What Every Environmentalist Needs to Know about Capitalism

A Citizen's Guide to Capitalism and the Environment

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3. The Growth Imperative of Capitalism

> It is this obsession with capital accumulation that distinguishes capitalism from the simple system for satisfying human needs it is portrayed as in mainstream economic theory. And a system driven by capital accumulation is one that never stands still, one that is forever changing, adopting new and discarding old methods of production and distribution, opening up new territories, subjecting to its purposes societies too weak to protect themselves. Caught up in this process of restless innovation and expansion, the system rides roughshod over even its own beneficiaries if they get in its way or fall by the roadside. As far as the natural environment is concerned, capitalism perceives it not as something to be cherished and enjoyed but as a means to the paramount ends of profit-making and still more capital accumulation.
>
> —PAUL M. SWEEZY[1]

The economic system that dominates nearly all corners of the world is capitalism. For most of us, capitalism is so much a part of our lives that it is invisible, like the air we breathe. We are as oblivious of it as fish are oblivious of the water in which they swim. It is capitalism's ethic, outlook, and internal values that we assimilate and acculturate to as we grow up. Unconsciously, we learn that greed, exploitation of laborers, and competition (among people, businesses, countries) are not only acceptable but are actually good for society because they help to make our economy function "efficiently."

Most of us are so enmeshed in capitalism that we are barely aware of. It therefore requires some kind of rudimentary definition. A full definition of such a complex system would of course take volumes. Karl Marx wrote three volumes in defining capital as a social relation, and intended to write as many more.

In the briefest possible terms, capitalism is an economic and social system in which the owners of capital (or capitalists) appropriate the surplus product generated by the direct producers (or workers), leading to the accumulation of capital—investment and amassing of wealth—by the owners. Production takes the material form of the production of commodities for a market with the aim of generating profit and promoting accumulation. Individuals in this system pursue their self-interest, checked only by their mutual competition and by the impersonal forces of the market.

"Accumulate! Accumulate! That is Moses and the prophets" is the mantra of the system as a whole, as well as for each individual capitalist. The logic of accumulation and competition drives "bourgeois production out of its old course and . . . compels capital to intensify the productive forces of labour." It gives "capital no rest, and continually whispers in its ear: Go on! Go on!"[2] The resulting juggernaut accepts no boundaries to its expansion but continually tries to break them down, developing new technologies and expanding into new markets. Although this has at times paved the way to considerable social progress, the emphasis on accumulation for its own sake, which constitutes the inner logic of capital, carries heavy social and environmental costs, such as: (1) the polarization of income and wealth; (2) a continually large (if fluctuating) reserve army of the unemployed and underemployed; (3) periodic devastating economic crises; (4) an "externalization" of enormous costs on society and the environment; (5) systematic war and imperialism; and (6) the crippling of the potential of innumerable individuals.

The essence of capitalism, as described here, can be captured by rewording the First Commandment of the Bible as follows: "Thou shalt have no other gods before the accumulation of capital." Ecologist Richard Levins gives a concrete example of what this means: "Agriculture is not about producing food but about profit. Food is a side effect. . . . Health service is a commodity, health a by-product."[3] Although markets existed long before capitalism, an economy organized entirely around the production of commodities for sale for profit in a market, is unique to capitalism. Markets have become the almost universal places for obtaining goods and services. Capitalism, in this sense, can be seen as a system of generalized commodity production. Market sales and competitive conditions provide the "cues" to companies as to what to invest in, how much to produce, and whether to try to take over or outcompete a competitor—all for the purpose of maximizing profits. But the essence of the system lies not in such market relations, but in its exploitative relations of production. It is here that workers in effect rent out their capacity to work to the highest bidder, providing the surplus labor that forms the basis of profits under capitalism, and hence the foundation of the entire system.

Although capitalism's champions claim that the egoism that drives the system makes it maximally efficient and eminently fair, this is manifestly untrue. Capitalism is unplanned and anarchic, at one point resembling a drifting boat, at another a runaway train. Social regulations and controls are at a minimum. Inevitably, many unintended consequences occur in the production and distribution of goods and services. Mainstream economists call these "externalities"; to them, they are side effects of an otherwise rational and socially benign system. They include pollution of water, air, and soil, as well as disparities of wealth, significant periods of high unemployment, and failure to meet the basic needs of all people. They occur because they are excluded from the structure of economic costs and profits of the system, although they represent social and environmental costs. As economist K. William Kapp once observed,

> Generally speaking, capitalism must be regarded as an economy of unpaid costs, 'unpaid' insofar as a substantial portion of the actual costs of production remain unaccounted for in entrepreneurial outlays; instead they are shifted to, and ultimately borne by, third persons or the community as a whole.[4]

Let's take the example of coal to illustrate the significance of externalities. Coal is the cheapest fossil fuel when expressed as dollars per amount of energy obtained—the cost to electric generating plants in mid-2010 was less than $3 per million BTU for coal versus around $5 for natural gas and $16 for oil. In 2007 about 70 percent of the electricity generated by fossil fuels in the United States came from coal (coal generates about half of the electricity from all sources, including nuclear, hydro, etc.). *However*, the cost paid for coal does not include the ecological damage done when mining the coal (how could you even begin to calculate the cost of destroying a mountaintop and filling in the valleys?), the cost of lives lost in mining and of health effects (especially black lung disease) later in life, the cost of the mercury pollution of our lakes and the ocean—the cost of the contamination of fish and humans by that mercury, the greater acidity of the oceans, runoff from waste coal storage, the global warming effects of the carbon dioxide released into the atmosphere and methane released during mining, and so on. Though electric companies can be forced to shoulder some direct pollution costs (such as sulfur removal from coal smoke), the price paid in money for generating electricity from coal can never come anywhere near the full cost of the damage done to the earth and its inhabitants.

Let's consider some of the key aspects of capitalism's conflict with environmental sustainability. In doing so, keep two things in mind. First, the moving and motivating force of capitalism is the never-ending quest for profits and accumulation; and second, because of competition, companies are impelled continually to increase sales and to try to gain market share. In this chapter we will concentrate on the system's drive for private riches and its need to expand in order to avoid economic crises. The implications for the environment of this systemic drive to accumulate as well as other aspects of capitalism will be discussed in chapter 4.

Capitalist Economies Must Continually Expand

We are told all the time that only economic growth can make life better. But as Gus Speth tells us in the environmental journal *Solutions*:

> Economic growth may be the world's secular religion, but for much of the world it is a god that is failing—underperforming for most of the world's people and, for those in affluent societies, now creating more problems than it is solving. The never-ending drive to grow the overall U.S. economy undermines communities and the environment. It fuels a ruthless international search for energy and other resources; it fails at generating the needed jobs; and it rests on a manufactured consumerism that is not meeting the deepest human needs. Americans are substituting growth and consumption for dealing with the real issues—for doing things that would truly make the country better off. Psychologists have pointed out, for example, that while economic output per person in the United States has risen sharply in recent decades, there has been no increase in life satisfaction, and levels of distrust and depression have increased substantially.[5]

The failing god of growth that Speth describes for the United States is nothing more than the way capitalism operates at its most basic level. No-growth capitalism is an oxymoron: when accumulation ceases, the system is in a state of crisis, with considerable suffering for the working class. Capitalism's motive force is the competitive amassing of profits for new capital formation in order to generate more profits and accumulation, *ad infinitum*. This leads to exponential or compounded economic growth. As the authors of *The Limits to Growth* wrote:

> Much of each year's output is consumable goods, such as textiles, automobiles, and houses, that leave the industrial system. But some fraction of the production is more capital—looms, steel mills, lathes—which is an investment to increase the capital stock. Here we have another feedback loop [in addition to population growth]. More capital creates more output, some variable fraction of the output is investment, and more investment means more capital. The new, larger capital stock generates even more output, and so on.[6]

Nothing could be more opposed to capitalism as a system than the commonplace depiction of it in terms of a simple exchange process in which a commodity (C) is exchanged for money (M) to purchase another commodity (C), so that the process ends with a definite use value that is simply consumed, or C–M–C. This is similar to barter (C–C), but with money used as an intermediary instead of directly exchanging one product for another. In such an exchange process there is a definite end, with the consumption of the commodity, which becomes the whole object and consummation of the process.

But as economists from Karl Marx to John Maynard Keynes pointed out this is a false picture. Rather, the general formula of exchange under the capitalist system of production actually takes the more dynamic form of M–C–M′, in which money is used to purchase the inputs to produce a commodity, which is then sold for more money or M´ (M + Δm). The object, in other words, is to end up with *more money* than one started with, that is, surplus value or profits. Such an exchange process has no end, but simply goes on and on without limit. Thus in the next round exchange takes the form of M´–C–M´´, which leads in the round after that to M´´–C–M´´´, and so on in an incessant drive to accumulation at ever higher levels.[7]

Capital, understood in this way, is self-expanding value. Capitalism thus recognizes no limits to its own self-expansion—there is no amount of profit, no amount of wealth, and no amount of consumption that is either "enough" or "too much." This means that the environment exists, not as a place with inherent boundaries within which human beings must live together with Earth's other species, but as a realm to be exploited in a process of growing economic expansion. Businesses, according to the inner logic of capital, which is enforced by competition, must either grow or die—as must the system itself.

The trend toward ever-greater concentration of capital is built into the whole process of capital accumulation. When a new product is first produced, or a new industry arises, there may be many producers. But as the industry matures a few firms come to dominate the market. In general, size wins out, with bigger capitals beating and absorbing smaller ones. Of course, there are always many small businesses, especially in local markets—restaurants, barbershops, plumbing and electrical contractors—where a long-term niche is developed and the owners are content not to expand. Small companies do provide employment—with some 13 million U.S. jobs in 2008 in firms with fewer than ten employees. The small business sector, however, generally represents a low- profit, non-expansive, part of the economy, which has relatively little impact on the economy as a whole, and accounts for only a very small part of value added. Moreover, as the Center for Economic Policy and Research declared in its 2009 report, *An International Comparison of Small Business Employment*: "By every measure of small business employment, the United States has among the world's *smallest* small-business sectors (as a proportion of total employment)."[8]

The representative firm in today's economy is rather a giant monopolistic/oligopolistic corporation, which is both a conglomerate and a multinational firm. For such firms the imperative is to grow larger to take advantage of economies of scale. Competition occurs primarily through cost-reduction and the sales effort rather than lowering prices, while there is a constant push to buy other companies. In this sector, which dominates the modern economy, a corporation that does not grow and increase its market share will indeed die.

Examples abound of companies whose founders either had a social mission or originally wanted to remain small but were ultimately forced to accept the reality of competition in the marketplace. For example, a number of food-related companies such as Ben & Jerry's (ice cream), Whole Foods Markets (originally a small natural foods store in Austin, Texas), and Green Mountain Coffee Roasters (a company that views "profit as a means of achieving a higher purpose to do good for others around the world")[9] were either sold to a larger company that had a better chance of propelling growth (such as Ben & Jerry's, acquired by Unilever) or managed to buy out their competitors as part of their growth strategy.

Over a period of one year, Green Mountain Coffee Roasters purchased three companies: Diedrich Coffee Inc., Timothy's Coffees of the World Inc., and Van Houtte, based in Canada. The company's CEO explained the last of these as follows: "This acquisition will enhance Green Mountain's Canadian presence and is expected to strengthen our North American geographic expansion with a well-known Canadian brand platform that includes roasting, manufacturing and distribution capabilities."[10]

Whole Foods explains the expansion of its "natural foods" empire in similar terms:

> Beginning in 1984, Whole Foods Market began its expansion out of Austin, first to Houston and Dallas and then into New Orleans with the purchase of Whole Food Company in 1988. In 1989, we expanded to the West Coast with a store in Palo Alto, California. While continuing to open new stores from the ground up, we fueled rapid growth by acquiring other natural foods chains throughout the 90s: Wellspring Grocery of North Carolina, Bread & Circus of Massachusetts and Rhode Island, Mrs. Gooch's Natural Foods Markets of Los Angeles, Bread of Life of Northern California, Fresh Fields Markets on the East Coast and in the Midwest, Florida Bread of Life stores, Detroit area Merchant of Vino stores, and Nature's Heartland of Boston.[11]

Donald R. Knauss, chairman and CEO of Clorox—makers of everything from bleach to Brita water-filtration systems, and Glad bags, wraps and containers—explained his company's takeover of Burt's Bees and its line of green-friendly products:

> This acquisition allows us to enter a growing market that's consistent with consumer megatrends. . . . With this transaction, we're entering into a new strategic phase for our company, enabling us to expand further into the natural/sustainable business platform. The Burt's Bees® brand is well-anchored in sustainability and health and wellness, and we believe it will benefit from natural and "green" tailwinds. It's in an economically attractive category with a margin structure that will be highly accretive to Clorox. Combined with our new Green Works™ line of natural cleaning products, and Brita® water-filtration products, we can leverage Burt's Bees' extensive capabilities and credibility to build a robust, higher-growth platform for Clorox.[12]

In the same press release Clorox's Vice President for Strategy & Growth added: "We strongly believe Clorox's deep capabilities to drive demand creation through consumer communication and value-creating customer capabilities, coupled with Burt's Bees' strong heritage of innovation to delight consumers, create a right to win."

Such mergers and acquisitions, through which small, innovative, and socially concerned companies are bought out in the end by large corporations that respond only to the demands of their owners for higher profits, enhanced stockholder equity, and increased firm size are the rule in today's capitalist economy. In 2007 worldwide mergers and acquisitions reached a record $4.38 trillion, up 21 percent from 2006.[13]

Monopoly and Competition

The end result of competition between firms, which leads to the concentration and centralization of production both nationally and internationally, is that a relatively small number of firms end up controlling large segments of the market in mature industries and are able to exert near-monopoly control. Once just a few oligopolistic firms control 50 percent or more of a market, competition in the classic sense is replaced by what Joseph Schumpeter called "corespective" behavior, in which price competition is increasingly curtailed.[14] Such firms tend effectively to ban price cutting, while increasing prices only in tandem (often following the lead of the largest firm). In 1947 the largest four firms already accounted for 50 percent or more of the value of shipments in 31 percent of all industry groupings in U.S. manufacturing. However, by 2007 this had risen eight percentage points with the top four firms accounting for 50 percent or more of shipment value in 39 percent of all manufacturing industry groupings.[15] The last two decades have seen rapid concentration in nearly every major sector of industry, including manufacturing, retail, and finance.[16]

Such consolidation of industry is often touted as promoting more efficiency and having beneficial "trickle-down" effects for the general public. However, as a *New York Times* editorial pointed out:

> The supposed consumer benefits are often unconvincing. Pennzoil's acquisition of Quaker State led to more expensive motor oil, Procter & Gamble's purchase of Tambrands led to more expensive tampons, and General Mills' purchase of the Chex brands led to more expensive cereal, according to one study. Despite limits imposed by antitrust regulators, the merger between Guinness and Grand Metropolitan to create the food and drink giant Diageo led to substantial increases in the price of Scotch.[17]

Although corporations in mature, capitalist economies, dominated by oligopolies, generally refrain from genuine price competition, which is frequently referred to pejoratively as price warfare, lowering prices is still used in some instances to try to gain (or maintain) market share. But as the CEO of the home products company Colgate-Palmolive said, "Pricing is often a nonsustainable answer."[18] Continual competition by trying to undercut the competition *is* unsustainable—the recipe for most companies to bleed themselves to death. As two Harvard Business School teachers and a corporate consultant explained in the *Wall Street Journal*, competing by lowering prices "definitely works for a few companies. But the reality is a very few—think Wal-Mart or Costco or Southwest Airlines. In fact, the very success of these business models makes it difficult for their competitors to duplicate—think Kmart or Sears, or any number of bankrupt budget airlines."[19] And once these price-cutters have gained sufficient market dominance, it is a good bet that their price cutting will come to an end.

Hence, one of the traits of a monopoly-capitalist economy, characterized by a high degree of concentration, is a structural shift from price competition to competition in other areas, particularly with respect to the sales effort or marketing in all of its forms (targeting, motivational research, product management, advertising, sales promotion, etc.). Such "monopolistic competition," as economists refer to it, has led in the last fifty years to an explosion in the rates of consumption linked to increasing wasteful lifestyles, often financed by growing household debt. We have changed almost every aspect of the way we eat, drink, travel, house ourselves, wash, rest, and play. In doing so, we have generally assumed that the resources and energy these activities rely on—energy from fossil fuels, in particular—are limitless and cheap, and their use free of serious consequences. Hence the ecological impact of the daily routines of millions of people across the world, who have bought into consumer capitalism, has increased like a slow-motion explosion.[20]

It would be wrong, however, mainly to fault the individual consumer. Under a mature, monopoly-capitalist system, people serve the economy and not vice versa. The much ballyhooed "consumer sovereignty" is transformed, as John Kenneth Galbraith pointed out, into "producer sovereignty."[21] Consumers are viewed as mere actors to be manipulated by those who write the scripts. The massive and, in Schumpeter's words, "elaborate psychotechnics of advertising" are absolutely necessary to keep people buying.[22] Marketing consultant Victor Lebow saw this as early as 1955, when he wrote in the *Journal of Retailing*:

> Our enormously productive economy demands that we make consumption our way of life, that we convert the buying and use of goods into rituals, that we seek our spiritual satisfactions, our ego satisfactions, in consumption. The measure of social status, of social acceptance, of prestige, is now to be found in our consumptive patterns. The very meaning and significance of our lives is today expressed in consumptive terms. The greater the pressures upon the individual to conform to safe and accepted social standards, the more does he tend to express his aspirations and his individuality in terms of what he wears, drives, eats —his home, his car, his patterns of food serving, his hobbies.

> These commodities and services must be offered to the consumer with a special urgency. We require not only "forced draft" consumption, but "expensive" consumption as well. We need things consumed, burned up, worn out, replaced, and discarded at an ever increasing pace. We need to have people eat, drink, dress, ride, live, with ever more complicated and, therefore, constantly more expensive consumption. The home power tools and the whole "do-it-yourself" movement are excellent examples of "expensive" consumption.
>
> What becomes clear is that from the larger viewpoint of our economy, the total effect of all the advertising and promotion and selling is to create and maintain the multiplicity and intensity of wants that are the spur to the standard of living in the United States. A specific advertising and promotional campaign, for a particular product at a particular time, has no automatic guarantee of success, yet it may contribute to the general pressure by which wants are stimulated and maintained. Thus its very failure may serve to fertilize this soil, as does so much else that seems to go down the drain.
>
> As we examine the concept of consumer loyalty, we see that the whole problem of molding the American mind is involved here.[23]

The stimulation of consumption takes many forms. Advertisements in newspapers, magazines, free-standing ads, billboards, radio, television, and on the web continually confront people with subtle and not-so-subtle pushes to consume. Companies also bring out "new and better" models of their products—cell phones, computers, cars—in a bid to grab attention and convince people that they need the latest version. One type of competition in the effort to stimulate sales and consumption is to have more and more products at consumers' fingertips—in 2009 the average supermarket in the United States had an almost unbelievable 48,000 items on its shelves.[24] However, these products are increasingly provided by a relatively small number of firms.

Whole aisles in a supermarket are taken up by soft drinks provided mainly by just two firms: Coke and Pepsi.

Most advertising can only be viewed as parasitic and without social value. Consider the "battles" between companies producing razors for shaving—especially Gillette (a $4-billion-a-year company) and Schick ($1 billion). The razor wars for increased sales and market share have had companies going from single-edge razors to double to four and five blades. Gillette now promotes "its Fusion ProGlide's ergonomic grips, its ultrafine cutting edge and a 'snow-plow guard' that moves around the shaving cream. It goes for $16.99 per four-pack of basic cartridges, about a 15% premium to regular Fusion blades." On the other hand, a "four-pack of blades for Schick's new Hydro—with a hydrating 'reservoir'—runs $11.49, about 5% more than Schick's premium Quattro blades." As one frustrated buyer put it, "It's easier to buy uranium. . . . They're so expensive they have to keep them locked up, and that's when I realized what a gimmick all of it is."[25] Another example is the "diaper war," with companies engaged in monopolistic competition by coming up, for example, with different "designer" disposable diapers as a way to gain market share. It is not uncommon for advertising alone, apart form other marketing expenditures, to account for 11 or 12 percent of the store price of certain products, such as toothpaste, soap, or men's jeans.[26]

Some television networks are even using being "green" as a marketing tool—and advertisers are responding. New behavioral placement ads are viewed as an advance on standard "product placement," where a particular product is used as a prop in a show. In the case of behavioral placement, viewers are encouraged "to adopt actions they see modeled in their favorite shows. For example, actors are shown using water coolers rather than plastic water bottles in the office (a behavior promoted by sellers of office water coolers). In 2007 NBC launched "Green Week," the behavioral programming component of a wider "Green Is Universal" corporate campaign. As a result it was able to pull in an estimated $20 million in advertising revenue from 20 sponsors.[27]

The newest marketing push has been through the mediums of the Internet and cell phones. AT&T is getting customers to sign up for its new marketing program ShopAlerts™, allowing it to direct location-based marketing at individuals using the GPS tracking installed on their cell phones. In this way AT&T is selling ads to companies, such as SC Johnson, Hewlett Packard, and Kmart, which helped to launch ShopAlerts. Text-message ads are being sent by AT&T to cell phone owners whenever they enter particular "geo-fences."[28]

Other companies are tracking everything that people do on the Internet and then creating a profile of the person—guessing age, sex, purchasing preferences, car owned, income, and the like, based on the individual's Internet activity. These companies then sell the information to other companies that use it to target ads specifically to the individual. When a person visits Capital One's credit card page, the company uses a program devised by the firm called [x+1]. "In a fifth of a second, [x+1] says it can access and analyze thousands of pieces of information about a single user. It quickly scans for similar types of Capital One customers to make an educated guess about which credit cards to show the visitor." Better deals are offered for people with "better" profiles.[29]

Companies are always seeking out new frontiers for their products. Two of the most recent forays into new areas of marketing involve the beginning of life and the end of life. The Walt Disney Company is giving away a free "Disney Cuddly Bodysuit" for babies soon after birth. "In bedside demonstrations, the bilingual representatives extol the product's bells and whistles—extra soft! durable! better sizing!—and ask mothers to sign up for e-mail alerts from DisneyBaby.com."[30] Apparel is viewed as only the "beachhead"—Disney estimates the North American market for baby products including infant formula is about $36 billion annually. Robert A. Iger, chief executive of Disney, explained in a giddy fashion: "If ever there was an opportunity for a trusted brand to enter a market and provide a better product and experience, it's this. . . . I'm extremely excited about it."[31]

And as the baby boomers hit sixty-five, other companies are salivating over the potential of marketing to them as well as to aging people in other countries. As Eric Dishman, the global director of health innovation at Intel, put it: "There is an enormous market opportunity to deliver technology and services that allow for wellness and prevention and lifestyle enhancement. . . . Whichever countries or companies are at the forefront of that are going to own the category."[32]

After dealing with infants and the aged, can't you just imagine the new underserved demographic segments—maybe the "preborn" and those in the afterlife?

According to Blackfriars Communications, the United States in 2005 spent over $1 trillion on marketing in its various forms—representing about 9 percent of U.S. GDP. Retail industry was found to spend 12 percent of its revenue on advertising.[33] In comparison, total spending on elementary and secondary education in the United States in 2004–05 was $536 billion, or only a little more than half of marketing expenditures.[34]

The emphasis on consumption has even brought about a change in everyday language use. Instead of talking about the "people," the "general population," the "public," or "humanity," it is common to use the term "consumer." But what does it mean to refer to "consumer spending," a "consumer advocate," or the "food consumer"? Since everyone needs to consume food, this is really a reference to all of humanity. "Consumer demand" is another way of expressing either a need of people or an artificially created want—*as long as it translates into new purchases*. A *Wall Street Journal* article titled "Consumers Tighten Belts" tells how people in the United States are cutting back on spending in the aftermath of the Great Recession.[35] Of course, people consume things just as fish or cows or elephants do. But is the key characteristic of other animals (or plants, for that matter), their consumption? As people are converted into "consumers" in common speech and in the media—with the emphasis placed on their ability to purchase and consume—we have lost the essence of our common humanity. Our humanity is being defined as our connection to commodities instead of to each other and our communities.

The Growth Problem of Mature Capitalist Economies

Although capitalist economies are impelled toward growth, relatively slow growth seems to be the baseline (or default setting) for mature capitalist countries. Why does this occur, how do capitalists deal with this, and what are the consequences for working people?

When a relatively small number of firms dominate a market, the power that gives them over both workers and the general public raises profit margins, generating a high and rising volume of profits. Thus, the top 200 U.S. corporations saw their gross profits as a percentage of total business profits in the U.S. economy rise from 13 percent in 1950 to over 30 percent in 2007.[36] However, for such giant firms and the economy to continue to grow, these enormous profits must find profitable future outlets within production or the "real economy." That is, the demand for goods and services must continue to increase.

Problems arise, however, on a number of fronts. First, when companies are very large and dominant in a market, they do not always make proportionately large capital expenditures, even if new technologies are available. This is partly because their existing capital was expensive, and they want to fully depreciate it (use it up to the maximum extent possible) before scrapping it. This tends to slow down capital spending—what economists call investment—and thereby slow the growth of the economy.

Second, monopoly power gives businesses great leverage over workers, who, unless they are well organized, find their wages stagnating. This in turn restricts demand for consumer goods, and again tends to slow the growth of the economy. Third, investment is hindered by the large quantities of unused productive capacity (both intended and unintended) under capitalism with a high degree of economic concentration. Firms are reluctant to invest in new productive capacity if a considerable portion of their existing capacity is standing idle. Indeed, industries that are run on a monopolistic or quasi-monopolistic basis are careful to regulate and restrict the expansion of their productive capacity in order to maintain higher prices and profits. Finally, mature industries in which productive capacity has been built up over the years are less dynamic in investment terms than new industries in which demand is being built up from scratch. The more developed economies, in which mature industries predominate, therefore tend to be less dynamic overall.

There are ways that the economy may still grow rapidly, despite the tendency toward slow growth, since they are seen as threats to the private market. A revolutionary innovation such as the automobile might come along and spur massive capital spending. A war might spur growth. The government might tax unspent profits and invest the tax revenues itself in, for example, public works projects, and this can get the economy growing rapidly again. However, none of these things can be depended upon, and employers will vigorously oppose unions and new government spending as a means of stimulating growth since they are seen as threatening to the private market.

It is true that the system can continue to move forward, to some extent, as a result of financial speculation leveraged by growing debt, even in the face of a tendency to slow growth in the underlying economy. This is what happened in the United States in the years before the Great Recession. Lacking profitable outlets for investment within production, corporations decided to open financial divisions and poured whatever surplus they gained from production into speculation of various kinds in the financial system. The automobile industry was in trouble long before the Great Recession. During some of this period, GM was losing money when selling cars, but the company actually made money because of the profits from the financial division, GMAC. During this period GM was leveraged to the hilt and brought to the brink of bankruptcy when the financial crisis hit in 2007.

At the same time, consumers used their credit cards and borrowed against rising home values to sustain their standards of living in the face of thirty years of stagnant wages. The result was rapidly rising household debt, which helped fuel the financial bubble, and led to record mortgage defaults once the bubble burst.

Financial bubbles, as we have seen again and again in the history of capitalism, and more frequently in the current period of monopoly-finance capital, serve to lift the economy—until they inevitably burst.[37] The question then becomes the distribution of the losses, which fall primarily on those without economic and political power.

Financial expansion in our time has become a means of leveraging a stagnant economy, and creating a modicum of economic growth—at all times a necessity for capitalism. But the dire consequences that such enormously distorted, wasteful, and parasitic processes have for the population in general and the environment are incalculable.

Is Zero Growth Capitalism Possible?

Although mature capitalist countries are plagued by the tendency toward stagnation, these economies do generally continue to grow. So let us return again to the argument that economic growth has to be slowed down even more or stopped altogether if we are to have any chance of creating a sustainable environment. Is this even possible in a capitalist economy? One might imagine that it is theoretically possible for a capitalist economy to have zero growth and still meet all of humanity's basic needs.[38] Let's suppose that all the profits that corporations earn (after allowing for replacing or repairing worn-out equipment and buildings) are either spent by capitalists on their own consumption or given to workers as wages and benefits, and consumed. As capitalists and workers spend this money, they would purchase the goods and services produced, and the economy could stay at a steady state, no-growth level (what Marx called "simple reproduction" and which has sometimes been called the "stationary state"). Since there would be no investment in new productive capacity (beyond replacement), there would be no economic growth, no additional profits generated. In other words, there would be no capital accumulation.

There is, however, a central problem with this "capitalist no-growth utopia": it violates the basic motive force of capitalism. What capital strives for—the purpose of its existence—is its own expansion. Why would capitalists, who in every fiber of their beings believe that they have a personal right to business profits, and who are driven by competition to accumulate wealth, simply turn around and spend the economic surplus at their disposal on their own consumption or (less likely still) give it to workers to spend on theirs—rather than seek to expand wealth? On the contrary, it is clear that owners of capital will, as long as such ownership relations remain, do whatever they can within their power to maximize the amount of profits they accrue. A stationary state, or steady-state, capitalist economy is only conceivable if separated from the reality of the social, economic, and power relations of capitalism itself.

Capitalism is a system that constantly generates a reserve of unemployed workers. Full employment is a rarity that occurs only at very high rates of growth, which are correspondingly dangerous to ecological sustainability. As Christina Romer, former chair

Table 1. Change in Unemployment at Different Growth Rates of the Economy, 1949–2008

PERCENT CHANGE IN REAL GDP FROM PREVIOUS YEAR	AVERAGE PERCENT CHANGE IN UNEMPLOYMENT FROM PREVIOUS YEAR*	NUMBER OF YEARS	YEARS WITH GROWTH IN UNEMPLOYMENT
<1.1	1.75	11	11
1.2–3.0	0.13	13	9
3.1–5.0	–0.25	23	3
>5.0	–1.02	13	0

*A negative number indicates a growth in employment.
Source: NIPA Table 1.1.1. Percent Change from Preceding Period in Real Gross Domestic Product; Series Id: LNS14000000, Current Population Survey, Bureau of Labor Statistics, Quarterly Unemployment Rate.

of President Obama's Council of Economic Advisers, tells us, "We need 2.5 percent growth just to keep the unemployment rate where it is. . . . If you want to get it down quickly, you need substantially stronger growth than that."[39]

Taking the U.S. economy as the example, let's take a look at what happens to the number of "officially" unemployed when the economy grows at different rates during a period of close to sixty years (see Table 1). For background, we should note that the U.S. population is growing by a little less than 1 percent a year, as is the normal working-age population (new entrants to the labor force minus those that are above normal working age). In U.S. unemployment measurements, those considered to be *officially unemployed* must have looked for work within the last four weeks and cannot be employed in part-time jobs. In contrast, individuals without jobs, who have not looked for work during the previous four weeks (but who have looked within the last year), either because they believe there are no jobs available, or because they think there are none for which they are qualified, are classified as *discouraged* and are not counted as officially unemployed. Other *marginally attached workers*, who have not recently looked for work (but have in the last year), not because they were "discouraged," but for other reasons, such as lack of affordable day care, are also excluded from the official unemployment count. In addition, *those working part-time but wanting to work full-time* are not considered to be officially unemployed. The unemployment rate for the more expanded definition of unemployment (U-6) provided by the Bureau of Labor Statistics includes the above categories (discouraged workers, marginally attached workers, and part-time workers desiring full-time employment) and is generally almost twice the official U.S. unemployment rate (U-3). In the following analysis, however, we focus only on the official unemployment data.

What, then, do we see in the relationship between economic growth and unemployment over the last six decades?

- During the eleven years of very slow growth, less than 1.1 percent per year, unemployment increased in each of the years.

- In 70 percent (nine of thirteen) of the years when GDP grew between 1.2 and 3 percent per year, unemployment also grew.

- During the twenty-three years when the U.S. economy grew fairly rapidly (from 3.1 to 5.0 percent a year), unemployment still increased in three years and reduction in the percent unemployed was anemic in most of the others.

- Only in the thirteen years when the GDP grew at greater than 5.0 percent annually did unemployment not increase in any of these years.

Although Table 1 is based on calendar years and does not follow business cycles, which of course do not correspond neatly to the calendar, it is clear that if the GDP growth rate isn't substantially greater than the increase in the working population, people lose jobs. While slow or no growth is a problem for business owners trying to increase their profits, it is a disaster for working people.

What this tells us is that the capitalist system is not very efficient at creating jobs relative to its economy's ability to grow. As mentioned in a *Washington Post* article, "A growth rate in the mid-2 percent range signifies an economy merely treading water. Population growth and technological improvement mean that the United States is capable of increasing its economic output by 2.5 to 3 percent per year indefinitely, so growth faster than that is needed to bring down joblessness and put idle factories to use."[40] It will take a prolonged period in which the rate of growth is around 4 percent or higher, far above the average growth rate, before the U.S. unemployment problem is surmounted.

Worth noting is that since the 1940s such high rates of growth in the U.S. economy have hardly ever been reached except in times of war. Real full employment last happened in the United States during the Second World War when some 16 million men were in the armed forces and there was an all-out production for the war effort under government financing. The wars in Iraq and Afghanistan, while certainly supplying a stimulus to the United States economy, do not have anything close to the effect of the Second World War (or even the Korean and Vietnam wars). There are now far fewer people in the armed forces and the war machine is highly mechanized, thus employing fewer people. (There was a short period of relatively high GDP growth in the bubble-expanding mid to late 1990s. Although it was based on a huge expansion of debt and speculation, the higher growth rate during that period did reduce unemployment.)

The Paradox of Growth

The growth imperative is a basic characteristic of individual firms as well as the capitalist system as a whole, derived from the accumulation of capital. Companies that do not grow are in precarious situations, and may not survive. Growth for the economy as a whole—significantly higher than the rate of population increase—is required, as we have seen, in order to provide enough jobs to keep unemployment from destabilizing the society. Extreme hardships develop for workers when corporations or the economy as a whole do not grow for a number of quarters of a year—or even if the economy grows slowly for a prolonged period.

As shown by the Great Recession and its aftermath, capital is generally not hurt as much in a downturn as workers are. Indeed, owners have ways of sticking workers with the costs of an economic crisis or stagnation. Today the recession is technically over and profits soaring, yet the economy remains stagnant, with the masses of workers forced to make up for the relative losses associated with the slow growth of the system. In such circumstances, what economists call a zero-sum game applies, and profits come at the direct expense of wage income. Put simply: if the overall economic pie is not growing, or is growing very slowly, it is still possible for those with power to get much bigger slices, but only by dishing out diminished portions to everyone else.

In general, environmental quality improves during recessions, with fewer emissions from smokestacks and discharges into water, fewer miles driven by the public, and less natural resource mining. However, one of the ways in which the system tries to revitalize capital accumulation and growth under such conditions is by removing protections for the environment, which are considered an unaffordable luxury in hard economic times. Insofar as this helps the capitalist economy recover, however, it is often doubly destructive of the environment: since not only have environmental protections been relaxed to spur growth, but the expanding economy now draws on more energy and resources.

3. The Growth Imperative of Capitalism

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