

*Beyond secular stagnation,
investigating transition
alternatives.*

Pascal Petit

Centre d'économie de Paris Nord

Intervention Forum Fondation Getulio Vargas

Sao Paulo 9-10 septembre 2019

What this paper sets out to do (1)

- Taking into account the depth of the crisis , its global nature and the new challenges rising
- Question the transition under way
- Starting with the secular stagnation thesis
- Stressing that the technological view it privileges limits our capabilities to take into account the broad changes at stake in all activities and therefore in all the institutional contexts that regulate them.
- Going back to the frame of the analyses of fordism and post fordism helps to see how the various structural forms , their hierarchies and complementarities are challenged
- We are there already well beyond the secular stagnation hypothesis

What this paper sets out to do (2)

- In the present phase of globalisation , the magnitudes and diversity of these economic and institutional challenges in the developed economies impact also developing economies.some of them having even experienced stigma of stagnation beforehand for various internal and external reasons | (see Salama (2019) for Latin America stressing its shift in the international division of labour towards primary products, and Bresser(2007, 2016, 2019) for Brazil, outlining the role of the financial sector and macro policies in a developmentalist perspective for Latin America, also partly linked with this « primarisation » structural change. See Dias Manzi 2019 for the slowdown of globalization.
- All the more so that a major global challenge in our environment has by now been acknowledged worldwide. , leading in 2015 to the Paris agreement at the COP 21 under the auspices of the UN organisations.
-
- Then any foresight exercise has to take into account the ways in which these environmental constraints are met around the worldin a context where new technologies , with high potential of changes for the best or the worst.

What this paper sets out to do (3)

- Assessing transition alternatives then becomes really adventurous
- In a world where, for over half a century, on one side individualism and consumption wants have kept increasing and on the other side production activities have been used to take free advantage of natural resources with limited constraints, how can a new sustainable pathway be forged, and at which level (international, national, local)
- The above question, that sets the secular stagnation issue in a new context, is all the more complex that levels of development still strongly differ, with basic needs still not being met, not only in underdeveloped economies but also in developing and developed economies where inequalities have been rising.
- Change the values and aspirations of people when warnings were issued as early as in the turn of the 1970s, (see Limits to growth 1972), is a puzzling challenge which we have to learn to handle

What this paper sets out to do (4)

- Setting new **clocks** Eg new indicators to follow the changes,
- Assuming that the specificity of each phase of development requires its own accounting system, democratically legitimised by the populations using them
- Forging the transition to a new sustainable pathway for the globe
- Need to debate and diffuse new representations and objectives to inform politics and policies,.... a construction to take place in a new interface between the three levels local, national and international.
- Again specificity of each phase must leave open the dynamics between the three levels
- We shall present a broad and quick surveys of these challenges (representations) at the three levels international, national and local
- To illustrate tentatively how , along which paths , the construction of a sustainable global pathway may (or not) occur

The secular stagnation hypothesis

- Let us start with a quote of Klaus Schwab (2016), the founder of the Davos Forum, where major heads of states and business people meet every year in Switzerland to debate on the state of the world economy:
- *Still valid today is the lesson from the first industrial revolution – that the extent to which society embraces technological innovation is a major determinant of progress. The government and public institutions, as well as the private sector, need to do their part, but it is also essential that citizens see the long-term benefits.*
-

Secular stagnation hypothesis

- If one tends to agree with this assessment, it is not straightforward to see if all the conditions are met and how it impacts (delays or blocks) the « revolution ». The current debate on secular stagnation displays such uncertainties. Thus long after the agrarian revolution,
 - - the first industrial revolution (railroads and steam engines) went from about 1740 to around 1840,
 - - the second (electricity, assembly lines) from late 19th till early 20th
 - - the third (semi conductors ,computer) started in the 1970s,
 - - a fourth revolution (internet, platforms, digital age) developing at the beginning of the 21st century
- Clearly the dating depends on the country under view and delayed diffusions have also lasting (learning) effects
 - - Many (and in the first place Larry Summers) stress that the third revolution did not meet the expectations (estimations by Gordon support this view), ...thus, like Hansen in the 1930s ,some speak of secular stagnation,echoing a marxist critic of capitalism , unable to benefit to all
- others like Klaus Schwab (following MacAfee and Brynsjolfson) see in the fourth « revolution » a major factor of big changes....and bet with cheer optimism that societies will manage to embrace it.

on the maturing processes of growth

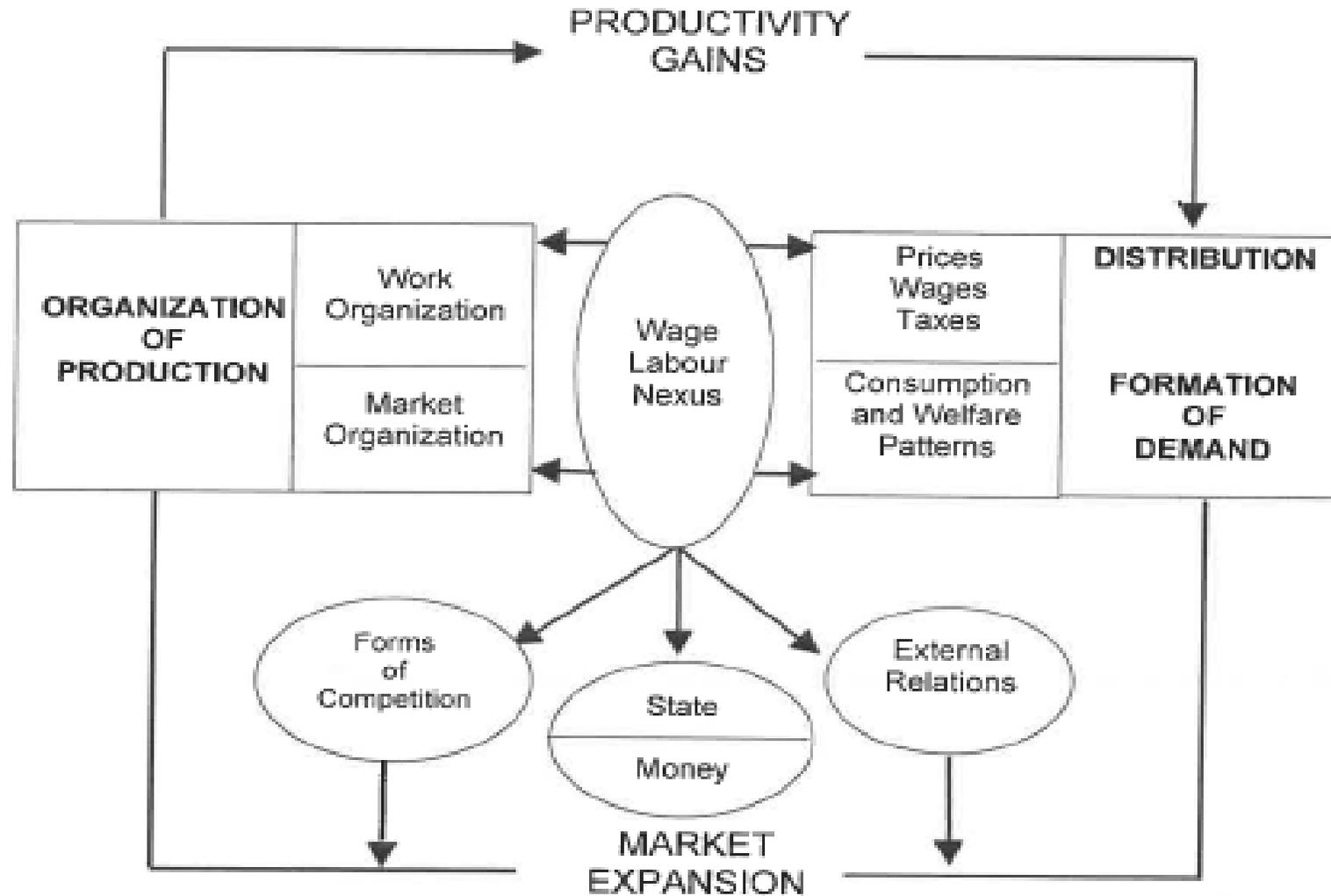
- How to arbitrate? To assess which is which ?
- There is one success unanimously celebrated « the golden years of capitalism » (Marglin and Shor, 1992) , also analyzed as « Fordist Growth Regime » by the regulationists (Aglietta, Boyer, Guttman in the 80s and 90s...)
- This reference could help to see the weak and the strong points in the process of emergence of a growth regime, and thus to explain why it peters out or keeps some chance of becoming a success .. as such processes may take a long time to mature (nearly a century and two world wars to install welfare states in the aftermath of WWII! , « solving » the *social issue*for three decades!).

A methodological framework in a nutshell

- To track down how a society embraces a technological revolution:
- Five structural forms : 1 **State** ,2 **money and finance** ,3 **External relations** . (these first three are old regalian functions)
- 4) **Forms of competition** (which developed with the early merchant capitalism) and 5) the **wage labour nexus** (which emerged after a long battle over the social issue with the second revolution)
- In a growth regime, one form has a prevailing role, consecrated by explicit political agreements. Major examples of such political agreements are a) the conference/declaration of Philadelphia in 1944 , where (bluntly) mission was given to the states to ensure full employment and welfare, a commitment repeated under different forms in the full employment conventions, passed on (more or less effectively but setting the tone of political arbitrages) in the post war period.

FIGURE 2

INSTITUTIONAL CHANGES IN THE FORDIST ERA :
ON THE CENTRALITY OF THE WAGE LABOUR NEXUS



Investigating the post fordist times

- The *social contract* on which the « golden years of capitalism » or the « modern capitalism » à la Shonfield were based, petered out in the 1970s
- Various reasons (which could have been expected, as issued of inner contradictions or structural changes) were given : exhaustion of the benefits of Taylorism, limits of the fixed exchange rates systems, rise of a consumerism, demise of the communist alternative...
- All of which favored a neo liberal turn in the early 1980s
-and a decline in productivity growth , at least in the old developed economies (OECD)

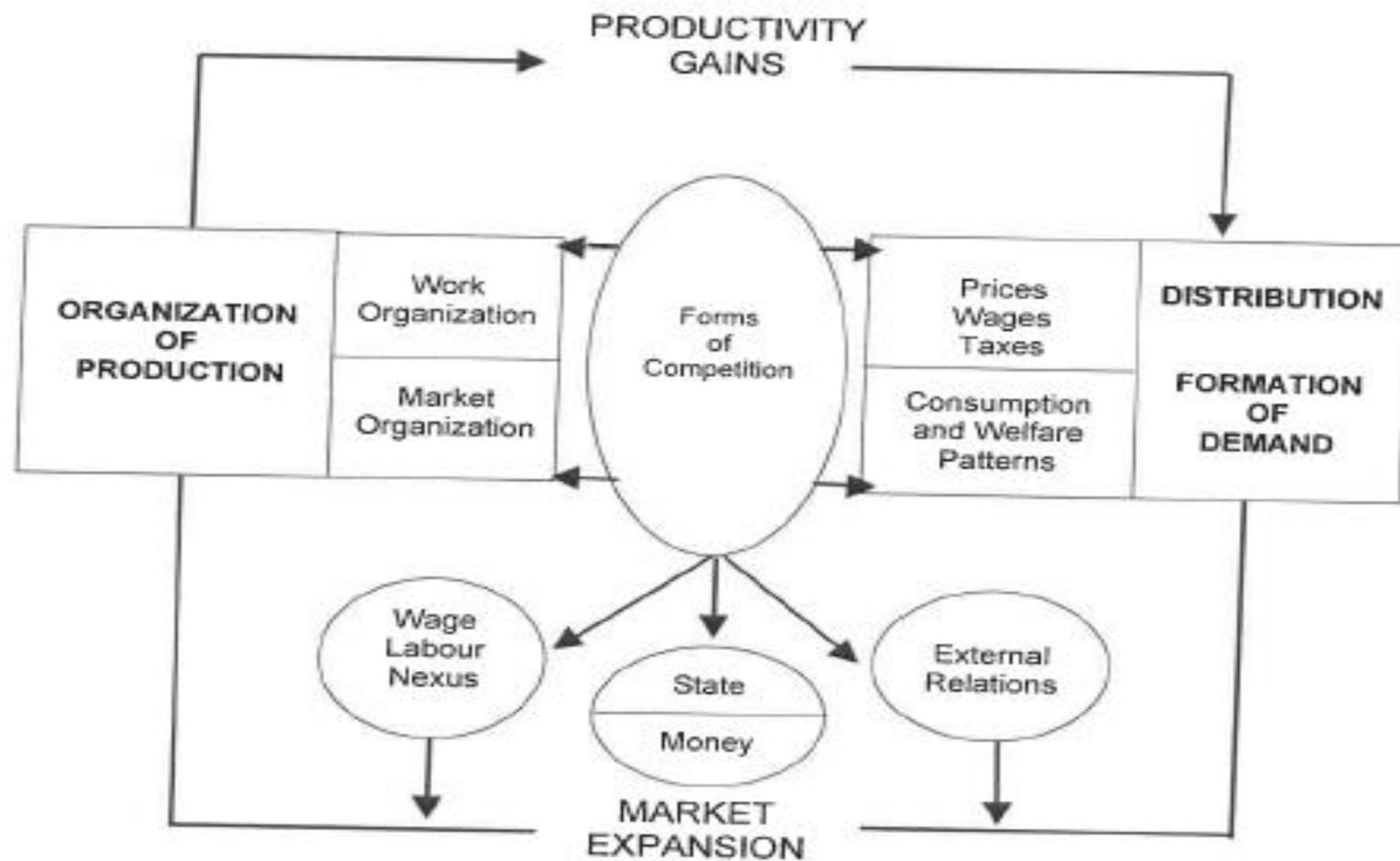
Post fordism growth regime, so what ?

If any, a degraded growth regime

- How to read the new state of affairs?, when it departs clearly from democracy
- Finance rapidly took advantage of the liberalization trend to become somehow the dominant structural form
- So we could qualified the regime of being finance led
- ...for sure, but then , we are in a degraded kind of regime as there was no political accord , justifying this prevalence. Finance bashing has been the common motto of politicians all along (see Bidhe claim to get back to simple finance). Recurrent financial crises were fueling this feeling (« finance ,my enemy » said Hollande as candidate) and the 2008 financial crisis would have ended in a lot of renationalisation of banks ...if they had not been already *too big to fail* .
- In the terms of the « growth regimes » discourses , *finance led* is a second class transitional regime , transitional towards what? A new structural forms of competition that would be socially and economically accepted?...as well as environmentallyif it can be set up ...in other terms , investigating what the forms of competition have been turned into should help us to see what the « secular stagnation » is made of.

FIGURE 3

INSTITUTIONAL CHANGES IN THE POST FORDIST ERA :
ON THE CENTRALITY OF THE FORMS OF COMPETITION



Looking for a transition towards a sustainable pathway (1)

- The question is then to see how our framework can account for the search of a sustainable (socially, economically and environmentally) pathway.
- Before that we could rapidly check whether a *fourth technological revolution 4.0* could do the job (as K Schwab optimistically thinks)
- The deployment of these technologies can lead to major reorganisations of our activities, considering our lives are divided into citizens, domestic , working activities.
- But there are fatal inconsistencies between what is done on the supply side, and what is experienced in the demand side. Entrepreneurs with little investments but smart speculations will create monopolistic situations and rents while most consumers will not be in positions to take advantage of the new services put at their disposal .

Looking for a transition towards a sustainable pathway (2)

- It will worsen the crisis of the wage labour nexus , harming mainly the middle class workers and increasing the number of meaningless jobs at the margins.
- The deployment of these digital organisations will increase the uncertainties for the others would be investors...making it worse for a financial sector which cannot push investments , even when interest rates are historically low. The german trade unions that were initially in favour of this industry 4.0 strategy to maintain their competitiveness finally estimated that it would be detrimental for them. (See Birgit Mahnkopf 2019). Moreover it seems to have dubious effect regarding an overall reduction in CO2 emission and the like. Basically without being integrated especially in a social contract/project, if left to market forces it is likely to be regressivenot to speak of the ability of GAFA type of structures to escape the domestication by public regulations. This 4th revolution could only turn into a new glorious phase, if one way or the other, it was fully taken over by communities of users. ..(in a kind of new social contract) ; something that the environmental threats may well rapidly put on the agenda

On the wide and wild potential of the 4.0 technologies

- Just a quick summary of these potentials, how they concern all the structural forms and how endorsing social control is still in infancy
- On the wage labour nexus: shedding mainly and largely jobs of middle qualification , thus increasing (income)inequalities , but also developing some (subtle) digital divide (giving access but unequal ability to monitor uses). The potential to organize non market and domestic activities is huge and out of the debate so far.
- On the forms of competition: new direct relations between consumers and producers end up multiplying rents and monopolistic situations. GAFA is a good example, but one should not forget the complex opaque fabric of networks it develops (adepts of free market economy thus blame the drop in productivity growth on the lack of true competition (see Philippon NYU 2019)). The regime of *IPR* (intellectual property rights) is also very telling of this lack of competition in protecting rents (unduly long for medicines for instance).

On the wide and wild potential of the 4.0 technologies (2)

- The very regalian forms of finance, external relations and state actions are also directly concerned , which is much less debated
- On finance and money: the bitcoin adventure is very telling in that respect (when the inventor and manager of the system is still unknown). Such kind of « private » creations are bound to develop (see Libra initiative of Facebook ,2,5 billions users) . One could add the local complementary monnies. ..again mixing potentially black traffic and good communities endorsements
- On external relations : traffic on data (that could have been mentioned as affecting the forms of competition are clearly impacting external relations ,influencing national elections , diffusing fake news, and the like , when societies have difficulties to protect whistle blowers like Snowden and others. The battle over 5G standards goes beyond the competition between Apple and Huawei and concern relationships between Nation States. Battle to come on AI between the US and China. Not to mention the impacts on defence issues!!
- Last battle ground, the actions of the States digital connections and AI are becoming key factors in the management of public interventions...and democratic procedures ,not only emphasizing the Big Brother aspects potentially, but also raising ethical issues with some innovative biological developments that could diffuse new practices , out of control. Even think of the « legal » implications of car traffic with a mix of autonomous cars.

4.0 organizations : a potential to put to use to meet the environmental challenge and plus

- Our conclusion is that under the above perspectives no endorsement of the expected kind can be foreseen
- Still the digital technologies under view have an enormous potential to change , seing the list of *Deep Shift - Technology Tipping Points and Social Impact* that K' Shwab put forward.....or fancying on all the adventurous uses to which AI artificial intelligence can be put. (cf the tongue of Esope). The only thing missing in the reflection is who control/command. Which democratic principles and actors can monitor these changes , and keep an eye on their consistency.
- The suggestion is then to take things the other way round, look first at the various levels where the current challenges on designing sustainable pathways for our civilization are discussed , how they are interacting and ...to what extent these 4.0 technologies can help this process. In other words , where democratic processes are mobilizing . The sustainability is not only a matter of environment but also of social fairness and economic feasibility.

Dynamics of changes: top down or bottom up?

- Assessing the dynamics of changes between levels is an important issue.
- In the Golden Age of capitalism , the dynamics in the post war era went from international (Philadelphia conference and Bretton Woods) down to national levels (the full employment conventions) and the firms applying the labour laws.
- Our contention is that, in the present state of erosion of the social contract of the welfare states, the impulse for a reconstruction of the social contract will tend to come from local changes , impuled both by the rejection of the no future of the neo liberal order and by the local impulses given by environmental changes. We shall clarify hereafter why we see in this dynamics the basis of a turn to new solidarities, a fertile ground for the « republican liberalism » that New Developmentalism is calling for.
- This perspective is also crucial to see what can come out of a good share of the populist movements.

New clocks at the international level

- Even if the dynamics is bottom – up, starting from the top helps to see right away that changes have gained momentum.
- The UN organisations have done a great work in strong cooperation with NGOs.
- Some international institutions are blocked like WTO,
- UN : GIEC since Rio 1992 to Paris 2015: all countries concerned and accountable
- From MDGs to SDGs: Millenium Development Goals mainly around poverty reduction become mixed with environmental objectives
- See the SDGs : and how will they impact? Synchronize , stimulate actions
- Changing the rules of democratic practising, finding criteria not to be blocked in consensus , some kinds of relevant majority requirements (depending on the issue)
- The strength of some international NGOs
- The SRE (Social Responsibility of Entreprises) of multinational firms : see the development of « mission firms »,

New clocks at the international level (2)

- Drawbacks:
- Central bankers quantitative easing failed to reflate economies. Billions are waiting speculative financial opportunities.(15 billions in bonds with negative interest rates in 2019, mergers in 2018 should be close to 5 billions , a record) ...not real investments . The financial sector is slow to realize that profitable real investments have to be more targeted and localized (see the advices given by Rajan 2019)
- moves away from multilateralism in the last decades
- A prime to big actors, continental economies , willing to impose their own way
- Imperialist trials, Towards a reshuffling of the international order: Chimerica
- Need to restore multilateral principles
- The COP 21 : failure to install any comitting rule, weaknesses of *INDCs (Intended Nationally Determined Contributions)* (see also the UN renouncement to launch a compelling Global Climate Plan in May 2019)
- The big diversity of NGOs and the risks of non cooperative behaviours
- Some bans are already legitimate and enforced (gases destroying ozone cover, geo engineering, nuclear explosions,) and these could be extended to already broadly « legitimate » banning of products like glyphosate). See also case of plastics

New clocks at the international level (3)

- A lot on the agendafor a global social contract:
- Norms of global justice
- International Codes of ecological services
- Countering risks of reversal of past trends of CV between countries that prevailed so far , even if slowly. Risks of winner takes all effect in the new international division of labour
- Rules on information privacy , Bridging digital gaps, Fighting Fake News
- Protection against cyber criminality, cyber warfare and defence issues
- Ethical issues framing the rising power of biotechnologies , MAD logic
- (mutually assured destruction)

New clocks at national levels

- Beyond GDP : at each phase of development , its accounting norms, we are still too much under the norms of the « golden years of capitalism »
- See OECD works supporting *Beyond GDP practices*
- Integrate SDGs in our accounting frameworks
- Even more strongly develop *well being* indicators
- How to pass it on people ? Well being : an active pedagogy to free people from narrow consumerist values .. beyond some « living standards »
- Explicit new social classes : new sociology taking account of climate threat awareness and motivations to act (from negationists to survivalists)
- Paying attention to local experiences , helping generalisation of « good practices »

New clocks at national levels(2)

- Drawbacks: populisms are often not on these issues, much more focused on catching up with the old promises of consumers societies
- Can it changes ? How to turn *Yellow jackets* claims into social / environmental/ economical innovations ? (..of which platforms like)
- A major issue to be taken into account: a change in the nature of inequalities (see Dubet 2019,) that were read mainly as income inequalities tied to a class structure have become « individualised »
- Local battles help to escape this damning individualisation and pave the way for new commons... (... development of a « republican liberalism »)
- National policies called to fuel the need for new commons in traditional social views and escape « modern » addictions (consumerist societies)
- Which also help to counter risks of increasing gender inequalities

New clocks at local levels (1)

- Basically lessons are often taken locally by experimenting the impacts of environmental changes
- Experiences of environmental climate disasters, calling for external support

Strengthening resiliences (see the GTI Great Transition Initiative august 2019 debate)

- New solidarities emerge, new commons, new distribution of activities (between civic , domestic and wage earners activities)
- See confederations of local « social ecology » groups (Bookchin)
- Local solidarities and projects can extend in relevant geographical spaces (see river community managements)

New clocks at local levels (2)

- See actions of cities addressing the UN organisations propositions to reduce green house gaz emissions as a way to push forward INDCs
- See network *Symbiosis* in North America , conceived as a learning process for national moves
- Coalition local communities against local polluting production activities , often calling for external supports
- Municipalist movements spreading in some mediterranean countries (Spain, Italy)
- Firms set up local cooperatives to develop new technologies and avoid to be trapped in global value chains (see Andresh)

New clocks at the local levels (3)

- Drawbacks; Huge diversity of experiences
- Difficulties to transpose, diffuse, select good practices
- Risks of Localisms : opposed to cooperation with the national or international authorities and institutions
- Coalition between local workers and local industries , be their products be highly polluting or not
- Battle around localism between right and left « populisms »

Favouring cumulative processes at the interaction of the three levels

- Digital technologies are strangely quite appropriate to the development and diffusion of the new compromise / social contract on SDGs ; Platforms technologies could help at all three levels , in their respective spheres but also interactively ,
- Transformations of the finance industry
- Open sourcing informations and knowledges
- Creative cultural activities
- A new idea/culture/approach of development : not based so much on catching up with more « developed » economies, but catching up with good practices coming from different sources (of which traditional community links)

Towards Modern capitalism number 2 ?

- The question of whether or not capitalism can survive a broad change of rules that would lead to a *Sustainable Development* of the globe is open.
- Much depends on the definition one retains ...and on the timing of the adaptations
- As ***forms of competition*** will be first structural forms on the list to be regulated , on line with the new compromise , we could call it a **regulated capitalism**

Finance (under pressure of increasing disasters , especially via the insurance industry) would comply to new regulations more easily than thought

(as its domestication has not been achieved in the follow up of 2008) .

Stock markets would have to play a much more contextualized role , taking into account investment priorities defined nationally

(and internationally). Capital flows are also likely to be controlled.

Though local complementary monnies are also likely to gain a much larger share of the payment activities

Clearly the initiatives of private capital should by all means comply with the rules and not counter their applications or help to bypass them.

Towards Modern capitalism number 2 ? (2)

. conversely as *the **wage labor structural form*** will be much transformed by the diffusion of new divisions of activities (spread of activities in commons, still it may take time to adapt , regarding consumption behaviours (an addiction hard to reduce, even if it is a key issue for a new regime to emerge)...and all the more so that countries have high income inequalities

A new qualificative for the new regime might be helpful favoring the transition in activities, like **Domesticated Capitalism** which echoes the Buen vivir or the Pachamama philosophy , if Domus is taken in its broad term of mother earth and its human inhabitants ,, sounding then as **a new global green deal era** which has already some historical legitimacy

...but keeping capitalism as in « domesticated capitalism » has the merit to keep a balance between security and (schumpeterian) innovative capability ..as Zygmunt Bauman recommendedand less enigmatic than his « liquid society » or the « distributed capitalism à la Rifkin.....and less open to Big Brothers (States or enterprises) than the « agile governance » of K Swhab

Back to the global environmental challenge: and the different stages of development (1)

- -can we tentatively assess some aspects of the global process which could lead the globe on a sustainable path?
- developped economies are in transition, with reasonably large shares of the populations ready to support green new deals but also sizeable populist movements , defiant of the neo liberal order and searching ways to adjust but eventually would be open to alternatives. Much depend for this balance of what happens in the rest of the world. These countries are buying time in the meantime (as Streeck suggested)
- Emerging economies (eg the BRICS) are facing a bigger problem in the sense that the « contract » of a development in the old consumerist meaning is still strong , with all the (new) infrastructures of revolution 2 and 3 ready to be used at full speed. To change this contract is difficult and such a big turn tends to call for authoritarian government, be it pro or against any « new deal ».

Back to the global environmental challenge: and the different stages of development (2)

- Developing countries are , by and large, less stuck in the old « modern » type of development. Traditional social structures may still operate and help to turn to new resilient models ...conditioned by the provision of a special sizeable international aid (as planned at the COP21 with a fund for developing countries, though hard to collect).
- Finally, in this broadly brushed picture , one is led to consider that finding a green new deal (or New Developmentalism) for the BRICS is a key necessary condition to give some credibility to a move towards a sustainable global pathway and thus give a needed new momentum to the two other worlds to complete their transition move. This is also the story that the vicissitudes of the regional trade agreements and the blockade of the WTO are saying.
- ,