to increase their profits to greater than company B’s. And here we have our treadmill. Each company, as they ramp up their speed on the treadmill (their profit return), their competitor increases their speed. Even though they are each growing and making greater profits, they are staying the same place, relative to the market.

This treadmill puts pressure on industries to continually look for new ways to generate more profit in order to compete for competitors.  There are several ways to do this: 1) Reduce costs, 2) find cheaper workers, 3) create new products, or 4) find new consumers. The first strategy is to reduce the costs of making their product, reduce production costs. This strategy often comes with an enormous environmental cost because it often consists of moving to less expensive, but more toxic chemicals, dumping production waste without cleaning it, or moving to cheaper raw materials. Often, environmentally friendly production methods cost more money and eat into profits. They slow a company down on the treadmill.

Another strategy would be to reduce labor costs, often one of the biggest expenses for many industries. In the United States it could mean by keeping wages low as they do at fast food restaurants, Wal-Mart, Amazon warehouses, and many other industries that are not effectively organized. They could reduce benefits for their employees like Health Care, vacation time, or retirement benefits. Or, they could also look for a cheaper workforce, often in another country.  If wages are too high in the United States, they can simply move overseas where they can pay workers at a fraction of the cost. They often see benefits for reduced production costs as well as they are no longer held to as stringent standards for environmental waste.

Finally, they can open up new consumer markets by selling new products or finding new consumers.  This has been a brilliant strategy because it entails the marketing component of industry and corporations; how to get people to guy what they wouldn’t normally buy. We’ve been convinced to buy new shoes and clothes when we already have a closet full of unworn clothes, buy food when we’re not really hungry, buy decorations for our house that simply collect dust. Just look around at your own house at all the stuff you’ve bought that you didn’t really need. And if that strategy doesn’t work, these companies can go find people to buy their products elsewhere. Many industries have grown their “market penetration” by selling soda in Mexico, jeans in India, and toys in China. No matter the strategy, the mantra is still the same, sell more stuff.

They ramp up the production pace, while competing companies do the same thing.  Every industry is producing more, and consumers are buying more, but no relative ground has been made. The impact on the environment comes directly from the raw resources and waste produced as a result of this ever increasing treadmill. As production costs are reduced, environmentally noxious processes are adopted. As production and consumption is expanded, more resources are needed to produce more products. More fuel is used to transport goods across the globe. More paper, lights, computers, energy, and resources are used as companies expand. More production translates into a much larger carbon footprint, as well as resource depletion and waste production.

The treadmill, is not just spinning because of businesses and investors, but because every sector of society views economic benefits by the speeding up of our economy.

1) Industries and businesses want to grow and increase profits. Executives are hired on their ability to increase companies’ profits, and they are rewarded handsomely with bonuses and stock dividends when they do so.

2) Shareholders want to see a return on their investment. They don’t simply invest in a company because they have some internal motivation to help a company grow and survive; they want to make a profit. Investors have very little interest in or knowledge of the methods used to generate that profit. It if it is through environmentally toxic methods, child labor, moving overseas, lowering wages, they remain unconcerned. Only in rare circumstances have investors come together to require a company improve their production process.

3) Suppliers want to be able to sell their raw commodities. Many Third World nations need to sell minerals, coffee, soy, oil, sugar, or some other raw product. They need companies willing to buy their commodities to pay off their national debt. As demand for increased production grows, so does the demand for the raw commodities to make those products. Push for the ever increasing treadmill matriculates throughout the entire globe.

4) Workers push harder on the treadmill for one simple reason; they want to keep their job. When the treadmill slows down, layoffs occur. When the treadmill speeds up; new hires increase their seniority, protects their jobs, and can make them eligible for raises and increased benefits.

5) Politicians want to be reelected. The best campaign promise a candidate can make is that they will grow the economy. Even Al Gore in his campaign for the presidency promised to double the size of the economy. Despite his understanding that a doubling of the economy would lead to a doubling of resource depletion and waste production, he knew that a faster treadmill is what constituents want.

6) Finally, we are guilty players on the treadmill as consumers. People want to go to the store and find a killer bargain. We are happy when we can buy products for low prices. Just as investors don’t care what the company does to give them a good return on their investment, consumers don’t care what the company does to give them a low price for their product.

Schnaiberg argues that to rely on companies to reduce their environmental footprint runs counter to the treadmill. We cannot expect them to voluntarily reduce their emissions, toxins, and increase working conditions for their employees. To do so would put them at a disadvantage in the competition for investors and consumers. This conundrum relates to the idea of the Tragedy of the Commons. This idea was first developed by ecologist Garrett Hardin in 1998, when he published his piece in the journal *Science*. Hardin argued that people are prone to act in the best interests of themselves and in doing so can quickly deplete resources. People do not engage in behaviors that limit their own relative position simply because it is good for the common good. Ranchers will let their livestock overgraze, fisherman will overfish, and companies will pursue profits despite the environmental costs.

Given the dynamics of the treadmill, Schnaiberg argues that the only real alternative is an external force requiring all companies to comply with environmental standards. Companies have no internal mechanism to make them socially responsible.  Reducing poverty, pollution, and promoting other socially responsible goals is not their first priority.  Profit is. Therefore, the only hope for slowing down the treadmill and encouraging sustainable production, reduced consumption, environmentally friendly methods, and worker benefits is to get off the treadmill. This means leaving the economic/political landscape that encourages economic growth at all costs. What we need is a new political and economic model entirely.

## GDP vs. Global Health Indicators

## Externalities

Based in the very rational decision to pay as little as possible for production - means greater profits retained

* + 1. For most corporations and businesses, the quickest way to increase profits is to reduce their bottom line. This can easily be done by reducing their expenses. Costs associated with business production can be shifted onto other entities including the government, consumers, employees, the local community and the environment. This ‘spill over’ of costs onto others can include health costs associated with their product such as cigarette smoking, eliminating health care for employees forcing the government to step in and pay, disposing of production waste into the local environment, or the production of air pollution.
    2. It is estimated that if the entire cost of doing business were taken into account and paid for, the costs would far exceed current recorded costs.
  1. Public Relations – Toxic Sludge is Good for You
  2. A Killer Bargain:  Clothing Industry
  3. Regulation and the Government

## Demand side vs. Supply side:  Neoliberalism vs. Keynesianism

1. These two approaches have been presented as the economic approach that favors government deregulation and the 'invisible hand' that guides the economic forces.  Neoliberalism, based in Adam Smith's book *The Wealth of Nations*, Smith argues that corporate profits will be reinvested back into the economy to spur further growth. Government regulations impede this ability of corporations to generate wealth, limiting the amount of capital available for reinvestment.  This neoliberal approach has been the basis behind 'free-market economics.'  Allow the markets to operate freely, with almost no government interference, and it will create its own stability.
2. Almost one hundred years after Adam Smith wrote his book in 1776, free-market capitalism ran into trouble.  Karl Marx wrote scathing indictments of capitalism arguing that free-market capitalism would collapse in on itself.  He argued that it was unsustainable and that profits were generated off oppression and exploitation of the workers.  Criticism alone would not have threatened neoliberal economics if it wasn't followed with revolutionary movements against capitalism around the world.  Unions began protesting, striking and fighting for working conditions.  Child labor laws and other regulations were pushed and enacted.  Revolutions around the world called for greater equality, including Russia, China, and France.  Economists responded to this assault on neoliberal economics and the free market by trying to clarify the dynamics in capitalism that led to growth, jobs and equilibrium.  Free-market capitalism became more 'scientific' with mathematical formulas being used to justify the system.  This was the birth of modern day economics that is highly mathematical and formulaic.  But, it is also highly abstract and theoretically based, rather than focused on actual conditions.  The focus remains on how much profit and wealth is generated rather than looking at where that money is distributed.  It is still based on several assumptions:
3. Left to its own forces, the economy will adjust and settle on full-employment.  They term this supply-constrained.  The only limitation on the economy is production and supply.  Government regulations will impede industries ability to generate profits and distribute that profit in terms of increasing production and job growth.
4. Governments role should be limited to essential infrastructure and protection of private property rights.   Programs that are run by the government should be limited and scaled back like unemployment benefits and social security.  They hinder profit and limit increasing production.  They constrain supply.
5. Nations should be focused on growth and global trade.  Expansion generates greater profits and increased production, leading to job expansion.
6. Success of the system is measured by the amount of capital generated by production investment.  Distribution of that wealth is a non-factor in the economic equation.
7. Keynesian Economics:  While capitalism has remained the most widely supported economic approach in the United States and ultimately for global economics, it has not been without its criticisms.  John Maynard Keynes and Michal Kalecki, working separately, each offered amendments to free-market capitalism arguing that it will not operate effectively, efficiently, or equally without government intervention.  Both economics differed from Marx in that they still supported Capitalism, only a kinder, gentler form.  One of their major criticism was of supply being the only constraining force in the stability of the market.  They argued that production and profits were not the only limiting force, so was the amount of money available to the average consumer and worker to spend.  People can only buy what they have the money to purchase.  If they are not earning the dollars to purchase the amount of supply being produced, it will lead to instability in the market.  The free-market will oscillate wildly between booms and busts.
8. They also argued that full-employment will not result from an unregulated economy.  When large enough numbers of people are out of work, the purchasing power of consumers will drop.  There won't be enough money among workers and the unemployed to sustain current levels of production.  There will be a crisis in production caused by consumer demand, leading to large drops in the economy.  Keynes argued that the government needed to be proactive to prevent these ups and downs of the market.  They needed to ensure that demand wealth existed, even when people were unemployed.  This should be done with tax adjustments, government spending, and the management of interest rates.  These government activities wouldn't eliminate ups and downs, but would make them less volatile.  Demand would be adjusted by ensuring that money stayed in the pockets of those not working.  Social security, welfare, unemployment benefits are all government programs that currently exist to maintain demand in times of economic instability.
9. The greatest criticism of Keynesian economics was that it would lead to stagnation, slow economic growth.  Corporations wouldn't be able to make as much profit and would be limited in their ability to increase production.  Slow production would lead to economies that couldn't produce enough jobs.

## The Economy and our Government

1. While their role is generally to moderate all components of society, including education, healthcare, the workforce, money, environment, they have increasingly taken a singular focus on our Economy. As big players in the Treadmill of Production, they see their role and we see their role as in making sure the economy stays strong and sound. This means that when governmental players view a threat to economic health, they generally target it as the enemy rather than as a responsibility. This has become true of healthcare and environmental issues.
2. Healthcare: People’s healthcare is expensive, costs employers’ money, costs tax payers money so has been targeted as a threat to economic growth. Each political party has viewed the solution differently. Democrats have sought to reform the health care system so everyone has access to healthcare assuming that a shared burden is a cheaper burden. Republicans have sought to privatize the entire system so those who cannot afford to pay simply don’t receive care and therefore are not a burden to the system.
3. Environment and global Warming: But, by far, environmental issues have been targeted by governmental players as the biggest threat to economic prosperity. This is particularly true when it comes to regulating greenhouse gases like Co2. But it holds true for regulating water quality and air pollution as well. For the last 40 years, every presidential administration has sought to sideline the regulation of Carbon emissions from fossil fuel use.
4. Reagan began the first assault on environmental regulation by declaring that most Co2 emissions came from volcano eruptions rather than industrial and automobile use. He removed the solar panels from the white house as a symbolic gesture to waive away global warming and pollution concerns.
5. Bush Sr., also a republican, was the first to begin receiving international pressure and address the issue on a global level. The first Earth Summit in Rio was held, gathering the largest conglomeration of world leaders to date. Bush reluctantly went, but refused to promise the world that we would mandatorily reduce our emissions to 1990 levels, even though it was only in the 1992 at the time. Republican fears that it would destroy jobs and harm the economy by imposing restrictions and costs on corporations trying to make a profit overwhelmed any environmental decisions.
6. During the 1990 era, oil and coal industries began to push back at the global effort to reduce carbon emissions as a threat to their economic machine by taking from the tobacco and cancer playbook of denying the science. They simply made a concerted effort to convince Americans that the science was unsound and tentative at best and a consensus among scientists did not exist. This was the same playbook by the tobacco industry when for years they convinced Americans that scientists weren’t sure that smoking actually caused cancer. Research coming from oil and coal money simply argued that global warming either didn’t exist, wasn’t man made, or wasn’t that significant of an issue.
7. When Clinton, a democrat, came into office the politics of global warming was a sticky issue. Even with Gore as vice president, a self-avowed environmentalist, no progress was made on regulating carbon emissions. Gore attended Kyoto and signed the Kyoto Protocol, but never introduced it into the Senate for ratification. Against opposition that China and India, less regulated by Kyoto, would overtake us economically as they attracted industries seeking asylum from carbon regulations.
8. Since the 1990’s, for each presidency, economic issues have overwhelmed any environmental concerns. A $10 million report by the EPA documented the local and global economic costs to global warming, but was tabled and suppressed by government officials. Scientists working at NASA like Ted Hanson were tightly controlled in the public presentations and speeches. Addressing global warming was clearly and definitively viewed as a threat to corporate profits and economic prosperity.

## General Motors and the Automobile Industry

* + 1. 1920's only 20% of Americans owned cars
    2. Sloan saw this as an opportunity to expand the market base - but saw that the US trolly system was in his way
    3. Why would people invest thousands of dollars in a vehicle when they could go anywhere they needed on a readily available, cheap public transit system
    4. Created bus company to buy up trolly system - convert to buses - used strategy of cutting down transit lines - reducing users because of convenience - claiming that the business was no longer profitable
    5. Found guilty in anti-trust suit - company fined $5,000 while executives were fined $1 each
    6. As old lines aged - Europe and Japan invested in new system - where the US with privatized system resisted - opting to close down lines instead
    7. Formed the Highway Lobby - pushed legislation to use taxes for public transportation
    8. Infrastructure moved to the suburbs making the replacement of public transit systems inconvenient

When cities are built around transit lines - business and housing form around transportation - without public transportation they spread out in urban sprawl making it difficult to develop a transportation system to handle all the outlying areas