

Why we Occupy or More of the Same

A Blueprint for a Shift to a Fair
and Sustainable Economy

For Occupy Economics (Toronto)
& The free'Scool
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Preconditions

The blueprint is based on the assumption that the current mixed market economy cannot survive if the political and popular approach remains more of the same.

Nonetheless, the starting point for change must be the current institutional framework. To assume otherwise will be setting up a starting point that, considering the severity of the ecological and social dislocations, cannot be established before it will be too late.

In order for policies of change to be effective, a social consensus needs to be established about the need to implement a rapid shift towards a fair and ecologically sustainable economy.

Consequently, pragmatically working toward establishing this social consensus is a first task for all who says "no" to more of the same. It is saying no to a 2012 World Bank prognosis that if nothing is changed in the ways we produce and consume, we will see global temperature rise 4 degrees sometime between 2060 and 2100. This means that many who are young today can count on seeing that happen within their lifetime if we don't accomplish this change.

A social consensus for change must include embracing a process of reconstituting the political institutions, based on the realization that the shift to a sustainable economy can only be accomplished under the governance of public institutions that are open, broad-based and truly democratic; institutions that allows all voices to be heard. In particular, it must ensure that the financial and corporate economic interests that dominate current politics are locked out from the processes of governance.

A. Structure of the Firm

1. Considering that production is a social function, board of directors for firms should include representatives for workers, professionals and pertinent scientists, as well as representatives for public institutions with relationships or oversight responsibilities for the relevant business sectors.
2. Same company wage dispersion should be limited to a multiple of four between highest and lowest pay.
3. Stock options, which can only incentivize managers to short-term strategies, should be abolished. The role of common stocks as speculative objects for financial investors is also a socially harmful institution that must be changed.
4. Net profits (after re-investments) are the joint creation of all employees of a firm and should be shared between owners' dividends, employee's bonuses and payments to supporting public infrastructures.

B. Production Costs

1. Costs of production must include all steps of a product's life cycle, including costs of disposal, and costs of the environmental and health disutilities they create. In some cases such costs can relatively easily be calculated, in other cases there will be very challenging aspects. Nevertheless, it is an approach that no longer can be put off, if we want to be serious about combating the threats of pollution and climate change.

When costs according to this principle are calculated, a new type of public agencies will collect the cost payments from producers (and distributors, as the case might be) and allocate them to the firms and other public agencies tasked with recycling and regeneration activities.

C. Labour markets

1. Unemployment is a socially unacceptable phenomenon. In order to eliminate it, a fundamental institutional change of labour markets is needed. One possible road forward would be to insert an intermediating function into labour markets. For instance, non-profit labour agencies governed by tri-party boards with members from labour, employers and relevant public organs should be established and inserted into job markets. All job-seeking and hiring should go through these agencies, which in times of economic slowdowns distribute the reduction in labour demand and incomes across the total workforce. This reduction could include transferring some workers to job-retraining without loss of incomes greater than

a percent correlated to depth of the slowdown (for a more detailed description of this proposal see <http://attac-ontario.org/labint.pdf>).

Under such a scheme, in case effective demand for labour is deficient, for instance during an economic slump, the intermediating function performed by the agencies will assure that the needed reduction of employment is across the board, instead of—as it presently is the case—some people are cast into unemployment while everybody else work as before.

2. It is important also to realize that a shift to a sustainable economy will most likely incur dislocations of employment as employment transfer from energy intensive and social useless productions to new sustainable industries and low-intensity communal economic networks. This would create huge problems under current labour market institutions. Therefore, developing labour intermediating structures with strong coordinating capabilities that transform work into a non-discrete mode will be crucial for the success of a shift to a sustainable economy.

D. Energy

1. Research, development and deployment of renewable energy sources must be given the highest priority. Comparing prices for renewable energy with pricing for traditional energy must be done according to the principle, mentioned in B above, that includes full social and environmental costs.

2. The most cost-efficient element of sustainable energy policies is of course conservation and smart use by users. This should

consequently also be in sharp focus. An important change should be to establish curricula items in schools, such as ‘sustainable and healthy living’, that would teach these aspects.

E. Transport

I. The transport sector in the context of metropolitan areas where large number of citizens have substantial transportation needs throughout their daily routines is a particular challenging obstacle for a conversion to a low energy intensity society. Solutions restricted to the existing technologies for public transport systems will not suffice. Furthermore, plans currently under consideration are far too leisurely paced to be able to have sufficient impact upon the causes of climate change. For instance, currently Toronto's only approved plan for improvement of public transit is a plan to build four new light-rail lines that are scheduled to be running by 2020).

Transportation is consequently one of the areas where we need a mobilization approach (borrowing a page from the fiscal and monetary policies implemented during the 2nd World War) so that changes with sufficient impact quickly can be accomplished.

It must be realized that pricing of carbon (including levying extra taxes on it) will not be able to change trends very much if that is to be the only approach; the utility gap between private, car-based transport and available public offers within the context of large metropolitan areas—even at their most advanced state using current technologies—is very large. Thus, car-use has a very inelastic price function, meaning that use-patterns will only react very slowly to price schemes alone.

Therefore, radical new solutions that dramatically can enhance the attractiveness of non-individualized transport modes must be brought to the table.

2. A strategy could be to develop systems where energy is exchanged for employment. One such possibility is to develop a system of electric chauffeur-driven jitneys (10-15 persons taxis), which would cruise around suburban areas, gps-located and connected to central computers. People with a transport need from A to B will input the addresses and time requirement for departure and/or arrival and a jitney will respond. In such a system there might be a slight loss of time compared to the present preferred solution of just hopping into one's gasoline-powered car, but if the system is well designed, it could be reduced to minimal levels. On the other hand, the reduction in the economic and social costs of transport would be dramatically reduced. For medium distance travel (for instance, the daily commute from the suburb to a downtown workplace) the system can be integrated with a dual-mode monorail network (for an example of such a proposal, see ruf.dk).

3. Promoting and enhancing the safety of soft transport modes (walking and biking) are well-known approaches to a sustainable economy. Especially important in this regard is the safety feature of such 'soft' transport modes, for instance by constructing bike lanes that are physically separated from cars along all major roads, or developing 'no car' pedestrian zones. Included in the social cost calculation is not only the reduction in energy use, but also the health effect arising from regularly walking and biking.

F. Housing

1. Housing is another area where laissez-faire capitalism is spreading concentric rings of disaster zones across the urban landscapes: opulent and hugely energy-hogging castles for the 1%; dysfunctional car-accessed-only suburban sprawl of oversized and energy inefficient homes for the middle class; run-down inner cities for the poor; and clusters of premium priced condo towers near commercial centres, mostly inhabited by the upper middle class; but as we also see it, becoming objects for destabilizing speculation, which means that many are left empty for extended periods while homeless people sleep on the streets below.

Developers run the show, with strings into municipal bureaucracies and politicians in town halls where corruption often flourish (in soft and hard versions). Design follows easy to sell strategies in a classic race to the bottom in the name of profit maximization.

The resultant urban housing structures thus means that energy is wasted on all fronts: on heating and cooling of over-sized and poorly isolated spaces, and on the unavoidable car transports needed for all levels of social participation in the outer rings of suburban sprawl and between suburbs and core areas.

2. This has to change, and sustainability and the public interest take control over the processes of urban development. Low intensity suburbs, for instance Vauban outside of Freiburg in Germany, is one of the models that has to be studied, but we need to radically change the structures of decision and

valorization processes involved in housing development before this can happen.

G. Banking and Financial Speculation

The destructive nature of financial speculation without any positives to show for it is today, post the 2008 crisis, beyond doubt, if it ever was. The incomes inequalities and steady fall in real GDP growth, which has taken place since the neoliberal economy with financial speculation at its centre took over, invalidates the fallacious, but ad nauseam repeated excuse for laissez-faire market capitalism: that concentration of incomes and wealth at the top will trickle down as economic growth that in the end lifts all boats.

Financial speculation must be reined in. Solving this complex question is however impeded by the political power wielded by the financial interests, which first of all must be shut out of public decision processes.

Following are some possible measures aiming at establishing social control over money expansion and financial functions:

1. Deposit and investment banking must be separated again.
2. A global financial transaction tax (Robin Hood tax) must be put in place.
3. The tax havens must be shut down by effective international cooperation.

4. Hedge and equity funds, to the extent they are allowed to continue to exist, must be open and regulated under public oversight.

5. All financial incomes, in particular capital gains incomes, must be taxed at the same rates as all other incomes.

6. Derivatives trading must be restricted to socially useful functions (such as hedging real economy currency and interest rate risks). To the excuse for the excesses—that they price risks—the fact has been that financial speculation using derivatives as the preferred tool on the contrary enhanced global economic risks and volatilities. Moreover, derivative-based speculation in commodity markets often drives real markets' supply-demand prices. When that for instance happens in food commodity markets, as it has been seen recently, the social costs can be catastrophic in developing countries where small changes in food prices literally can send millions into starvation.

7. Public banking must be developed, creating alternative financing institutions that not only consider economic risks but also social benefits.

8. An international reserve currency should be established, named the bancor in honour of Keynes' 1944 proposal.

9. The tax system must be rebalanced and deficits erased by everybody paying their fair share. Deficits should only be allowed to occur as stimuli spending during downturns; or as central bank interest-free loans used to finance public social and physical capital projects, which will expand aggregate social

benefits and enhance the aggregate tax base, and in this way create conditions that can amortize the loans over time.

9. Money creation via bank credits should be restricted to credits extended to real economy projects, and consumption within reasonable limits (thus, in particular, not be allowed to fuel financial speculation). Reserve and/or capital requirements must be strictly enforced and controlled in a flexible way by government institutions, so that they can be used as macroeconomic cyclic levers.

10. Much of the very large amounts of existing public debts, which largely are a result of the 1% not paying their fair share of taxes, but instead benefitted from neoliberal policies of tax-cuts and loophole-ridden tax laws. Subsequently, when the tax cuts led to public deficits, the 1% loaned the money accruing from the saved taxes back to governments as interest yielding debts. This process must be reversed, and the debts written down by the amounts of odious debts they represent (that is, debts that have arisen as result of direct or indirect collusion between wealth holders and neoliberal government leaders). The remaining public debts should be replaced by IMF super-bonds, underwritten by the leading economies. These bonds will pay adjustable interests rates set at 1% percent below inflation, thus slowly whittling down the economic weight of the unsustainable levels of sovereign debts we currently face. Unless the current debt burdens, ultimately payable to the 1%, are removed from the public, public investments cannot take the lead in a transition to a sustainable future and ensure that it goes ahead at a sufficient pace.

H. Trade and International Relations

1. In order to reduce the enormous energy waste that international transport entails, production should to the degree practical be located near markets of final distribution. In particular, moving production of utility goods to overseas destinations simply because lower labour costs can be had is a predatory corporate practice that seldom has justification in marginal physical efficiencies, but only in the ability it creates for boosting corporate profits in cycles that add to the growing income inequalities.

2. The current treaties and other political arrangements that govern international trade are by and large the result of neoliberal policies that aim at securing corporate interests at the cost of social and environmental considerations. All such treaties and political arrangements must either be abolished or amended so that social and environmental considerations cannot be overruled by profit interests of firms.



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