

A Systems Approach to the 2014 Midterm Elections

Why they Matter

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Preliminary Observations

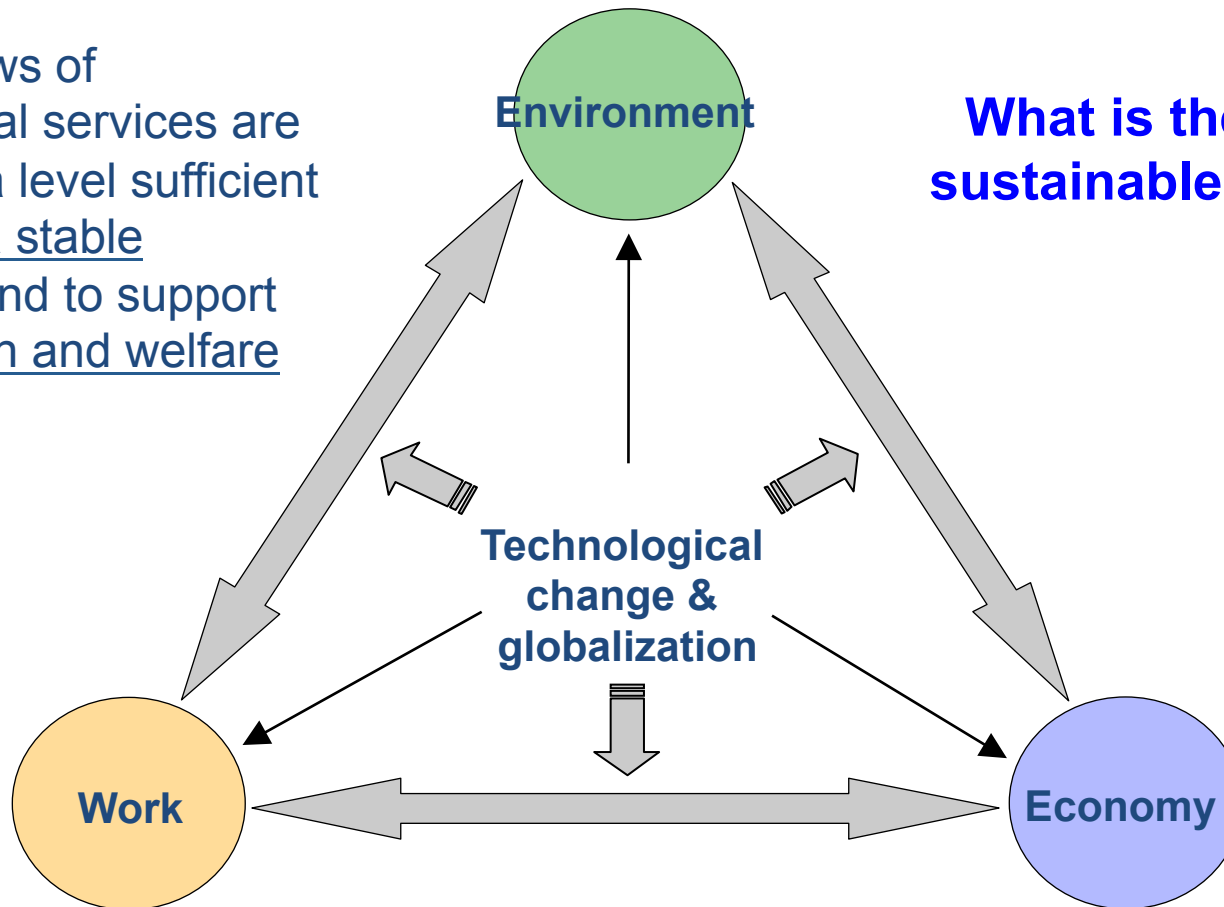
- **We are facing the longest recovery period of jobs/employment in modern history. Unemployment rates do not tell the whole story.**
- **We are facing unprecedented wealth (and income) inequality.**
- **We are hollowing out the middle class with a divergence between the stock market and the 'real economy' ... skill-based technological change and the spreading of earning capacity (2nd Machine Age)**
- **There is great volatility in the US and global economic system.**
- **We seem bent on believing in an economic recovery (GDP and productivity), rather than a transformation of the industrial state.**
- **We continue to believe that increasing technological innovation is the most assured pathway to better times (contrast 2nd Machine Age).**
- **Global climate disruption/environmental issues remain unaddressed.**
- **Reform of the financial system remains illusory.**
- **We have an unresponsive political system.**

Gridlock, Lack of Understanding, and Complacency

- **Gridlock**
 - **Philosophical differences as to the effectiveness of policy interventions**
 - **Influence of special interests (on Congress and on the judiciary)**
 - **Partisanship (the party out of power gives little quarter)**
 - **An economic system (globally) that has too much lock-in and resistance to change**
- **A Lack of Understanding and Fragmented Knowledge**
 - **Absence of critical thinking**
 - **On the nature of the problems we are facing**
 - **On the strengths and weaknesses of solutions**
 - **Fostered by the absence of a real debate of issues on a large-enough scale**
 - **Influenced by both confusion of the role of the commercial media, media ownership and size, and distortions by both the commercial media and informal networks, and**
- **Complacency**
 - **Absence of a sense of urgency – and failure to recognize the crises we face**
 - **A demoralized and cynical electorate fostered by a political system that does not deliver**

Long-run flows of environmental services are provided at a level sufficient to maintain a stable ecosystem and to support human health and welfare

What is the meaning of sustainable development?



Livelihoods are secure and available that provide satisfying engagement in work and equitable reward for labor, permit the maintenance of a decent standard of living, and are conducted in a safe working environment

The economy provides goods and services adequate to satisfy the basic material needs of all members of society and provides abundant and equitable opportunities for the realization of human potential

What is the Nature of the Current Crisis?

The perfect storm: reinforcement of bad outcomes

- **FINANCE**
- **WEALTH CONCENTRATION**
- **EMPLOYMENT**
- **CONSUMPTION**
- **INVESTMENT AND PRODUCTION**
- **ENVIRONMENT**

The Nature of the Current Crisis

- **FINANCE:**

Origin - decades of the relaxation of regulatory controls

- reckless provision of credit (to both producers and consumers) + issuance of dubious financial instruments

Aftermath: collapse of the housing and financial markets =>

- reluctance of lenders to lend, and ...
- reluctance of producers and consumers to borrow
or spend in uncertain and volatile futures
- This affects employment, consumption, and growth

- **WEALTH CONCENTRATION**

- **EMPLOYMENT**

The Nature of the Current Crisis

- **FINANCE →**
- **WEALTH CONCENTRATION**
 - Growing inequality in the US (Piketty) and globally. As financial practices increase the concentration of wealth, political, and economic power is also concentrated.
 - Government capture and intervention on behalf of the few
 - Manipulation of democratic preferences
 - We have witnessed periods of large growth and profit-taking with little/no/negative changes in wages
 - Growing consumption by some; shrinking consumption by others
 - Wealth concentration leads to erosion in fair and inclusive market rules
 - Exploitation and exclusion of poor and middle-class people, and
 - Erosion of widespread opportunities for ownership and employment →
- **EMPLOYMENT**

The Nature of the Current Crisis

- **FINANCE →**
- **WEALTH CONCENTRATION →**
- **EMPLOYMENT**
 - The financial/credit crisis exacerbates the prior long-term crisis in increasing high un- and under-employment (resulting from technological displacement and offshoring), with
 - declining skills, wages, and purchasing power (demand) for some. This in turn affects CONSUMPTION →
- **CONSUMPTION:**
 - The decline in purchasing power and easy credit further lowers consumer demand and consumption for some → further unemployment .This in turn affects →
- **INVESTMENT AND PRODUCTION**

The Nature of the Current Crisis

- FINANCE →
- WEALTH CONCENTRATION →
- EMPLOYMENT →
- CONSUMPTION →
- INVESTMENT AND PRODUCTION
 - Firms have historically focused on increasing productivity by replacing labor with physical capital → overcapacity (unrealized profits & loss of domestic demand)
 - The result has been an increasing reliance on trade to generate revenue and ... the further deskilling and shedding of labor – and downward pressure on wages
 - Decreasing demand globally and the end of cheap energy
 - increases costs → reluctance to improve the ENVIRONMENT
 - decreases profits → reluctance to improve the ENVIRONMENT, and
 - increases volatility →
 - reluctance to expand production and hire workers →
 - greater preference for using capital rather than labor. This further affects un- and under-employment

The Nature of the Current Crisis

- **FINANCE →**
- **WEALTH CONCENTRATION →**
- **EMPLOYMENT →**
- **CONSUMPTION →**
- **INVESTMENT AND PRODUCTION →**
- **ENVIRONMENT**
 - excessive and polluting production, throughput, and ...
 - too much consumption by a part of society using **too much energy and natural capital**
 - too little consumption of essential goods/services by others
 - pressure to **relax or avoid environmental, health, and safety regulation →**
 - shifting costs to government or the public
- **The Perfect Storm!**

What can be done about the Current Crises? (recovery or transformation?)

- **FINANCE** (reform the financial system)
 - transparency, regulation, oversight, international agreements
 - democratize credit
 - public or community-based financing of sustainable growth
 - (the B-Corp or Benefit Corporation)
- **WEALTH & INCOME CONCENTRATION** (redistribution)
- **EMPLOYMENT** (shorten the workweek, without a decline in income)
- **CONSUMPTION AND PRODUCTION** (green the economy?)
- **ENVIRONMENT** (regulation; economic instruments)
- **TRADE** (fairer trade practices; “re-shoring”; disengage from the world trade regimes?)

Alternative ways of increasing earning capacity and improving the environment

- Income and wealth transfers to the poor
 - guaranteed minimum income
 - changes in the taxation of income
 - tax excess profits
- Provide incentives for hiring labor and remove those for increasing capital acquisition and energy use
- Collect employer-based labor benefits as a percentage of sales, rather than on a per-worker basis
- Tax pollution and energy, instead of per-capita labor costs
- Prohibit elimination of jobs (~Germany)
- Increase labor's claim on profits from production/services
 - By **designing work back into production and services**

Alternative ways of increasing earning capacity and improving the environment, cont.

- Meet *essential* needs of consumers in a different way (**shift to product services**) – lowering consumption, environmental impacts and costs to consumers; and increasing wages
- Encourage the production of **essential goods and services** and discourage others – regulate advertising; tax the “bads”
- Invest in **labor-intensive production and services**
- **Adopt a four-day workweek but maintain workpay parity**
- **Change workers into owners** – thru changes in business ownership and corporate structures
 - By allowing them to acquire capital with the (future) earnings of capital (two-factor economics – R. Ashford)
- **Tax Corporations that shift production/services/ownership abroad**
- **Educate workers/consumers for the economy of the future**

Government is Essential

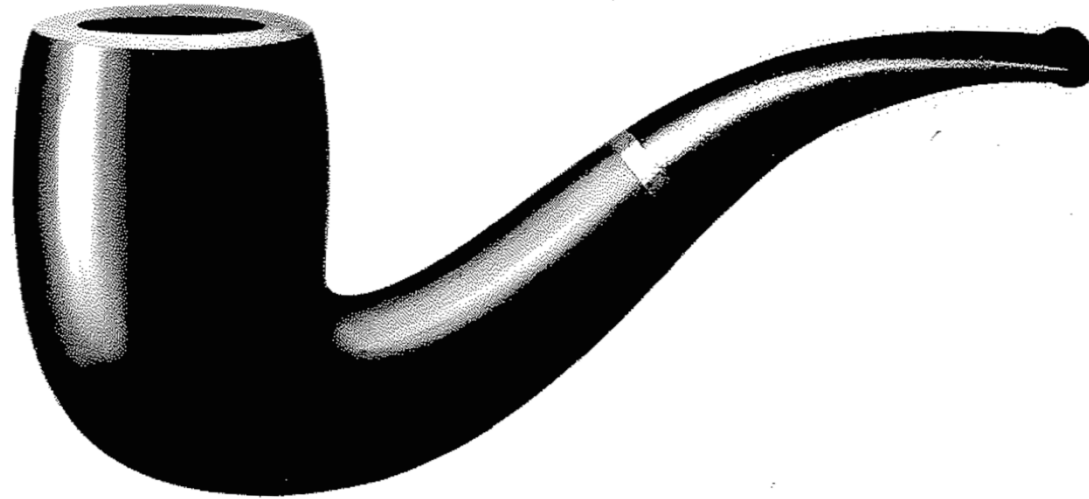
- As a collector of revenue, as an investor, and ensurer of a fair distribution (tax and social-security)
- As a supporter of basic education and skills acquisition
- As a provider of physical/legal infrastructure
- **To invest in path-breaking science and technology development – for increased productiveness, environmental improvement, and job design and creation**
- As an facilitator or arbitrator of competing interests to ensure a fair process
- **As a trustee of worker and citizen interests** to ensure a fair outcome in commerce (e.g., thru banking, labor protection, and trade regulation)
- **As a trustee of new technologies and dynamic change, fostering technological, institutional organizational, and societal innovation**
- As a force to integrate, not just coordinate different policies
- **Regulation (finance, antitrust, safety, health, environment, labor markets, and trade)**

Fundamental Questions in Approaching Sustainable Transformations

- What are the causes of unsustainable industrial systems?
- What are the visions for a sustainable future? (open up the 'design space' to achieve multiple goals)
- What or who is standing in the way of achieving that future? (open up the 'participatory and political space' for ensuring that all relevant voices have influence in the processes of change)
- What are the carrots and sticks that need to be fashioned to achieve that future?

Solutions will require:

- Opening up the “problem space” for envisioning, designing, and implementing more sustainable policies – to include coordinated concerns for economic welfare, energy, environment and public health, and employment & earning capacity
- Opening of the “participatory and political space” for ensuring that all relevant voices have influence in the processes of change – not just those with wealth and political power – this applies to people and firms
- A stronger, and integrated, but not necessarily bigger, government. One that enforces law and acts as a trustee
- That is why elections matter!



Ceci n'est pas une pipe.

Magritte

THIS IS NOT A PIPE RENE MAGRITTE 1929

NICHOLAS A ASHFORD

RALPH P HALL

TECHNOLOGY, GLOBALIZATION,
AND SUSTAINABLE DEVELOPMENT

TRANSFORMING THE INDUSTRIAL STATE



environment • economy • employment

THIS IS NOT (JUST) A TEXTBOOK ASHFORD & HALL 2011
YALE UNIVERSITY PRESS

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