

**RESCUING THE SOCIAL FUNCTION OF THE ECONOMY**

**A question of human dignity**

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**September 20, 2022**

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## RESCUING THE SOCIAL FUNCTION OF THE ECONOMY

### A question of human dignity

*“Inequality is first and foremost a social, historical and political construction”*

Thomas Piketty<sup>1</sup>

*“It can certainly be said that our technological proficiency far exceeds  
our moral, social, and political development”*

Oliver Stone and Peter Kuznick<sup>2</sup>

A general feeling of insecurity has spread around the world. We have prodigious technological progress, but we do not manage to use it for the common good. We have all the necessary scientific knowledge on climate change, but feel helpless, while corporations continue to fund denial, even when proclaiming the urgency of ESG in the public relations departments. We are connected to everyone and everything, but feel lonely in this multimedia social chatter. Our limited space of attention is invaded by useless messages where beauty creams, sausages, sports and politicians are mixed, turning us into helpless spectators of our longer lives. The French term ‘désarroi’ comes to my mind, maybe stronger than the English ‘disarray’. Basically, things are not working, and no pious mental subjection to ideological simplifications seems to provide a solution. How can so many intelligent and well-trained people proclaim so many absurdities, and get away with it? Probably because so many are feeling lost, and cling to any simplified certainty.

We are suffering in the midst of plenty. Our problem is not lack of resources, economic or technological, but an overwhelming social and political chaos. A simple figure helps us realize this: if we divide the 2022 world GDP, roughly \$100 trillion, by the population, 8 billion, what we produce in goods and services is equivalent to \$4000 dollars per month per four-member family. What we produce would be amply sufficient for everyone on this planet to have a dignified and comfortable life. A very moderate reduction in inequality could ensure the end of so much dramatic suffering, conflicts and chaos. The key issue here is that we have the economic resources, the necessary technology, we have statistics and reports on every drama we have created. And for those who proclaim we need a road-map, the SDGs detail what we must do, 17 goals, 169 objectives and over 200 indicators for the follow-up. And all nations have subscribed to them. We have the means, the technology, the instructions, but keep pointing fingers at whatever or whoever our guts suggest is responsible for our immobility. In times of frustration and insecurity, hate is a powerful remedy, preferably accompanied by the righteous feeling that it is justified. Politicians and corporations love to surf on this wave.

When people speak of communism or capitalism, I have the feeling that people are stuck. What created the present prosperity in communist China or in capitalist Europe, and can open the way for a new wave of progress, is not ideology, but science. This is the root of overall transformation. In the 16<sup>th</sup> Century Copernicus still hesitated decades

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<sup>1</sup> Thomas Piketty, *Histoire de l'égalité*, 2021, p. 20 «L'inégalité est avant tout une construction sociale, historique et politique.»

<sup>2</sup> Oliver Stone and Peter Kuznick – *The untold history of the United States* – Gallery Books, New York, 2019 - p. 734

before he published what he knew was the truth about the planetary system. Galileo supposedly denied what he knew, and his “*eppur si muove*” had to be whispered. After Newton everything accelerated. The hydraulic energy, electricity, oil and the combustion engine all liberated us from the limits of our muscles: this is our energy multiplied by hundreds or even thousands. Einstein was not a corporation, and opened the way for atomic energy. Alan Turing opened the way to the information revolution while working for the British army. The www we all use resulted from Tim Berners-Lee initiative at the European CERN. The boost to the modern understanding of life was given by Francis Crick and James Watson at the university of Cambridge in the 1950s, but it belongs to a world-wide effort of so many institutions. This is the base on which prosperity was and continues to be built, even if in different political forms or organization. Science belongs to humanity: every progress has been built on top of so many other contributions. The billionaires posing as the heroes of the modern prosperity, posing as capitalist vanguard, are surfing on borrowed legitimacy.

The key challenge is that scientific and technological progress have outgrown our institutions. Speaking of “free markets” when world-scale corporations control finance, commodity trade, communications and increasingly politics, is deeply misleading. We do have competition for power, but not the traditional competition of businesses trying to better serve the customer. In the upper economic spheres, the link between expanding profits and serving the common good has been broken. What regulation capacity remains when the corporate economy works on the world scale, while politics operates at national levels? The result is economic stagnation, social disruption and environmental catastrophe. If we are looking for the guilty ones to point our fingers at, it is the wrong approach. With a step back, we can see that our challenge is not only in the economic, social and environmental dramas, but in our helplessness in facing them. It is a governance issue, the social decision process challenge.

In this short essay, we are looking at these challenges from the Brazilian perspective. How could a prosperous nation with so many endowments, as well as competent people, bring down an elected president and then elect a ridiculous fanatic? The problem is not in the fanatic – the world does not lack demagogues – but in the fact that he was elected, with the support of big media, global corporations and the traditional elites. In order to rescue the social function of the economy, we must bring together political democracy and economic democracy. One cannot survive without the other. From the point of view of the necessary resources, we certainly have them, and the world is ripe for deeper changes.

## **I – A SHORT HISTORY OF EXPLOITATION**

The digital revolution is having as profound impacts as the industrial revolution had in another era. What we call capitalism has its roots in industrialization, which involved changes in techniques, but also in the social relations of production, with wage labor and capitalist profit, in addition to a legal framework centered on private ownership of the means of production. With the digital revolution, which involves a radical expansion of technologies, as well as the generalization of the immaterial economy, global connectivity, virtual money and precarious work, the very basis of capitalist society

shifts. In particular, the appropriation of the social product by wealthy but unproductive minorities no longer requires job creation and the production of goods and services on the same scale. It involves the intermediation of money, knowledge, communications and private information. Where the factory dominated, today we have the dominance of platforms on a planetary scale, which exploit not only people, for example through indebtedness, but also the productive companies themselves, through dividends paid to absentee owners.

The present study focuses precisely on what is changing in what we call the capitalist mode of production. Industrial activity remains, no doubt, as did agricultural activity in the face of the industrial revolution, but the axis of domination and control is no longer in the hands of the captains of industry, it is in the hands of financial giants like BlackRock, of communication platforms like Alphabet, manipulation tools like Meta (Facebook), commercial and digital intermediaries like Amazon. The mechanism of appropriation of the social surplus has changed, and with it the very nature of the system. We are in the midst of a profound transformation of society, in its economic, social, political and cultural dimensions, generating what has been called a civilization crisis. We are moving to another production mode, and the present study presents a systematic overview of the new mechanisms. In the last part we suggest ways forward, based on the Brazilian challenges.

- **The eternal surplus extraction**

In different eras and societies, the appropriation of the social product by minorities has always been at the center of the organization of society as a whole. The starting point is the very existence of the social surplus. When the productivity of a society rises, allowing it to produce more than the basics necessary for families, elites appear that claim, for some reason, and with more or less dubious justifications, the right to have more than others, appropriating a third party's product.

In the slave mode of production, they appropriated what the slaves produced, an appropriation based on force, and explained as the legitimate property of human beings. When Lincoln got the end of slavery approved in the 19th century, it was not the slaves who were compensated, but the slave owners, for losing “property”. There have always been explanations, which we now call narratives, to justify the absurdity: they were black, or savages, or they had no soul, as it was said at the time, or they were captured in a “fair war”, as it was also said. The essential thing was that they produced a surplus, which allowed the luxury of the owners and the financing of the repression of the numerous uprisings. It was a mode of production based on slavery, unfair, but stable, it lasted many centuries, including laws that governed the system of property of human beings and religions that sanctified them. The reason of the strongest always seeks to appear just.

In the feudal system, elites appropriated the land, the basis of any economy before machines appeared. The feudal lords, for different reasons, but essentially because they had weapons and fortifications, in struggle with each other, ended up delimiting the fiefs, and the rural population that lived on the lands would not be the property of the

aristocrat, but would be ruled by complex systems of obligations that prohibited it from leaving the manor. Men were serfs, they served. The surplus produced was appropriated, in the Middle Ages and in much of the Renaissance – in Russia until 1917 – by the “lords”. The land workers were obliged to yield to the aristocrats a large part of their production, wealth that allowed the noble to have a castle, live in luxury, and pay the troops that ensured that the system was maintained.

Here, too, there were numerous revolts and repressions. Part of the surplus also served to support the convents, in a religion that, from the 4th century onwards, sided with the powerful, and justified the system as a divine will. The laws ensured the coherence of the system, the rules of the game so to speak, including, for example, in Europe, the *jus primae noctis*, which gave the aristocrat the right to appropriate a peasant's first wedding night. The powerful like legality, as long as they make the laws. And for those who contested it, there was also the Inquisition and other repressive systems. In any case, it was a mode of production, it also lasted centuries, defined by an economic base, the land, social relations of production, serfdom, and ways of extracting the surplus in the form of impositions of various types. The set was governed by institutions, largely respected. The appropriation of the surplus was based on laws, justified by the blue blood of the nobles, sanctioned by the church with narratives, and guaranteed by military repression. Versailles or Vienna balls had to be financed by someone. Witold Kula, a Polish historian, wrote for the feudal system what Marx wrote for the capitalist system. It was a system, a mode of production.<sup>3</sup>

Although the two systems that we mentioned above, the slave system and the feudal one, seem to us today historically distant, we need to remember that slavery in Brazil existed until the end of the 19th century, in the United States until the Civil War, that the exploitation of populations colonized was general and lasted until the middle of the last century, and that the *apartheid system* lasted until yesterday in South Africa and still lasts in Palestine. Neither the United States nor Brazil have yet managed to absorb and overcome the oppression and inequalities inherited from the slavery past, Africa is painfully facing the necessary reconstruction. The past is not that far away. It's a long tail that takes time to pass. In many cultural nations divided into countries, it is still structurally decisive.<sup>4</sup>

The capitalist mode of production appears to us with another level of legitimacy. At the base of the transformation was the scientific and technological revolution in so many areas, which radically increased productivity and, therefore, the possibility of generating a sustained cycle of social enrichment. The *Liberté, Egalité, Fraternité* of the French Revolution echoed around the world. With the Enlightenment, the search for values in society began to open cracks in obscurantism, the number of women burned as witches was reduced ("thou shalt not allow witches to live" instructs the Bible, Exodus 22:18), enrichment came to be presented as the legitimate fruit of effort, and the concept of merit as a virtue. The narrative had evolved. The worker now had the freedom to ask for a job and to be exploited. The industrial revolution brought another level of prosperity,

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<sup>3</sup> L. Dowbor – *Can history help us out of this muddle?* – WSIMAG, 2021 - <https://dowbor.org/2021/07/can-history-help-us-out-of-this-muddle.html>

<sup>4</sup>For Brazil and the racist inheritance, see the study by Mário Theodoro, *A Sociedade Desigual*, Zahar 2022

but not for everyone. Progress, no doubt, and the mechanism of surplus extraction evolved, but it remained. The narratives change, and the repression is modernized. In particular, more direct exploitation and violence moves south.

In the study *A Formação do Terceiro Mundo* we present the global dimension that capitalism acquires, in which the industrialization of England, a very capitalist system, was supported by the reproduction of slavery in the United States and other countries that provided it with raw material. The capitalism of the British empire did not hesitate to use slavery, forced labor and massacres in different parts of the world, and today we are impressed with England apologizing for what it did in India, Kenya and so many other countries, France apologizing to African countries for the violence of the past, the United States for what it did in Iran. In a few years they will apologize for what they did in Afghanistan. Remember that Belgium, in Congo, was responsible for millions of deaths, a process documented in the study *King Leopold's Ghost*, by Adam Hochschild. The prosperity of today's rich countries is not only due to the productivity and rationality of the capitalist system. *Fraternité* has clear limits. Many are still unaware of the primitive and violent subsystems on which the so-called capitalist liberalism was based. Brazil contributed a lot.

In general terms, the capitalist system of the rich countries was based on articulations with pre-capitalist systems in the colonized or simply 'dependent' countries. Samir Amin, in a classic book, correctly called this system the 'accumulation of capital on a world scale'. This dimension of accumulation allowed an extraction of the surplus, through the exploitation of workers and appropriation of surplus value in central countries, but also through direct colonial exploitation or unequal exchange, with the narrative of bringing civilization to primitive peoples, and evidently with military force. Religion, here too, has often served as a civilizing balm. That was yesterday, my university years were contemporary with the liberation struggles in the colonies. Today we have independent countries, which can freely decide by whom they will be exploited, whether by debt or unequal exchange systems, or both. Exploitation changes form, narratives update discourse, military control becomes more sophisticated. But we are always serving elites.

- **The precarious balance: producing what, and for whom?**

This small retrospective helps us remember to what extent the barbarism that would shock us today – slavery, servitude, colonialism, apartheid – is still close, and to what extent it survives and penetrates our daily lives. Just look at the color of people in our slums or in urban outskirts and in prisons in the United States. We must also pay attention to the impact that the different forms of economic and political organization had in developing countries, not only because they remain largely specialized in primary products, which hinders modernization, but because those who export only need labor for work, not for consumption: the product goes to the foreign market, and elite consumption is largely guaranteed by imported products. For those who produce for the foreign market, and import the finished products, the consumption power of their workers is not essential. In the 21st century in Brazil, reprimarization generates the



same contempt for the increase in the population's consumption capacity, and hinders industrialization.

The impressive misery of workers, something that we see until today in what we call developing countries, even with the presence of more advanced technologies, results from this form of capital accumulation, in which boosting the purchasing capacity at the bottom of society is not essential, because the accumulation cycle is largely closed abroad. At the same time, technological advances make the need to hire labor less essential, through the substitution process. We do have technological modernization, but with little transformation of social relations, perpetuating inequality and poverty. It is the social heritage of the North-South relationship. The reader interested in this mechanism can consult my *Formação do Capitalismo no Brasil*. The essential idea, which I had the opportunity to discuss with both Samir Amin and Caio Prado Júnior, is that the cycle of reproduction of capital in poor countries is closed abroad, the need for labor is reduced, and unequal exchange and indebtedness secure the rest. Technological modernity coexists with largely prehistoric exploitation.<sup>5</sup>

In the industrialized countries themselves, in the so-called West, which represents about 15% of the world's population, the tension between increasing exploitation and ensuring the population's purchasing power has become very strong. It was necessary for the dominant capitalist world to face the crisis of 1929 for it to become aware that it is not enough to produce, it is necessary to ensure consumption to close the cycle of capital accumulation. Exports to the poorest countries, in exchange for raw materials, would not be enough, and Roosevelt's *New Deal* has in its essence the generation, through the State, of greater purchasing capacity by the population in general. Sherwood, who wrote the Roosevelt speeches, detailed the program in a brilliant book, *Roosevelt and Hopkins*.

The Civil War in the 1860s, in addition to the liberation of slaves, had broken the colonial cycle of cotton exchanged for British imports, internalizing the cycle of capital reproduction, in the new relations between the industrial Northeast and the raw material-producing South. But it was the *New Deal* that generated a broad incorporation of the American population into prosperity. Consumption at the base of society, initially financed by the State, generated demand, thus a reduction in inventories accumulated in companies, the resumption of production and increased employment, generating even more demand, allowing a cycle of capital accumulation this time in a balanced way. Eric Hobsbawm, in *The Age of Extremes*, details this economic and cultural transformation.

With the contributions of Keynes who demonstrated the need to ensure aggregate demand, the impact of the success of the *New Deal*, and the common sense of a Henry Ford stating that good wages were necessary for his cars to be bought, a new form of capitalism emerged, *Welfare State*. It could no longer be said that workers would not have to gain from capitalism. For once, and in particular during the 30 “glorious” post-war years, we had impressive dynamics in rich countries, ensuring both production

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<sup>5</sup>We studied the articulation of the dominant capitalist system with pre-capitalist forms in Brazil in the book *A Formação do Capitalismo no Brasil*, published by Brasiliense, available online at <https://dowbor.org/2010/09/1-dowbor-formacao-do-capitalismo-no-brasil-essaio-teorico-ed-brasiliense-sao-paulo-2010-isbn-978-85-11-00153-2-227p.html>

capacity and social demand, business dynamics and public investment. In political terms, we had social democracy.

Let's remember, once again, that for a primary goods exporting economy that imports industrialized goods, the market is abroad, and technologies replace jobs, so expanding jobs and raising workers' wages would not be priorities. Angola exports oil and imports consumer goods for the elites, in addition to rolling over the external debt. In Latin America, when you try to democratize the economy, dictatorships return. We can have democracy as long as we don't use it: the result is formal political democracy, the vote, without economic democracy. The Covid-19 pandemic only deepened the economic, political and social fracture. In Brazil, one of the largest exporters of agricultural products in the world, we have 33 million people who are hungry and 125 million in a situation of food insecurity, in the middle of 2022. With one floor up in terms of technology and extraction volumes, we have reached a new type of techno-colonialism. With a few exceptions, as of course China, and also some Asian tigers, the planetary fracture of capitalism is getting deeper, even if using more advanced technologies.

- **State, business and civil society**

In fact, as Mariana Mazzucato reminds us in her excellent *The Entrepreneurial State*, the dynamics of the post-war glorious years of this Welfare State was the result of the strong participation of public initiatives. On the one hand, because the State ensured a progressive tax system that allowed maintaining a reasonable social balance, through a set of redistributive policies. On the other hand, the State took on a series of policies as executor, in particular expanding universal free access to health services, education, security, basic infrastructure and other sectors, which improved the well-being of families with the access to goods and services for collective consumption. It also improved the productivity of the economy by expanding infrastructure such as transport, energy, telecommunications, water and basic sanitation, investments that greatly facilitate the operation of private companies. Public research systems, which can afford to develop the so-called fundamental research, have brought us the main scientific innovations, from DNA to microprocessors, information technology, the internet and many other technological transformations. Even the cell phone screen that we can manipulate with a finger results from research in public institutions, even though it appears to us as Samsung or Apple. The State was not the problem, it was a fundamental part of the solution.

Civil society organizations, both trade unions and countless non-governmental organizations, complemented the overall balance, which we could call social architecture, a decision-making process balanced by the organized convergence of different interests. This much-underestimated dimension of the overall political balance is essential. Sectors that have grown enormous in society, such as health, education, security and other social policies are not placed on supermarket shelves, they are capillary services that have to reach every child, every person in a differentiated and personalized way, demanding decentralized and participatory management. Social organization at the bottom is essential for the system to work. The average Swede participates in 4 non-governmental organizations, in the neighborhood school meetings,

discussing environmental policies, the city budget. Kroeber, in his excellent *China's Economy*, notes that China is even more decentralized than Sweden. Democracy boiled down to voting is a fragile construction, if not a decoy.<sup>6</sup>

This model of capital accumulation, with a reasonable balance of the State, businesses and civil society, despite the inequalities and in particular the dramas of developing countries, represented a model of dynamic capital accumulation that still populates the imagination when we speak of capitalism, of the capitalist mode of production. But the capitalism that prevails today has changed, and it doesn't give much importance to our memories. The essential thing, as we examine the ongoing transformations, is that the capitalism of the social-democratic phase exploited workers, but in order to exploit a worker it would at least need to secure him a job: it is the conditioning and limitation of the surplus value extracted by low wages. On the other hand, in order to have someone to sell the products to, the volume of which expanded with new technologies, it would need to limit exploitation, ensure more decent wages and social policies.

In this model of accumulation, therefore, the appropriation of the social surplus by the elites found limits, both due to the form of generating surplus value, based on wage exploitation, and due to the need to maintain a high aggregate demand, in order to have someone to sell to. It would also be realistic to remember that the presence of a powerful bear in the East tended to make capitalists more politically flexible. All this would change, leading to a profound shift in the heart of the capitalist mode of production, which is the mechanism of capital accumulation, the form of generation and appropriation of the social surplus.

The post-war “thirty glorious” were a success, limited to today's developed countries, and lasted, precisely, only 30 years. Capitalists have appropriated the glory of success, proclaiming the free market, private property and free enterprise as the ultimate solution for humanity. *There is No Alternative* (TINA), proclaimed Margareth Thatcher. The state is not the solution, the state is the problem, echoed Ronald Reagan. Milton Friedman would give an academic gloss with the simplification of *The Business of Business is Business*, Wall Street speculators began to repeat their *Greed is Good*. Economists have built numerous models, based on the simplification that there is no society, only individuals, and that individuals can be simplified as maximizers of individual advantages, becoming predictable. Political economy became “economics”. Neoliberalism was born. Robert Reich summarizes: “The economy has migrated from producing things to producing financial instruments. Product entrepreneurs have been replaced by financial entrepreneurs.” Capitalism today navigates on the memory of a past that worked, a case of borrowed legitimacy.<sup>7</sup>

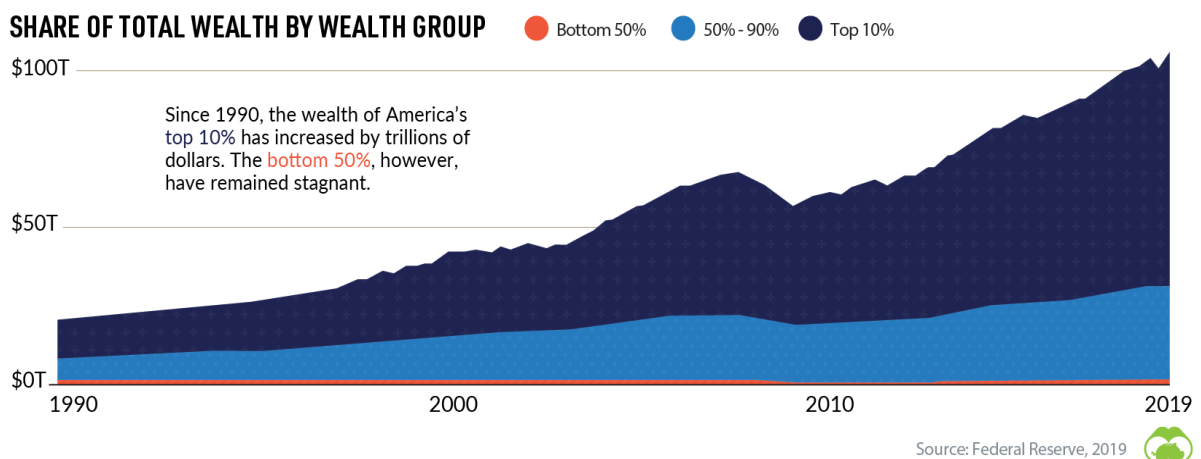
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<sup>6</sup>Kroeber's (2016) study helps to understand the dynamics of China, which adopted a mixed system of economic and social organization from 1978 onwards. About China we have many opinions and ideological simplifications, but little knowledge and understanding. See <https://dowbor.org/2016/11/arthur-r-kroeber-chinas-economy-oxford-oxford-university-press-2016-isbn-978-0-19-023903-9-320-p.html>; on Nordic countries see George Lakey 's excellent *Viking Economics* (2017), <https://dowbor.org/2017/12/george-lakey-viking-economics-how-the-scandinavians-got-it-right-and-how-we-can-too-economy-of-the-vikings-how-the-Scandinavians-got-it-and-how-we-can-to-melvi.html>

<sup>7</sup>Robert Reich - *The System: who rigged it, how we fix it* – Alfred A. Knopf, New York, 2020 – p.31 - Let us remember that in 1971 Nixon broke the Bretton Woods system by decoupling the dollar from the base in gold, and that in 1973, with OPEC and the radical rise in the price of oil, and the flood of petrodollars,

- **Financial capitalism**

The phase of reasonably balanced capitalism in rich countries, both with the New Deal in the United States since the 1930s, and more generally in the post-war period, characterizing the welfare state, was being dismantled by the end of the 1970s, with the very accelerated evolution to what is now called neoliberalism. Here we are interested in the change at the heart of the system, which is the mechanism of appropriation of the social surplus. In the previous phase, the capitalist, in order to get rich, needed at least to produce goods and services and generate jobs, and even pay taxes, which enriched society. In the phase that began in the late 1970s, the capitalist discovered that financial mechanisms could guarantee him enrichment with much less effort, and without so many constraints. The last forty years of capitalism have been characterized by a radical increase in inequality, an explosion of fortunes at the top of the social pyramid, and a slow pace of growth, despite impressive technological advances. The contrast of these structural changes is significant, as technological advances, making it possible to increase productivity, should allow both an acceleration of growth and a general increase in prosperity.



Source: <https://www.visualcapitalist.com/5-undeniable-long-term-trends-shaping-societys-future/>

The graph above shows the evolution of access to wealth in the United States. The 1980s, as we know, were considered “the lost decade”, with dominant capitalism moving towards new forms of accumulation, centered on finance capital. Here we have the three decades from 1990-on. In dark tones, we see the extraordinary and increasing accumulation of wealth by the richest 10%; in the clearer tone, the evolution of the 50% to 90% that constitute approximately the middle class; and the millimetric and stagnant brown line at the bottom of the graph, barely visible, shows the economic paralysis of the poorest 50% of the population. These are 30 years of radically unequal

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the gates of the financial speculation went widely open, in relation to the productive accumulation of capital. It was the beginning of the end of the “thirty golden years”.

accumulation, in contrast to the post-war period. It is not mysterious that the base of American society, which in recent decades, with Democrats or Republicans, has found itself excluded from the process, has adhered so strongly to the politics of hatred, of anti-politics.

The pandemic from 2020 onwards stimulated the process, as the contrast between economic stagnation and the accelerated growth of fortunes makes it obvious that the model of accumulation has become dysfunctional. But the transformation had been going on since the 1980s. Thomas Piketty brings data from the *World Inequality Database* (WID): “Times have been particularly fast-paced for those at the very top in the United States, with annual income exploding by 205% since 1980 for the top 1%, and 636% for the top 0.001%.” These are absolutely explosive data, unrelated to the pace of expansion of production of goods and services, of just a few percentage points. This is an enrichment at a much higher rate than the exploitation through low salaries allowed, within the framework of the traditional surplus value. Piketty makes this clear in the same text: “The growing importance of income derived from capital – and the growing concentration of wealth – have been key drivers of inequality. The rich are getting older, and an increasing part of their income comes from owning passive capital rather than active labor.”<sup>8</sup>

Important here is that Piketty refers to “the income that comes from the ownership of passive capital and not from active labor”, which is profoundly different from the profit that comes from the expanded reproduction of capital, from companies producing goods and services, which generate value higher than its costs, in particular by exploiting the workforce. Here, it is about “income derived from passive capital”, with 'capital' understood as a financial resource invested in financial products, yielding interest and dividends without the corresponding productive contribution. In the cycle of reproduction of capital that we know, money that generates productive processes, which in turn generate more money, in Marx's classic  $M - P - M'$ , productive expansion became much less necessary for this class of capitalists. David Harvey rightly writes that it is about wealth, not capital, insofar as they are not resources that rotate and expand in the process of capital accumulation. 'Passive capital' is not capital, but 'fictitious capital' as Marx called it. It is the very process of capital accumulation, central to the concept of capitalism, that is displaced.<sup>9</sup>

Only the exponential growth of enrichment through financial mechanisms could ensure this level of enrichment at the top, with no corresponding expansion of the productive base. *Inequality.org* shows, for example, that in 2020 the accumulated wealth of the poorest half of the American population was \$1.1 trillion, while 719 billionaires held \$4.56 trillion, more than four times as much. These are 719 persons. The number of billionaires in the world in 2020 jumped from 660 to 2,750. The 20 richest individuals in the world own more wealth than the entire bottom half of humanity.<sup>10</sup> Let us

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<sup>8</sup>Guardian, December 14, 2017 – Thomas Piketty et al., launching the *World Inequality Report* - <https://www.theguardian.com/inequality/2017/dec/14/inequality-is-not-inevitable-but-the-us-experiment-is-a-recipe-for-divergence>

<sup>9</sup>We study this process in detail in the book *Beyond Capitalism: new social architectures* – Cambridge Scholars, 2021 - <https://dowbor.org/2021/03/beyond-capitalism.html>

<sup>10</sup>Inequality.org – *Wealth Inequality* - April 19, 2021 – <https://inequality.org/facts/wealth-inequality>

remember that the effective annual growth of the production of goods and services in the world is of the order of 2.5%. If we take out China, it's even less. The strength of Thomas Piketty's contribution, *Capital in the 21st Century*, lies in the demonstration that when oligarchies, through financial processes, enrich themselves at a rate incomparably higher than the growth of the real economy, it is an extraction of wealth that reduces productive capacity.

The appropriation of the social surplus by unproductive oligarchies, as we have seen, existed at different times and with different forms of political organization, but it returns today with a new scale and rhythm of enrichment. The exploitation of society by unproductive elites is not new, but the fact is that the process has reached dimensions that transform society as a whole. When entrepreneurs, who could invest in production, find that it is more profitable to invest in financial products, or to raise dividends on shares that they buy back, it is the very basis of the accumulation of wealth that is displaced. This is no longer the capitalism where fortunes could be deserved, insofar as they generated more products and economic growth: it is about unproductive rent.

Oren Cass, executive director of the conservative thinktank American Compass, refers to companies that adopt the system as “*Eroders*”, which generate an 'erosion' of the productive system itself: “An *Eroder* is a strange type of firm that seems to harvest its own organs for its shareholders' short-term benefit. While not all firms fit these categories, the vast majority of the accounting for 90% of market capitalization over the past half century.”<sup>11</sup> This erosion, according to Cass, “poses a grave threat to America’s future prosperity.” It is not only in Brazil that industry is melting down.

“The problem arises when the financial sector stops serving the real economy and instead the real economy serves the financial sector,” Oren Cass said. “The assets in the real economy become merely the medium that the financial sector uses to conduct a variety of non-investment activities for its own profit...Cass, however, views declining business investment as a driver of many of the ills facing the American economy today. Companies that don't invest in themselves are hindering their own productivity, which means lower wages for their workers. Massive shareholder payouts overwhelmingly benefit the rich, who own most of the money in the stock market.”<sup>12</sup>

The vision of *eroder*, of the capitalist who drains the company’s own productive capacity, is very close to the concept of the parasite in Michael Hudson’s *killing the Host* : “These dynamics are different from those that govern industrial capitalism, and actually undercut the industrial economy by diverting resources from it to pay the

<sup>11</sup>Oren Cass, *The corporate erosion of capitalism* -

<https://americancompass.org/essays/the-corporate-erosion-of-capitalism/>

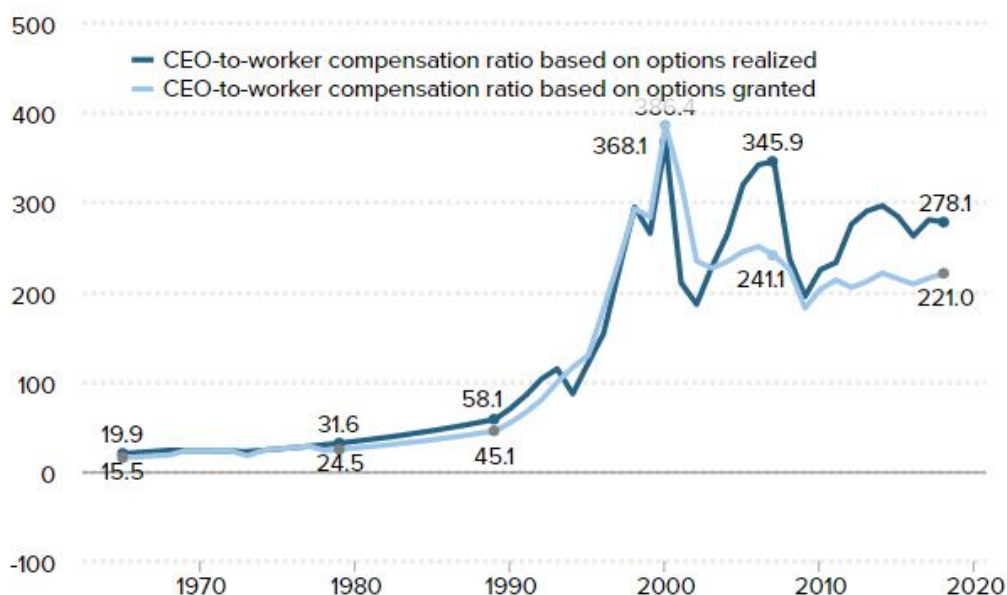
<sup>12</sup> Oren Cass - Washington Post, April 2, 2021 -

[https://www.washingtonpost.com/business/2021/04/02/wall-streets-fixation-quick-profits-wreaking-havoc-real-economy-report-says/?utm\\_campaign=wp\\_post\\_most&utm\\_medium=email&utm\\_source=newsletter&wpisrc=nl\\_most&arta-url=https%3A%2F%2Fs2.washingtonpost.com%2Fcar-ln-tr%2F31937e5%2F60673e869d2fda1e56de9123%2F597717059bbc0f6826c041ab%2F46%2F68%2F60673e869d2fda1e56de9123](https://www.washingtonpost.com/business/2021/04/02/wall-streets-fixation-quick-profits-wreaking-havoc-real-economy-report-says/?utm_campaign=wp_post_most&utm_medium=email&utm_source=newsletter&wpisrc=nl_most&arta-url=https%3A%2F%2Fs2.washingtonpost.com%2Fcar-ln-tr%2F31937e5%2F60673e869d2fda1e56de9123%2F597717059bbc0f6826c041ab%2F46%2F68%2F60673e869d2fda1e56de9123)

financial sector and its rentier clients.”<sup>13</sup> In Brazil, the example of Samarco, a major iron ore exporter which preferred to prioritize the payment of dividends to shareholders and bonuses to executives, rather than improving the dam is very clear in this sense: a huge environmental disaster resulted, as the dam collapsed. Executive compensation is directly linked to dividends transferred to shareholders, who are from Brazil, but also from anywhere in the world, in the so-called “markets”. Solidarity is generated between the two levels, shareholders and executives, national but also global shareholders, in order to maximize extractive dynamics. The result is loss for the company itself, in its productive capacity, and increased financial capital, which in this case ceases to be capital, and becomes personal wealth. The modern rentier likes to describe himself as a capitalist, but he is closer to the Merchant of Venice, to the financial usurer, than to the captain of industry of the last century.

## CEOs make 278 times more than typical workers

CEO-to-worker compensation ratio, 1965–2018



Source: Economic Policy Institute – 2018 - <https://www.epi.org/publication/ceo-compensation-2018/>

In the graph above, we see that while in the 1970s the compensation of American executives was 19.9 times the average salary of employees, it is 278.1 times higher in the most recent period.<sup>14</sup> The convergence of interests between shareholders who receive extortionate dividends and company executives leads to an explosion in the

<sup>13</sup> Michael Hudson, March 2021 – <https://michael-hudson.com/2021/01/the-rentier-resurgence-and-takeover-finance-capitalism-vs-industrial-capitalism/>  
<https://outraspalavras.net/crise-civilizatoria/ocidente-diz-adeus-ao-capitalismo-industrial/>

<sup>14</sup> Lawrence Mishel and Julia Wolfe - Economic Policy Institute – *Executive pay* - August 14, 2019 – CEO compensation has grown 940% since 1978 - Typical worker compensation has risen only 12% during that time - <https://www.epi.org/publication/ceo-compensation-2018/>

levels of remuneration for business leaders, at the expense of workers, but also at the expense of the productive investment capacity of the companies themselves: it is the basis of the alliance between the executives of the productive companies – someone has to produce – and the financial universe of asset management. This structure of the decision-making process in productive companies is essential.

Marjorie Kelly and Ted Howard call this system ‘extractive economy’: “Our economy is 'from the 1%, by the 1% and to the 1%' as Joseph Stiglitz put it. At its center is what we, as co-authors, call the 'capital bias', a favoritism towards the owners of finance and wealth that invisibly penetrates the entire system. We can call it the *extractive economy*, as it is designed to ensure that the financial elite can extract maximum gains for themselves, in any part of the globe, without regard to the damage caused to workers, communities and the environment.” They are not investors in the traditional, productive sense, they are ‘speculative investors’ in the authors' terms, “who hold shares for minutes and assume ownership rights”.<sup>15</sup>

Michael Hudson focuses precisely on this dimension of the stagnant production and industry: “Marx and many of the less radical reformers of his contemporaries saw the historic role of industrial capitalism as removing the legacy of feudalism – the landlords, bankers and monopolists that extracted economic rent without producing real value. But that reform movement failed. Today, the Finance, Insurance and Real Estate sector (FIRE) has regained government control, creating neo-rentist economies. The aim of this post-industrial finance capitalism is the opposite of that of industrial capitalism well known to 19th century economists: it seeks wealth primarily through the extraction of economic rent, not the formation of industrial capital. Fiscal favoritism for real estate, privatization of oil and mineral extraction, banking and infrastructure monopolies raise the cost of living and doing business. Labor is increasingly being exploited by bank debt, student debt, credit card debt, while housing and other prices are inflated with credit, leaving less income to spend on goods and services as economies experience debt deflation.”<sup>16</sup>

We present this longer quote from Michael Hudson, because it makes an essential point of the present study explicit: it is one thing to see explosive inequality, the radical increase in the appropriation of wealth at the top of the pyramid. Another is when we see that enrichment results only partially from productive activities, and essentially constitutes appropriation through financial mechanisms. To repeat, “it seeks wealth primarily through the extraction of economic rent, not the formation of industrial capital.” Is a capitalism that reinvests only marginally in the expanded reproduction of capital, diverting the essential resources to the expansion of unproductive personal fortunes still the same system?

- **Rentism becomes dominant**

We are used to calling 'capital' all accumulated value, including houses, factories, stocks, and various types of financial papers. But the concept of capitalism is based on

<sup>15</sup>Marjorie Kelly and Ted Howard, *The Making of a Democratic Economy*, BK, Oakland, 2019, p. 5

<sup>16</sup>Michael Hudson - *The West Says Goodbye to Industrial Capitalism*, Other Words, 2021 - <https://dowbor.org/2021/03/o-ocidente-diz-adeus-ao-capitalismo-industrial.html> and <http://aepet.org.br/w3/index.php/conteudo-geral/item/5794-resurgimento-rentista-e-tomada-de-controle-capitalismo-financial-vs-capitalismo-industrial-1> See also Michael Hudson – *Destiny of Civilization* – ISLET, 2022



its insertion in the process of capital reproduction, as in the case of a shoe manufacturer who invests his capital in the production cycle, generating jobs, products and taxes: it is precisely the 'accumulation of capital'. The expanded reproduction of capital generates social enrichment, even though it also generates the exploitation of workers. Having fat accounts, stocks, houses and yachts means having wealth, but not capital. The French aristocrats also held wealth, extracted from rural producers, but this wealth and the castles were not capital inserted in the cycle of capital reproduction. They constituted a drain, as the French revolutionaries of 1789 well understood.

Joseph Stiglitz refers to *unearned income*, which results from rent-seeking: “The practice of obtaining wealth not through economically valid activity, but by extracting it from others, often through exploitation. Examples include the monopoly that overcharges for its products (monopoly income) or pharmaceutical companies that get Congress to pass a law that allows them to charge very high prices as well as provide less goods, services and effective innovation to the market.”<sup>17</sup> It's about income without the productive counterpart, and there's no way to call it capitalism. It certainly involves exploitation, but it is not the same as a person taking the risk of investing in an industry to produce useful goods and services, increasing wealth, but also social capital. The link between private economic interest and the interest of society is broken.

Marx deals extensively with this appropriation that sterilizes capital, for example when he deals with usury and fictitious capital. In his analysis, what the productive capitalist transfers to the bank is presented as sharing surplus value extracted from the worker. The productive capitalist took credit, generating profit also for the bank, but the credit itself allowed productive investments. It was the bank with an economic support function. The change is profound when the financial intermediation system becomes largely parasitic on the production process, generating fortunes that only partially return to the production process. It is no longer a financial system that helps the company to develop productive activity, but a productive system at the service of financial accumulation. Nothing that Marx hadn't detailed in terms of mechanism, with the difference that the financial system became dominant. Dominance in turn leads to a systemic inversion: production is an end activity, financial intermediation is a means activity, overhead, and when the means appropriate the ends, we will have more financial profits, and fewer products.

Montecino and Epstein, at the Roosevelt Institute, estimate that only 10% of what is extracted from the production process by the financial system returns to the real economy.<sup>18</sup> Mariana Mazzucato estimates that it could reach 15%.<sup>19</sup> But in any case, the image used by Americans, *the tail is waiving the dog*, remains the same. The social surplus produced by society goes to non-producers, and the mode of production needs to be defined in terms of the main mode of enrichment of the elites, which today is constituted by a set of mechanisms for extracting rent, only marginally by the

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<sup>17</sup>Joseph Stiglitz – *Rewriting the Rules of the American Economy*, 2015, p. 14 -

<https://dowbor.org/2015/06/j-stiglitz-rewriting-the-rules-of-the-american-economy-an-agenda-for-shared-prosperity-junho-2015115p.html>

<sup>18</sup>See Epstein and Montecino - *The High Cost of High Finance* – 2016 – Roosevelt Institute -

<https://dowbor.org/2016/09/ladislau-dowbor-o-alto-custo-do-sistema-financeiro-resenhaartigo.html>

<sup>19</sup>Mariana Mazzucato – *The Value of Everything* – 2018 - <https://dowbor.org/2021/02/the-value-of-everything-making-and-taking-in-the-global-economy-publicaffairs-2018.html>

productive accumulation of capital. Capital accumulation can now be found much more clearly in China, allowing for an impressive pace of development, than in the 'capitalist' West. China uses a mixed system, but with the financial system channeled to foster productive activities.

Ellen Brown describes the systemic change very clearly, with America moving from “mom-and-pop capitalism” to what she calls techno-feudalism: “These latter-day pharaohs, the masters of planet, the richest 5% – make the rest of us pay every day for the right to live on their planet. And as we make them richer, they buy even more of the planet for them, and use their wealth and power to fight among themselves for more wealth – though, of course, we are the ones who have to fight and die in their war.”<sup>20</sup>

Rentism is center stage, we have more than ever 'backward elites', as Jessé Souza called them, and it is not surprising that the current system has been called techno-feudalism by Ellen Brown, neo-feudalism by Joel Kotkin, parasitic capitalism by Zygmunt Bauman, or denounced as *The Triumph of Injustice* by Saez and Zucman, and so many qualifications that are surging. The essential thing is to understand that it is the hard core of the concept of capitalism that has shifted, changing the very process of capital accumulation. No wonder the world stagnates when we have so much technology and so much wealth – the latter largely unproductive. Financial capital, extractive capital, passive capital, parasitic capital, we should cease counting how many stripes this new tiger has, and consider whether this still is a tiger at all. We have to redefine the system. In reality, capital undoubtedly subsists in productive enterprises, but the whole system, the logic of reinvestment, obeys the interests of unproductive rentiers, and those that refer to a new feudalism are closer to reality. There's a lot of proximity between the Versailles balls and Vienna meetings of centuries ago, and the current glamour of Davos.<sup>21</sup>

It is not mysterious, in terms of mechanism, and in the phase of the pandemic, that we have so much enrichment at the top of the pyramid, and such thriving stock markets, when economies are paralyzed or falling. The divorce between the growth of fortunes and the stagnation of production shows that one is no longer so much dependent on the other. In the age of factories and the working class at the center of the economic process, one could fight for the “socialization of the means of production”. Today, we need to regain control of unproductive rent-seeking: finance, technology, information, communication. The axis of struggle shifts, platforms have become more decisive than factories.

Many rightly lament the recent deindustrialization of Brazil. But the essence is in the system of financialization and intermediation of commodities that generates this deindustrialization while encouraging reprimarization. Mariana Mazzucato and Robert Skidelsky make this clear: “Left to their own devices, market economies tend to favor short-term or rent-seeking activities—hence the radical trends of financialization and

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<sup>20</sup>Ellen Brown, *How America went from mom-and-pop capitalism to techno-feudalism* – May 2021 - <https://scheerpost.com/2021/05/18/how-america-went-from-mom-and-pop-capitalism -to-techno-feudalism/>

<sup>21</sup> Klaus Schwab’s synthesis on *The fourth industrial revolution* misses the point: the technological update he brings is useful, but what changed is who the technologies are serving.

deindustrialization witnessed over the past four decades.”<sup>22</sup> Capital goes to where it yields the most, and it is no longer in production. The 2008 crisis has deep roots.

A Guardian editorial points to the depth of the transformation: “Hyman Minsky was a pioneer in understanding the grip of finance over the US economy – and the consequences for society. In the 1980s, he predicted the rise of 'money management capitalism' and predicted that institutional investors would become masters of the universe. Today, we are in a world of 'money machine manager capitalism', where algorithms control the buying and selling of securities. The pioneer of this approach is the US firm BlackRock, which is the world’s largest asset manager and last year became Britain’s biggest one too. Humans still set the rules that computers follow. But artificial intelligence is blurring the distinction. Computers run investment portfolios offering cheap “exchange-traded funds” that automatically track indices of shares and bonds. This has been so successful that the big three – US firms BlackRock, Vanguard and State Street – now manage \$19tn in assets, roughly a tenth of the world’s quoted securities...Markets are supposed to allocate capital efficiently. They plainly do not. Society is experiencing inequality and financial instability. Minsky contended that market behavior had to be constrained to ensure the ‘economic underpinnings of democracy’. His advice seems truer today than ever.”<sup>23</sup>

The dimension here is important: the assets managed by the three groups above, little known to the general public, BlackRock, Vanguard and State Street, are equivalent to the US GDP (21.5 trillion), and represent more than three times the American Federal Budget. BlackRock alone has assets that in 2022 exceeded 10 trillion dollars, more than five times the GDP of Brazil. They produce nothing, they mediate. They are middlemen, toll collectors on productive activities. The world trade in commodities, for example, is essentially in the hands of such groups. They constitute the new vectors of appropriation of the social surplus. Ellen Brown, in the text quoted above, when looking for a positive dimension, focuses essentially on intermediation: “The reform of the banking system is also another important tool. Banks operating as a public utility could allocate credit to productive activities serving public interests. Other possibilities include antitrust enforcement and patent law reform.” Financial rents, monopoly rents, tolls on knowledge, tolls on communication, individualized social surveillance through algorithms, these are some of the dominant tools of appropriation of the social surplus, which hinder the capacity for productive investment.<sup>24</sup>

The system based on the exploitation of slaves was a mode of production, the system based on the exploitation of serfs within the framework of feuds was a feudal mode of production, the system based on the exploitation of workers in factories was a capitalist system. The system that we face today, based on the extraction of rent through the control over productive companies, with absentee ownership, and control through

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<sup>22</sup> Mariana Mazzucato and Robert Skidelsky – *Toward a new Fiscal Constitution* – Project Syndicate - July 10, 2020 - <https://www.project-syndicate.org/onpoint/new-fiscal-constitution-job-guarantee-by-mariana-mazzucato-and-robert-skidelsky-2020-07>

<sup>23</sup> Guardian, *Editorial* - March 21, 2021 - <https://www.theguardian.com/commentisfree/2021/mar/21/the-guardian-view-on-finance-failures-manmade-errors-amplified-by-machines>

<sup>24</sup>For the concept of surveillance society in Brazil, see L. Dowbor (org.), *A Sociedade Viglada* - Autonomia Literária, São Paulo, 2020 - <https://dowbor.org/2020/12/sociedade-viglada.html>; Shoshana Zuboff presents the general picture.

money, communications, information and surveillance, can be considered a rentier mode of production, the result of the digital revolution. This is much more than 'industry 4.0'. Unproductive capital, which is only marginally inserted in the production process that it exploits, is not the good old capitalism that we denounced so much, but which at least generated goods, jobs and taxes.

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This is a system based on the extraction of the social surplus through the various forms of rentism, in which the exploitation of workers for surplus value is no longer dominant, nor is it interested in creating employment. Technological advances undoubtedly contribute to generating unemployment through the simple dynamics of replacing the workforce, but the process is much broader. In Brazil, with 215 million inhabitants, formal private employment is limited to 33 million people. Adding 11 million civil servants, that's 44 million, just 41% of the workforce of 106 million. Altogether we are talking about unemployment, gig jobs and other of underutilization of a mass of 60 million adults of working age. The underutilization of the workforce, in a country where there is so much to do, is absolutely shocking, and adds to the process of technological job-substitution itself. We will come back to this issue below, as it is one of the main challenges for rescuing balanced development.

In fact, a system whose main way of appropriating the social surplus is through unproductive rent-seeking, needs less and less labor force to exploit. The seller of trinkets on the beach or in the streets already has credit card equipment, and pays the toll to the banks in each operation. The former proletariat is today increasingly described as a 'precariat'. The fact that the financial drain is done largely without requiring an increase in production and employment directly affects the workforce. The financial drain, without the requirement of increased production and employment, directly affects the workforce. The trend is worldwide. In North Africa, for example, the informal sector exceeds 70% of the active population.

The new system is incomparably more destructive, generating inequality on a qualitatively higher scale, and irresponsible in terms of economic, social and environmental impacts. Essentially, it lost its function of reproduction and expansion of productive capital, what Marx called the expanded reproduction of capital. Factories do not disappear with the ongoing digital revolution, just as agriculture did not disappear with the industrial revolution. But the structuring axis of the system, the form of appropriation of the social surplus, is shifting. Expanding production, jobs and the corresponding purchasing capacity of the population, in order to sell products, starts to play a secondary role. We will see below how these transformations are materialized in various sectors of the economy.

## II - FINANCIAL DRAIN SYSTEMS

Below, we briefly outline the various mechanisms that allow what Gar Alperovitz and Lew Daly called *Unjust Deserts*.<sup>25</sup> These are dynamics that have already been well developed in the last 40 years of neoliberalism, but they are constantly expanding and updating, as the technologies of appropriation and management of financial assets advance, public regulatory systems are weakened, and the great platforms are reinforced with algorithms that allow individualized and differentiated rent seeking.

- **The Power of Platforms**

The greatest world fortunes today are no longer based on productive activities, but on the intermediation of money, communication, knowledge and personal information. They are intangible goods, magnetic signals, which generate the greatest fortunes on the planet.

Money, as we have seen, is today represented by magnetic signs. Virtual money allows the appropriation of fragments of virtually all economic activities through financial tolls. In the case of credit cards, in Brazil, where in the past the money for the purchase went from the customer's pocket directly to the merchant's cashier, today with credit card payment the bank drains about 5% of the purchase amount, a fee, without producing anything. In the "debit" mode, the drain is on the order of 2.5%. With tens of millions of daily card transactions, the volume becomes very high. Dieese calculates that with these and other fees, not counting interest, banks pay one and a half times their payroll. In another technological age it would not be feasible to insert small drains in so many dispersed operations, but with digital currency it is just putting the instruction on the computer to drain small amounts from tens of millions of people. Just press "Enter". This micro-drainage affects everyone, without generating productive activity or jobs. The service can be useful, but the fare is radically disproportionate.

A similar drain is imposed on international transfers to families. Millions of people today work in the United States or Europe and regularly remit to home countries. These are small amounts, made by simple people, and intermediaries charge, as an order of magnitude, 7% of the amount remitted, when the costs, simply sending magnetic signals on the computer, are counted in cents per remittance. This is yet another toll that consists of just an instruction on the computer. In all these platforms, where before there was a person to answer, filling out papers, today it's all online, and we are congratulated on being able to "ourselves" solve our problems. The costs for companies have dropped dramatically, we pay our bills online but the fees and various costs remain, and are paid by us, automatically, incorporated in prices, or showing up in our bank account.

The expansion of the platform economy, where productive business units once dominated, dramatically generalized micro drainage. Numerous services are no longer purchased, the right of access is acquired. Jeremy Rifkin wrote an excellent book about

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<sup>25</sup>Gar Alperovitz and Lew Daily – *Unjust Deserts: how the rich are taking over our common inheritance* – New Press, 2008 - <https://dowbor.org/2010/06/apropriacao-indebita-gar-alperovitz-e-lew-daly-ed-senac-sao-paulo-2010.html>

this transformation, *The Age of Access*. We pay monthly fees to have access to movies on Netflix, we receive numerous offers with low monthly proposals, including free months at the beginning. The fact is, these microdrains add up, cutting the link is bureaucratically irritating, and here are hundreds of millions of people who see their bank balances reduced whether they use the services or not.

The BBC is paid, at cost price. A Brit pays for the service, which is public, and has good advertising-free programming, on what has been called “the best television in the world”. In commercial TVs, open TV is presented “free of charge”, but payment is simply indirect. Advertising that interrupts programs represents costs for the companies that promote their products, costs that are built into the prices of the products we buy. In any case, the money comes out of our pocket, but indirectly. And we have to face advertising breaks, paid out of pocket, for access to communication platforms.

The basics today, in terms of access to communication services, are access to the internet, a cell phone line, and minimally decent TV channels. The packages offered are in the hands of only a few companies, who charge what they want because they are essential services and because they constitute an oligopoly. Here, too, it is not something we buy, but a monthly fee that we pay to have “access”, to be connected. The costs are ridiculous compared to the prices charged, simple retransmission of signals. No wonder the Mexican Carlos Slim has such a fortune. Communications middlemen.

Meta (Facebook), for example, is free in appearance. The fortunes that flow to the company come from advertising, which is paid for by companies that include them in production costs, in the same way as in the case of open TV, and end up out of our pocket. We don't have a choice here either, it's a 'demand monopoly', that is, we are forced to use what others use, which leads to a situation in which the company profits from billions of people who pay the costs, incorporated in the products they buy. The gigantic fortunes that arise from the uberization of the economy are part of this technical ability to put drains on so many small things that we pay for, money that flows to the world headquarters of large groups, toll platforms. We are talking here about the largest fortunes in the world, in a system that allows fragments of what a simple delivery person earns with his motorcycle or bicycle to be drained to world-scale financial groups and their shareholders. Internet, global connectivity and algorithms have deeply changed the system.

The fact is that, to a large extent, toll capitalism does not require efforts on the part of the collector, the money is deducted from the bank account, from the salary, or incorporated into the purchase price, or disguised as tariffs that may seem modest to us, but result in monumental fortunes from simple intermediation. It's not inevitable. Let us remember that an essential service and of widespread daily use is the WorldWideWeb, the www that we put in any communication, does not generate any cost. It is managed by a worldwide non-profit consortium, and it is in this free network that the commercial services that drain our accounts navigate. Tim Berners-Lee, creator of the WWW,

refused to charge intermediation fees, saying it just wouldn't make sense: communication is in the public interest.<sup>26</sup>

- **The widespread indebtedness**

When indebtedness exceeds the debt repayment capacity, whether due to high interest rates or debt volume – and bankers are perfectly aware of the client's situation, whether family, company or State<sup>27</sup> – a permanent process of transferring resources is generated, the debt service, which leads, for example, to student debts that retired people are still paying: the graduates will spend their lives passing on part of their salaries to bankers, deluded that they were by the prospect of large gains that the diploma would provide them, with much advertising by banks. In Brazil, in 2003, household debt was equivalent to 18% of income, in 2012 it reached 45%, a level not excessive in international terms, but paying stratospheric interest rates. Small and medium business financing followed the same pace, leading to financial strangulation. An extensive survey at the end of 2016 on private indebtedness (families and legal entities) presented the volume of resources extracted from the real economy by banks: 1 trillion reais, in one year, equivalent at the time to 16% of GDP. The headline in O Estado de São Paulo is significant: “Credit crisis takes R\$ 1 trillion out of the economy and worsens recession.” Adding 6% interest on public debt, it is a fifth of GDP turned into unproductive financial profits.

We present these data with a detailed analysis in *The Age of Unproductive Capital*, for the Brazilian case, but the generalized indebtedness of families, companies and States is planetary, and involves both domestic and international indebtedness.<sup>28</sup> Much of humanity works to feed financial intermediaries. And people forget that the money borrowed is either from society itself, or is simply issued, in the form of magnetic signs – today's virtual money – by banks, which charge interest on money that cost them nothing. They are support activities, means, not ends, a net cost to society that would only be justified if the contribution to capital accumulation was greater than the extraction.

A person printing money is committing a crime, as it acquires purchasing power without having contributed to production. Banks today issue money. Paper money printed by governments today represents, as an order of magnitude, 3% of liquidity. The

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<sup>26</sup>Tim Berners-Lee's little book, *Weaving the Web*, is very instructive for understanding the underutilized potential and commercial drain. See also Eric S. Raymond, *The Cathedral and the Bazaar* – Cambridge, 2001 - <https://dowbor.org/2008/02/the-cathedral-and-the-bazaar-2.html>

<sup>27</sup>The level of information extracted by banks on the financial situation of customers has exploded with systems that have even become legal in Brazil, with the contribution of modern technologies, and individualized information management corporations such as Serasa Experian. See <https://capitaldigital.com.br/governo-libera-dados-biometricos-e-biograficos-de-cidadaos-para-degustacao-de-109-bancos/>

<sup>28</sup>The *Age of Unproductive Capital*, in particular chapter 12 - <https://dowbor.org/2017/11/2017-06-l-dowbor-a-era-do-capital-improdutivo-outras-palavras-autonomia-literaria-sao-paulo-2017-316-p-html.html> ; data for 2022 can be found in the Consumer Debt and Default Survey (Peic): <https://www.portaldocomercio.org.br/publicacoes/pesquisa-de-endividamento-e-inadimplencia-do-consumidor-peic-abril-de-2022/423798> ; for public debt service, see Carlos Luque et al., *Interest rate use and abuse*, Valor, May 11, 2022 – “ Since 1995 the government has paid public debt holders the equivalent of 5-7% of GDP per year, far more than the deficit in pensions or other spending items that are the subject of much discussion in Congress and the media.”

97% are just bits on computers, virtual money, issued by banks. When a bank charges us dearly for money they didn't have to pay, shareholders acquire purchasing power without having to contribute to production. Lehman Brothers went bankrupt when it had issued 27 times more money, in the form of loans, than it had in cash (*leverage*). The bank went bankrupt, just a few companies withdrawing their money was sufficient to break it, but the shareholders pocketed the dividends. With the 2008 crisis, banks received trillions in ransom, public money, money that could have been used for infrastructure and social policies.

The mass of the population has little choice, particularly when social policies are privatized. According to Eric Toussaint, “Private banks and other private institutions have invested a lot of energy in developing a lending policy for ordinary people who seek loans because their income is insufficient to pay for higher education or health care. In the United States, student debt reached US\$1.7 trillion, with US\$165 billion of defaults on student loans, when much of the collateral is subject to abusive conditions.”<sup>29</sup>

In order to appropriate the social surplus, the bank does not need to generate employment, or to ensure productive credit: employed or not, 70 million adults in Brazil are mired in debt, of which 25% are in personal bankruptcy. With the pandemic, families and companies in critical situation have become even more mired, with no way to escape loan sharking. Varoufakis' works show how extortion works at the international level, in the case of Greece.<sup>30</sup> The global drain is huge, and unproductive.

- **Dividend extraction**

The logic here is close to the logic of indebtedness. People who buy stocks consider themselves to be financing a company, and thus favoring business activities. But when the remuneration of the shares (the dividends), is in the limit of the surplus that the company generates, it loses capacity of reinvestment. The mechanism makes it possible to understand, for example, the economic dynamics of Brazil and other countries, where the economy is not growing, but the stock market is booming, generating more income for shareholders.<sup>31</sup> The Mariana tragedy, in which Samarco preferred to increase shareholder dividends, and consequently executive bonuses, rather than investing in dam safety, is characteristic. BP, after the spill in the Gulf of Mexico, having to pay the fines to the United States, preferred to sell oil fields, decapitalizing the company, rather than to reduce shareholder dividends. The case of Petrobras, in Brazil, is particularly

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<sup>29</sup>Truthout, June 15, 2021 – *To address increasing inequality and global poverty, we must cancel debt* - <https://truthout.org/articles/to-address-increasing-inequality-and-global-poverty-we-must-cancel-debt/?eType=EmailBlastContent&eId=443ee98d-6108-47e5-9f0d-735853178254>

<sup>30</sup>The film by Kostas Gravas, *Adults in the Room*, has the advantage of showing how political power and the financial system are articulated, detailing the mechanisms of exploitation through debt.

<sup>31</sup> For Brazil, see the article by Paulo Kliass, *The Stock Exchange is doing well and the people are doing poorly* – Carta Maior, June 9, 2021 - <https://www.cartamaior.com.br/?/Editoria/Economia-Politica/The-bag-goes-well-and-the-people-goes-bad/7/50775>



critical: they aligned the prices of the country's product with international prices, causing dividends and inflation to explode. Examples abound.<sup>32</sup>

Financial investment is not investment, in the sense of building a road or a factory or a school, activities that generate an increase in the accumulated capital of society. It is, precisely, a financial investment, even though the banks qualify any speculative activity as 'investment'. In the same way, income generated by the ability to handle financial papers is not the same thing as profit from a production process that generates fixed capital, product, employment and taxes. Marjorie Kelly, in a high-impact book published in 2003, made the new mechanism clear: “In the system design of aristocratic capitalism, CEOs are hired by shareholders and directed by boards to focus on just one goal: maximizing shareholder returns. Executives are paid only when they have achieved this goal...Today we have *outrage* over the lack of legitimacy of CEO earnings. But nowhere do we find indignation about the lack of legitimacy of shareholder gains, as it is the sun around which the system revolves. To question it is to question the divine right of capital.”

The author explains that this type of appropriation of resources is equivalent to the misappropriation of feudal lords: “The holders of shares appropriate a wealth for the creation of which they contributed little, in a similar way as the nobles proclaimed privileges for which they did not work...Instead of capitalizing companies, the stock market decapitalizes them. Shareholders for decades have represented a huge drain on corporate liquidity. They are the deadliest of dead wood. It is even incorrect to speak of the holders of shares as *investors*, as they are actually *extractors*. When we buy shares, we are not contributing capital: we are buying the right to extract value.”<sup>33</sup> Let us remember that, as an order of magnitude, 85% of financial investments are in the hands of the richest 10%. It is a widespread toll on production processes.<sup>34</sup>

- **Privatizations and appropriation of natural resources**

Modern fortunes found in the narrative that the minimal state is better, the way to appropriate wealth without having to invest, inheriting at low cost a capital built by the public sector with public resources. This is the case in particular of the appropriation of mineral extraction, natural products that are part of the nation, and that are exported in the raw, yielding immense fortunes for shareholders. The World Bank since 1993 correctly proposes to account for the extraction of oil, for example, as a decapitalization of the country, and not as an increase in GDP.

<sup>32</sup>On Petrobras and the inflationary impacts, see L. Dowbor – *How privatizations are increasing inflation* – Jacobin, May 9, 2022 - <https://jacobin.com.br/2022/05/como-as-privatizacoes-estao-increasing-inflation-in-brazil/>

<sup>33</sup>Marjorie Kelly – *The Divine right of Capital* – Berrett-Kohler Publishers, San Francisco, 2003, pages xiii, 29 and 35; In a letter published as part of the Business Round Table in 2019, 181 of the largest American corporations commit to go beyond the interests of shareholders, to respond to environmental and social concerns, in line with ESG (Environment, Social, Governance). For now, basically declarations of intent - <https://dowbor.org/2019/10/ladislaw-dowbor-a-economia-desgovernada-novos-paradigmas-14-de-outubro-de-2019.html>

<sup>34</sup>For a detailed analysis of the mechanisms of appropriation of the social surplus in the so-called capital market, see Cédric Durand, *How Finance is Appropriating our Future* – Verso, London, 2017

The case of Petrobras is an example. The negotiations that took place in the first decade of the millennium resulted in important legislation: oil being owned by the nation, the profits from its sale should be channeled to finance the country's development, there would be 'sharing' and not handing over to foreign companies. With privatization, the reserves are used to feed dividends for shareholders in Brazil and the rest of the world, resulting in unproductive rent-seeking, and the appearance of progress by increasing GDP. With the weight of international shareholders, privatization, in this case, means denationalization. With increasing privatization and the adoption of international prices in the domestic market, inflation was generated, and the profits resulting from higher prices made dividends explode: the largest share for international groups. It's simple: they raise prices, and what a housewife pays more for a cylinder of gas results in dividends for “investors”, who just bought the right to drain a natural resource from the country.

The privatization of Eletrobrás follows the same path. Brazil has an important base for the production of hydroelectric energy, and has built, with the taxes of the population, large-scale infrastructure, both in terms of generation, transmission and management capacity. “Estimates calculate that the market value of Eletrobrás is at least R\$400 billion, and could reach R\$ 1 trillion. And the government wants to deliver for R\$ 60 billion... Eletrobrás has R\$ 15 billion in cash and, thanks to its good financial indicators, can easily leverage another R\$ 40 billion. It is fully capable of making new investments. Since 2019, it has already distributed R\$7.6 billion in dividends alone.”<sup>35</sup> Here too, there is an appropriation of public goods without the corresponding counterpart, and resources generated with public investment will feed non-productive financial groups in a radically higher proportion, which may even increase prices – a priority for shareholders – and make electricity more expensive for families as well as for companies. The price of the kilowatt will follow the price of the gas cylinder.

The trend is planetary, generating more appropriation of social surplus and natural resources by unproductive financial groups. George Monbiot presents this dynamic: “Defunding departments, disbanding the teams and dismissing the experts they rely on, shutting down research programs, maligning the civil servants who remain in post, the self-hating state is ripping down the very apparatus of government. At the same time, it is destroying public protections that defend us from disaster...The forces that threaten to destroy our wellbeing are also the same everywhere: primarily the lobbying power of big business and big money, which perceive the administrative state as an impediment to their immediate interests.”<sup>36</sup>

Private institutional investors who acquired the public company will undoubtedly exploit workers, in line with traditional surplus value, but their position of strength will allow them to generate monopoly rent, in the form of dividends and higher prices, which all citizens will pay. Without state ownership or regulation, and in the context of monopolies or oligopolies, therefore without mechanisms of competition, activities became the 'extractive capitalism' that we saw above.

<sup>35</sup>Miriam Leitão – Brasil 247, June 15, 2021 - <https://www.brasil247.com/economia/miriam-leitao-consumidor-vai-pagar-uma-eletobras-para-o-governo-privatizar-a-eletobras?amp>

<sup>36</sup> George Monbiot – *Is this the end of civilization?* - Guardian, January 24, 2018 - <https://www.theguardian.com/commentisfree/2018/jan/24/end-civilisation-take-different-path>

- **Appropriation of goods and services of collective consumption**

In reasonably functioning economies, household well-being largely depends on free access to collective consumer goods and services. As an order of magnitude, we can say that 60% of family comfort depends on money in your pocket, which allows you to shop, pay rent, things that allow us to feel more secure and in control of our lives. But the other 40% constitute what has been called the indirect wage, and consists of access to collective consumption goods. We need security, but you can't buy the police station. We must have access to health services, not only curative but also preventive, in the form of basic sanitation, control of emissions, restriction of pesticides and antibiotics in our food. Access to education needs to be generalized, free, public and universal, every child needs to have his or her chance in life, and unequal access hampers the immense potential for economic and social contribution of the poorer part of the population, constituting a sterilization of possibilities of development. Thomas Piketty rightly treats educational inequality at the same critical level as inequality of income and wealth.

Rentism in this area arises, in Brazil as in other countries, from the fact that restrictions on access to collective consumption goods force families to turn to private services. This is the case, for example, of private health plans. Although they represent an adequate solution for the richest, who want to have a tailored service, private healthcare leaves out the vast majority of the population. The 2016 *Teto de Gastos* law (spending ceiling), by reducing public health services (SUS) resources, for example, forces people to hire private services, even if they are at the limit in terms of income. The weakening of public education tends to have the same effect, pushing parents to sacrifice themselves to ensure a better future for their children. The war on federal universities tends to have the same effect, of forcing more clients into what has become a degree industry. A generation of students coming out of universities with a huge debt, only to find that their dream job is not guaranteed, makes little sense.<sup>37</sup>

It is not doctors who run private health plans, nor educators in the case of schools, but financial groups. Forbes magazine presents the Brazilian personal fortunes accumulated in 2019. Carlos Wizard has a personal fortune of 3 billion reais: “Wizard returned to the world of education in 2017, with the purchase of 35% of Wiser Educação, owner of the WiseUp and NumberOne networks, also billionaire Flávio Augusto da Silva. In April this year, the group sold a minority stake in the group to Itaú bank, through its Kinea investment fund, for 200 million.”<sup>38</sup> Educators?

It is important to note that this is “just business”, in an age where access to education is becoming critical. Chaim Zaher amassed a fortune of 2.5 billion, selling the Dom Bosco, Pueri Domus, Name and COC brands to British financial firm Pearson for 888

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<sup>37</sup> Folha de São Paulo of June 20, 2021 presents a survey that 47% of young people between 15 and 29 years old want to leave the country. This new-generation perspective is a disaster. Michael Sandel, in *The Tyranny of Merit*, 2021, presents a strong analysis - <https://dowbor.org/2022/07/a-tirania-do-merito-o-que-aconteceu-com-o-bem-comum.html>. The documentary *Ivory Tower* presents a sobering picture of what private universities have become - <https://dowbor.org/2021/01/ivory-tower-torre-de-marfim.html>

<sup>38</sup>Forbes - *More than 200 Brazilian billionaires* – Year VII, N. 71, 2020, p. 98 – See the table on p. 111; see also issue August 89, 2021, *315 Brazilian Billionaires*. This group of billionaires own a fortune equivalent to 25% of GDP.

million, and the higher education network UniSEB to the Estácio group for 615 million. (p.101) Janguê Diniz, from Paraíba, who is the main shareholder of Ser Educacional, went public on Bovespa in 2013, bought Univeritas de Minas Gerais in 2016, and invests in distance education, a large industry with low costs, high profits, and fragile educational outcomes.

In the health area, Paulo Sérgio Barabanti's behavior is characteristic. With a fortune of 1.6 billion, he sold Intermédica to the North American *private equity* company Bain Capital, withdrew from the activity and lives on the accumulated fortune. To have an order of magnitude, a person who invests the fortune of 1 billion for a modest income of 5% a year is earning 137 thousand reais a day, from hand to pocket. This is also the case of José Seripieri Filho, with a fortune of 1.2 billion, who made his fortune with Qualicorp, which manages collective health plans in Brazil. He transferred the activity to others, and began to live off the income from stocks. It is a widespread behavior: entrepreneurs who have started a productive activity, sell the company to financial groups, often foreigners, such as Pearson in the area of education, or BlackRock in the area of health, and start to live on the income from the shares. Companies, in turn, are used to extract the maximum dividends. The 11 billionaires who live by exploring the health sector have accumulated a fortune of 56.88 billion reais. The companies that manage these fortunes (asset management) seek to extract the most. The education of young people and the health of families are just another source. *The business of business is business.*

The reasoning can be applied to numerous industries. Both the comfort of families and the productivity of companies depend, for example, on paved streets, road networks and the like. What is essential here is that much of the infrastructure was built with public resources, allowing for higher returns for the private sector without companies having contributed significantly to the costs. The systemic productivity of a country, and the increased profit of companies, depend a lot on infrastructure and services for collective consumption. It generates net profit for companies, which will only refer to their own creativity and the magical power of 'markets'. This dimension simply does not appear in the economic accounts, but in the analysis of Hazel Henderson, who presents the need for adjustment in national accounting, including the productive contribution of infrastructure generated by the public sector.

Mariana Mazzucato and Robert Skidelsky denounce the contractionary fiscal policy, and rescue this role of public policies: “The covid-19 crisis has made the flaws of the orthodox model even more obvious, by highlighting the severe deficiency of public goods, from basic health infrastructure to personal protective equipment...Now that COVID-19 has exposed the damage wrought by the previous paradigm, it is time to start mapping out a new era of public investment to reshape our technological, productive, and social landscape. The new model should embrace the realization that our economies are always evolving in some direction, rather than merely expanding in a vacuum. Left on their own, market economies tend to favor short-term or value-extracting activities – hence the sweeping trends in financialization and de-

industrialization witnessed over the past four decades.”<sup>39</sup> When corporations use public services but practice tax evasion, it is rentier *free-riding*.

- **Inflation as financial drain**

Everybody laments inflation, but the fact is that for corporations at the top of the pyramid it is a source of fortunes. The production of oil in the world has been quite stable during the last decades, around 90 million barrels a day. But the prices have fluctuated dramatically, from 14 to over 140 dollars. No changes in extraction costs, production volumes or demand can explain this: the prices are the result of negotiations among very few corporations. The invasion of Iraq, the war in Ukraine, even the pandemic can serve as justifications, but since production and consumption have suffered little change, the fluctuations are essentially linked to the search for speculative gains. The world commodity trade is in the hands of little more than a dozen heavyweights. According to whether they agree on lower or on rising prices, they will maximize financial gains. These are not markets, but financial speculation on a stable commodity, controlled by an oligopoly.

In 2022 the French are indignant at the prices they pay for gas, but Total is presenting a huge rise in profits. The poor in Brazil are resorting to wood for cooking, unable to pay for the gas canister, but half-privatized Petrobrás is paying highest dividends in history. Dividends and bonuses are exploding. It is not a “price fluctuation”, it is a drain through price management. A similar mechanism can be found in the grain commodity ‘market’, where ABCD (ADM, Bunge, Cargill and Dreyfus) control three-quarters of trade. This concerns basically wheat, corn, soy and rice, the food of the world, in four hands. They are market-makers, and influence inflation: Ukraine war certainly does have a major impact, but the price-management system (better than ‘markets’ as a definition) allows them to raise their dividends. The media will comment the wars, or the pandemic, but seldom the “*cui bono*”, who benefits.

As I buy my daily bread and complain of the higher price, the baker informs me the flour he buys came with a higher price. Like so many economic agents, he is just pushing inflation along, paying more on one side, and charging more on the other. He may also try to add a bit of his interest in this process, but basically, he is transferring costs, not generating them. He is a market-taker, not maker. But on a third level, the consumer has no-one to transfer the costs to. He must pay the higher price, or reduce consumption, hoping for some salary raise in the future. The bottom-line is that the population in general must take more money out of their pockets to feed Total, ABCD, the Dubai luxury investments and the like. And the central banks will raise basic interest rates, in order to ‘stabilize prices’, paying more interest to giant wealth-holders. Inflation, as Celso Furtado has explained it, is a global income concentration mechanism. You cannot just say the prices “have gone up”, or refer to the supply/demand curves of yore. Inflation, just as pregnancy, has causes.

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<sup>39</sup>Mariana Mazzucato and Robert Skidelsky – *New fiscal constitution and job guarantee* – 2020 - <https://www.project-syndicate.org/onpoint/new-fiscal-constitution-job-guarantee-by-mariana-mazucato-and-robert-skidelsky-2020-07>

- **Tax evasion**

The money earned by rentiers generates immense fortunes without a productive contribution, but also without paying taxes. The economic system in general largely depends on accumulated public capital, which is currently very broad in rich countries, but also in Brazil, in the form of energy, transport, communication and sanitation infrastructures, in addition to health, education, security systems, that are essential for society as a whole. The surplus produced by society is vitally dependent on accumulated public capital. This important basis of economic productivity was financed with public resources, and paying taxes is a duty both of the citizen and of the companies that use these infrastructures. Good infrastructures reduce production costs, constituting *external savings* for companies. But the great fortunes have enough political strength to avoid paying their share.

In the Brazilian case, the 1995 law that exempts distributed profits and dividends from taxation is absurd. But the case of world tycoons is not very different, as seen with the tax data of the biggest American billionaires leaked in 2021. A simple system allows a gigantic evasion: in the United States, billionaires keep their fortunes in stocks, real estate, luxury objects, which would only be taxed when sold. “The US tax system focuses on income, not on what are called unrealized gains on unsold stocks, real estate, or other assets... No one among the 25 wealthiest avoided as much tax as Buffett, the grandfatherly centibillionaire. That’s perhaps surprising, given his public stance as an advocate of higher taxes for the rich. According to Forbes, his riches rose \$24.3 billion between 2014 and 2018. Over those years, the data shows, Buffett reported paying \$23.7 million in taxes. That works out to a true tax rate of 0.1%, or less than 10 cents for every \$100 he added to his wealth.”<sup>40</sup> ProPublica data show that the behavior is widespread, involving the largest fortunes. I, a university professor, pay 27.5% of my salary.

Robert Reich, who was Clinton's Labor Secretary, shows the relationship between absurd tax evasion – the more they earn, the less they pay – and the appropriation of public decision-making in the United States: “The bombshell that represented the ProPublica report on the fact of the super-rich Americans paying little or nothing in taxes reveals not only their astounding wealth but also the way they translated that wealth into political power to slash their taxes to next to nothing.”<sup>41</sup>

Eric Toussaint, a debt expert, clearly highlights the impact of the rich not paying taxes on the growth of public debt: “Public debt continues to explode in volume because governments are borrowing massively to avoid taxing the rich to pay for the measures to resist Covid-19, and they will soon resume their austerity offensive.”<sup>42</sup> Mariana

<sup>40</sup>ProPublica, June 8, 2021 - [The Secret IRS Files: Trove of Never-Before-Seen Records Reveal How the Wealthiest Avoid Income Tax — ProPublica](#)

<sup>41</sup>Robert Reich - When America's richest men pay \$0 in income tax, this is wealth supremacy – Guardian, June 10, 2021 - <https://www.theguardian.com/commentisfree/2021/jun/10/when-americas-richest-men-pay-0-in-income-tax-this-is-wealth-supremacy>

<sup>42</sup>Truthout, June 15, 2021 – *To address increasing inequality and global poverty, we must cancel debt* - <https://truthout.org/articles/to-address-increasing-inequality-and-global-poverty-we-must-cancel-debt/?eType=EmailBlastContent&eId=443ee98d-6108-47e5-9f0d-735853178254>

Mazzucato presents the mechanisms that allow corporations to use resources developed in the public sector, charging consumers for what they did not produce, and evading taxes on profits made.<sup>43</sup>

- **Tax havens**

Tax havens play a fundamental role today in the loss of control by States. Microsoft's example illustrates the general behavior of large corporations: “An Irish subsidiary of Microsoft made a profit of \$315 billion last year but paid no corporate tax as it is 'resident', for tax purposes, in Bermuda. The profit generated by Microsoft Round Island One is equal to nearly three-quarters of Ireland's GDP – even though the company has no employees. The subsidiary, which collects licensing rights for the use of copyrighted Microsoft software, reported annual earnings of \$314.7 billion for the year to the end of June 2020, according to accounts filed with the Irish Companies Registration Office.”<sup>44</sup> Wasn't Microsoft an American company? I am forced to use Microsoft Word and other software because I have to use what others use. It is the demand monopoly seen above, not “free markets” and competition.

The Roosevelt Institute also highlights the weight of tax havens and the loss of public control over large corporations, in the absence of multilateral regulatory instruments: “The legitimacy of multilateral economic institutions depends on their producing results that leaders of sovereign and democratic states can embrace. When multinational corporations transfer US\$1.38 trillion from their home countries to tax havens like Luxembourg or the Cayman Islands to avoid paying taxes, and companies like Facebook wield disproportionate power in our democracies, multilateral institutions can and must serve as counterweight power to prevent the extraction of wealth at the expense of our population...Now is the time to move beyond the neoliberal order and into a new era of equality and justice. Now is the time to rewrite international law.” Felicia Wong, from the Roosevelt Institute, writes that we need a new Bretton Woods, and correctly reminds us that the options belong to us as a society, they are rules, and not imaginary economic “laws”: “Economic results are the product of political institutions, human choices, and rules that structure markets.”<sup>45</sup>

After years of hesitation, in mid-2021 a proposal for a modest 15% tax on the profits of transnational corporations finally appears on the horizon. Dani Rodrik sums it up: “The G7 agreement has two planks. First, it proposes a minimum tax of 15% on the largest corporations. Second, a portion of these corporations’ global profits will be clawed back to the countries where they do business, regardless of the location of their physical

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<sup>43</sup>Mariana Mazzucato – *The Entrepreneurial State* – Anthem Press, 2011 -

<https://dowbor.org/2019/10/mariana-mazzucato-the-entrepreneurial-sate-debunkiong-public-vs-private-sector-myths-anthem-press-new-york-2015.html>

<sup>44</sup>Guardian, *Microsoft Irish Subsidiary paid zero corporate tax on 220bn profit last year* – June 3, 2021 - <https://www.theguardian.com/world/2021/jun/03/microsoft-irish-subsidiary-paid-zero-corporate-tax-on-220bn-profit-last-year>

<sup>45</sup>Felicia Wong – *A Bretton Woods Moment* - Roosevelt Institute, April 28, 2021 - [A Bretton Woods Moment: How This Year's G7 Summit Could Rewrite the International Rules \(rooseveltinstitute.org\)](https://rooseveltinstitute.org/a-bretton-woods-moment-how-this-year-s-g7-summit-could-rewrite-the-international-rules/)

headquarters.”<sup>46</sup> The importance of the G7 decision is undoubtedly the fact that it allows additional financing of public policies, but also the fact that international financial flows would be recorded, and the Economist believes that this is a drastic restriction on the role of tax havens in general. But for now, the system continues to expand, as evidenced by successive ICIJ revelations about the Panama Papers, Paradise Papers and Pandora Papers.<sup>47</sup>

For anyone who thinks tax evasion through tax havens is a fringe process, the Economist provides the basic figures: “A 2018 study found that about 40% of multinational profits made abroad are artificially transferred to low-tax countries. One official closely involved in the current discussions thinks the deal that is taking shape could ‘practically kill the havens’...The part of multinational profits abroad, registered in tax havens, has grown from 30% two decades ago to around 60% today.”<sup>48</sup> That's 60% of profits, and doubling in two decades.

I present the data in more detail in my book *The Age of Unproductive Capital*. What interests us here is that these resources are not part of a capital reproduction process, they are literally money generating money, extractive processes that ensure a radically more intensive appropriation of the social surplus by unproductive elites. Let us remember that Marx, in book II of *Capital*, considered this evolution towards the expansion of fictitious capital as predictable. What is essential for us is that fictitious capital, becoming dominant, with the capacity to appropriate public policies, and hampering the productive accumulation of capital that was central in the capitalist system, presents structurally different dynamics when it becomes dominant. We have a world of fragmented national-scale administrations facing global-scale money. The result is financial chaos, an unsustainable speculative casino.

- **Other drains**

The brief presentation of the forms of unproductive appropriation of the social surplus that we have outlined here can be expanded. For example, the manipulation of people, which we still innocently call marketing, or advertising, has become an economic giant. It involves the detailed analysis and commercialization of our behaviors, individualized channeling of commercial and political messages through algorithms, which generate the economic strength of Alphabet, with almost two trillion dollars (more than Brazil's

<sup>46</sup>Dani Rodrik - *The G7 Tax Clampdown and the End of Hyper-Globalization* by Dani Rodrik - Project Syndicate, June 7, 2021 – <https://www.project-syndicate.org/commentary/g7-corporate-tax-agreement-end-of-hyper-globalization-by-dani-rodrik-2021-06> - Financial impacts can be found at

<https://joserobertoafonso.com.br/collecting-the-tax-deficit-of-multinational-companies-barake-et-al/>

<sup>47</sup>ICIJ – *Pandora Papers* – October 2021, [https://www.icij.org/investigations/pandora-papers/global-investigation-tax-havens-offshore/?utm\\_source=ICIJ&utm\\_campaign=8ce10323e7-20211003\\_WeeklyEmail&utm\\_medium=email&utm\\_term=0\\_992ecfdbb2-8ece10832](https://www.icij.org/investigations/pandora-papers/global-investigation-tax-havens-offshore/?utm_source=ICIJ&utm_campaign=8ce10323e7-20211003_WeeklyEmail&utm_medium=email&utm_term=0_992ecfdbb2-8ece10832)

For Brazilian fortunes in Luxembourg, see <https://dowbor.org/2021/03/luxemburgo-paraiso-fiscal-das-riquezas-brasileiras.html>

<sup>48</sup>Economist, June 2, 2021 - *Twilight of Tax Havens* - <https://www.economist.com/finance-and-economics/2021/06/01/twilight-of-the-tax-haven>; Economist, May 15, 2021 - *What would a new system for taxing multinationals look like* - [https://www.economist.com/finance-and-economics/2021/05/13/what-could-a-new-system-for-taxing-multinationals-look-like?itm\\_source=parsely-api](https://www.economist.com/finance-and-economics/2021/05/13/what-could-a-new-system-for-taxing-multinationals-look-like?itm_source=parsely-api)



GDP), or Facebook, over 1 trillion. This financial drain reaches the pocket of each one of us, when it is included, by the companies that use these services, in the production costs of what we buy. Using Face appears as free, but the costs are billed to all of us, indirectly. Low costs, disproportionate profits. It is rent-seeking through communication intermediation, but also political power. Using Facebook, Meta, is free, advertising is free, but we all pay their costs and profits when we pay for any product.<sup>49</sup>

It is equally important to study the financial drain represented by real estate speculation, so well presented in Brazil by Ermínia Maricato and Pedro Rossi.<sup>50</sup> Gigantic fortunes are placed under tax protection when they are invested in real estate. The noble areas of London, for example, have numerous residences that belong to tycoons from the most diverse countries, awaiting appreciation.<sup>51</sup> The city of Vancouver, Canada, has seen housing costs explode under pressure from Chinese capital invested in real estate, mostly uninhabited, just a store of value that increases as urban demographic pressure increases. It is enrichment that does not add to the availability of housing, but rather generates speculative appropriation. The purchase of land by financial groups also increases its cost for agriculture. The Wikipedia entry suggests the obvious remedy: “A land value tax removes financial incentives for holding idle land just for appreciation, making more land available for productive uses.”<sup>52</sup> In Brazil, the ITR, Rural Territorial Tax, is simply not charged. Rentism paralyzes resources that could be productive.

The financial drain that constitutes the rights over the most varied technologies and scientific knowledge, through patents, copyrights and royalties, appears today as equally important. Mariana Mazzucato presents an excellent systematization in the aforementioned *The Entrepreneurial State*. Nowadays, the understanding has become widespread that the patent system, far from rewarding innovation, has become an obstacle: securing a 20-year monopoly on an idea might have been realistic a century ago, but at today's pace, as evidenced in the scandal of patents on vaccines against Covid-19, it generates technological latifundia. Blocking access to scientific knowledge when it has become the main driver of economic and social progress is profoundly counterproductive. An authentic toll capitalism has been generated.<sup>53</sup>

Insufficient attention has been paid to an authentic financial drain that constitutes a legal procedure, resulting from the Bretton Woods agreement, which made the dollar the

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<sup>49</sup>Particularly important reading is Manuel Castells' book, *Communication Power*, Oxford UP, 2009. On the size of the large corporations in the area, see Aran Ali - Visual Capitalist – 3 companies now make up 50% of US ad revenues : Google, Facebook, Amazon – July 18, 2021 -

<https://www.visualcapitalist.com/3-companies-make-up-50-percent-of-us-ad-revenues/>

<sup>50</sup>Ermínia Maricato and Pedro Rossi – *The new heavy attack on Brazilian cities* – 27 Sep. 2021 -

<https://outraspalavras.net/cidadesemtrase/o-novo-ataque-cerrado-as-cidades-brasileiras/>

<sup>51</sup>GFI (Global Financial Integrity) – *Acres of Money Laundering* – August 21, 2021 -

[https://gfintegrity.org/report/acres-of-money-laundering-why-us-real-estate-is-a-kleptocrats-](https://gfintegrity.org/report/acres-of-money-laundering-why-us-real-estate-is-a-kleptocrats-dream/?utm_medium=email&_hsmi=153147175&_hsenc=p2ANqtz-)

[dream/?utm\\_medium=email&\\_hsmi=153147175&\\_hsenc=p2ANqtz-\\_dQDkw9bsAsfZWejIcFezC6\\_eVikqfH6VqfmPIVWO7sNCCzRqzGBiK6QeYxEJOrVCZoBu\\_Bt9ku9K1A0cqSyAW7dy1g&utm\\_content=153147175&utm\\_source=hs\\_email](https://gfintegrity.org/report/acres-of-money-laundering-why-us-real-estate-is-a-kleptocrats-dream/?utm_medium=email&_hsmi=153147175&_hsenc=p2ANqtz-_dQDkw9bsAsfZWejIcFezC6_eVikqfH6VqfmPIVWO7sNCCzRqzGBiK6QeYxEJOrVCZoBu_Bt9ku9K1A0cqSyAW7dy1g&utm_content=153147175&utm_source=hs_email)

<sup>52</sup> Wikipedia – *Real-estate bubble* – accessed September 19, 2021

<sup>53</sup>Ladislau Dowbor and Hélio Silva (Orgs.) – *Intellectual Property and Right to Information* – EDUC, 2014 – See in particular the chapter *From Intellectual Property to the Knowledge Economy* -

<https://dowbor.org/2014/06/ladislau-dowbor-e-helio-silva-org-propriedade-intelectual-e-direito-a-informacao-educ-2014.html> - See the review of *The Entrepreneurial State* (2011) at

<https://dowbor.org/2019/10/mariana-mazzucato-the-entrepreneurial-sate-debunkiong-public-vs-private-sector-myths-anthem-press-new-york-2015.html>

world reserve currency, allowing the United States to issue, for more than 70 years, dollars that become reserves in central banks around the world: Americans can issue currency, buy assets, companies or land in different parts of the world, paying with the dollars they issue. The country is the only one that can issue money without generating inflation, as the money circulates abroad. In the late 1960s, De Gaulle, then president, characterized the process with the phrase “we pay them to buy us”, when he saw how they bought French companies with issued dollars. Pressure led the United States to break with the Bretton-Woods agreement, delinking the dollar from gold guarantees in 1971. But today the process continues with “Quantitative Easing”, with the simplicity of virtual money. The successive US wars were essentially financed with monetary emissions, and the process continues to disrupt the international system. It is no wonder that there are attempts to move away from the dollar in international transactions. It's a worldwide toll.<sup>54</sup>

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This is not a semantic discussion. For far beyond wage exploitation, we have to better understand the current mechanisms of appropriation of the social surplus through generalized indebtedness, the extortionate increase in dividends, endless patents, tax evasion, tax havens, the appropriation of the planet's natural capital, from the micro-drainage of resources through tariffs, from fees on international transfers, from charges on credit cards, from the rent-seeking of monopolies, from demand monopolies, from real-estate speculation, from the trading of personal information, from individualized advertising manipulation and other mechanisms that we understand much less, and that we are individually incapable of coping with. An extortionate salary can lead to a strike, fights, paralysis and agreements within a company. Who is extorted by a high interest rate will manifest in front of a bank branch? An important part of what you pay on Uber goes to financial groups in the United States. There's no need to write a check or a money order: it's automatic. Immaterial money is very fluid, and it leaks out all over the place. The more private intermediaries drain our resources, the more they divert our attention to taxes. The state has become the great scapegoat, but you just have to follow the money to see who gets it. Besides, who owns the State in Brazil in 2022?

It is important to remember that the world financial system does not generate its profits just by making money with money (*pecunia pecuniam parit*, as the ancients said). Practical example: I, in São Paulo, pay 200 reais for my cleaning lady's day. She has health problems, and with the weakening of the SUS public health service by the government, she started to pay for a private health plan. In this case, the financial group that controls this health plan has BlackRock as a shareholder. Thus, part of the money I pay my cleaning lady will contribute to BlackRock shareholders anywhere on the planet. These are very diverse forms of micro-draining money that penalize billions of people. Someone has to pay for the gigantic profits of the asset management industry and other financial agents that dominate today: new technologies make it possible to run a web of drains that reaches the base of society anywhere on the planet. Each of us

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<sup>54</sup>The mechanism was described in the now classic *The American Challenge*, (Le défi Américain) by Jean Jacques Servan Schreiber, 1969, and is now widely discussed but insufficiently publicized. The present impact is detailed by Michael Hudson, *Destiny of Civilization*, ISLET, 2022 - <https://dowbor.org/2022/09/destiny-of-civilization-finance-capitalism-industrial-capitalism-or-socialism.html>

contributes when we make a card payment, or take an Uber. Inequality has solid roots and we are all floundering in the web.

The transformation in the forms of exploitation forces us to rethink how we organize the public decision process. With the pandemic, for example, the exploitative nature of the large pharmaceutical industry became evident, and people began to realize the importance of rethinking the patent system. The almost zero payment of taxes by unproductive billionaires shows how important it is to generate an articulated international collection system. The blocking of access to scientific knowledge by oligopolies shows the need to expand *Creative Commons*, *Open Access* and other free and collaborative mechanisms of scientific communication. Wikipedia shows what works: collaboration rather than competition. The widespread indebtedness of families, companies and States points to the need to ensure, through public finances and proximity finance, that resources are directed towards sustainable development. The weight of the asset management industry and financial corporations in general, BlackRock and the like, needs to be drastically reduced: it's not their money, and they are managers of unproductive capital.

The general vision is that when the mechanisms of appropriation of the social surplus change, the lines of pressure must also change so that the resources, which belong to society and not to intermediaries, return to serve society. In other times the struggle was to socialize the means of production, the factories. Today, power over the factories themselves has shifted: the main challenge lies in the unproductive asset managers who have taken over, including the public system, such as the Central Bank in Brazil. The “autonomy” of the Central Bank is part of it: it passes from government control to control by the banks themselves.

A particularly complex challenge is that the drain on society's economic resources, through the most diverse types of intermediaries, also affects the political basis of transformations. Large communication platforms and online financial services systems, and even the current primary export system, generate very few jobs. We are in the age of uberization, telemarketing, precarious jobs and the mass of underutilized workers, as we have seen, because the economic toll systems that have come to predominate simply do not need many workers. “What is new in the world of work in Brazil is precisely the platformization, which throws a shovel of lime in the historical process of flexibility and precariousness of work, now in partnership with financialization, datafication and neoliberal rationality.”<sup>55</sup> The social transformation force represented by formal workers in large companies has diminished in number, has become more fragmented into specialized segments, often handled at a distance by algorithms, and unions and various forms of representation have weakened. The precariat takes us to another concept of class struggle.

And the digital revolution, which characterizes the new times, leads us to think about the potential for a profound cultural change in society, shifting the main axis of social relations based on competition to a society centered on collaboration. This is not a humanist dream, but the fact that in a society where the main factor of production is knowledge, collaborative processes are simply much more productive than competition. Robin Ahnel summarizes: “Campaigns that are already underway can begin with the

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<sup>55</sup> Rafael Grohmann - *To overcome the dystopia of digital exploration* – Outras Palavras, August 23, 2021 - <https://outraspalavras.net/trabalhoeprecariado/para-vencer-a-distopia-da-exploracaodigital/>

transition from an economy of competition and greed to an economy of equitable cooperation.”<sup>56</sup> Grohmann presents the numerous initiatives to rescue the potential of connectivity for collaborative network management: “Cooperative platforms can belong to workers, consumers or multilaterals, which shows the multiple possibilities in their institutional designs.” These are new fronts of struggle, far beyond the level of remuneration issue. The technological process will not be reversed, it needs to have its political meaning reversed so that it serves society, and not the platforms themselves.

This transformation has a solid foundation: when the main factor of production is knowledge, which with online connectivity can be replicated to infinity without additional costs for those who produced it, we can generalize access, remunerating only the initial costs of its generation, and multiplying the benefits for millions of users. In China, within the framework of CORE (China Open Resources for Education), an innovator receives a bonus from the institution, and the progress is passed on to the entire network of universities and research centers, so that no one is reinventing the wheel, everyone works on the crest of innovation. A systemically innovative collaborative environment is generated. Wikipedia, *Open Access*, *Creative commons*, MIT's OCW and many other experiences, presented among others in the book *Wikinomics*, point to a much more balanced and productive path.<sup>57</sup>

The process of interactive and collaborative construction of knowledge in networks is fairer, as it allows reducing the impact of middlemen who block access to knowledge that could multiply the productivity of other agents. Gar Alperovitz and Lew Daly bring an excellent analysis here, in the book *Unjust Deserts*, reminding us, for example, that if it weren't for the advances in transistor and microprocessor technology developed by others, a Bill Gates would be in his garage playing with cathode tubes. We pay fortunes for a product to which a company has contributed very little, taking advantage of knowledge developed by other institutions and research centers, and destroying competitors. Today we are forced to use Word, for example, simply because we must use what others use. There is no market or competition, only demand and rent monopoly. How long will we be paying this toll? Knowledge is a social construction, and its return must be for society. The aim is not to control knowledge, it is to free it from the middlemen.<sup>58</sup>

Planetary connectivity allows much more horizontal management in networks, instead of gigantic pyramids of vertical power. The planet's wealth, the result of scientific advances and the development of productive capacity, has reached a level that today would allow everyone to live in a dignified and comfortable way, all that is needed is a moderate redistribution of wealth, and in particular the control of the financial drain by the of unproductive economic agents. The war of all against all, *homo homini lupus*, with modern technologies of war, cyber-sabotage, biological manipulation, surveillance

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<sup>56</sup>Robin Ahnel (postscript by Noam Chomsky) – *Economic Justice and Democracy: from Competition to Cooperation* – Routledge, New York and London, 2005, p. 254 - Important reading is also Paul Mason's book, *Postcapitalism*, Penguin, UK, 2015

<sup>57</sup>Don Tapscott and Anthony Williams– *Wikinomics: how mass collaboration changes everything* – Penguin, US, 2006 - <https://dowbor.org/2008/03/wikinomics-2.html> - A classic in the field is evidently Manuel Castells, with his studies on the network society: see for example *The Internet Galaxy*, Oxford University Press, 2001.

<sup>58</sup>Gar Alperovitz and Lew Daly – *Unjust Deserts* – New Press, 2008  
<https://dowbor.org/2010/11/apropriacao-indebita-como-os-ricos-estao-tomando-a-nossa-heranca-comum.html>

techniques, presents us with a destructive horizon. We are all crew members of spaceship earth, but there are those who prefer to be luxury passengers, or even commanders, and are destroying the spacecraft itself.

Exploitation through low wages, the traditional surplus value extracted from workers, is undoubtedly still present. But the appropriation of the social surplus has radically expanded, by middlemen of different types, who charge tolls on practically all our activities, whether they contribute productively or not. There is no doubt about the financial, media, military control power, even over persons by the individually directed algorithms, on the part of corporate giants. But it is also a fact that they are not only unproductive, but also destroy our natural basis for survival, throw us into a situation of explosive inequality, force the mass of the population to resort to humiliating activities to survive in the informal sector, when the accumulated wealth, the scientific knowledge and modern technologies are sufficient to allow the world to develop in a sustainable and balanced way.

In particular, there is no economic reason for so much destruction, violence and suffering. A simple calculation helps: the 100 trillion dollars that represent the world's GDP, divided by the world population of 8 billion people, are equivalent to over \$4000 dollars per month for a family of four. In Brazil, the equivalent is 13 thousand reais per month. With a moderate reduction in inequalities, with what we produce today, we could ensure everyone a decent and comfortable life, and pay for the measures to stop destroying the planet.<sup>59</sup> The slow-motion catastrophe we are experiencing is not inevitable. These are not economic “laws”, they are choices. Thomas Piketty makes this clear: “Inequality is first and foremost a social, historical and political construction. In other words, for the same level of economic or technological development, there are always multiple ways of organizing a property system or a border regime, a social and political system, a fiscal and educational regime. These choices are political in nature.”<sup>60</sup>

As Martin Wolf, chief economist at the Financial Times, wrote, this system has lost its legitimacy. It is a financial giant, but with feet of clay for holding back development. It is up to us to fight for a society that makes sense, looking at the collaborative potential that opens up with the digital revolution. Building the future holds more promise than trying to fix the past. The history of humanity has been dominated by minorities who appropriate the social surplus and who generate successive narratives or fairy tales to justify exploitation. And for those who don't believe in fairy tales, of course, there's the club. Exploration mechanisms, narratives and the club remain active. It is time for us to civilize.

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<sup>59</sup> The GDP is a technically fragile figure, but it is the most used reference, and enough to show that the central problem is not the lack of resources, but their bad distribution and allocation. For details, see my technical note *Beyond GDP: measuring what matters – 2021* - <https://dowbor.org/2021/02/o-debate-sobre-o-pib-estamos-fazendo-a-conta-errada-abr-2.html>. The *Stiglitz Report* provides a more advanced technical assessment, see <https://ec.europa.eu/eurostat/documents/8131721/8131772/Stiglitz-Sen-Fitoussi-Commission-report.pdf>

<sup>60</sup>Thomas Piketty, *Histoire de l'égalité*, Paris, Seuil, 2021, p. 20

### III - THE POTENTIALS WE ARE NOT USING<sup>61</sup>

Financial capitalism is efficient in extracting resources, but it is no longer an efficient organizer of productive processes. It may be efficient at the internal level of a company's organization, in the sense of maximizing financial returns, but its systemic inefficiency is simply staggering. Keynes, in the 1930s, was already amazed at so many people unemployed with so much to do. Today this understanding is more important than ever. Waiting for the markets to bring the answers with the 'invisible hand', reducing their taxes, eliminating regulatory mechanisms, turning a blind eye to environmental disasters and the explosive inequality they cause is nonsense. Productive inclusion is something to be organized, taking advantage of all resources, both market mechanisms, public planning and regulation, and the participatory organizations of civil society. A very useful approach suggested by Ignacy Sachs, is to make an inventory of the underutilized resources, the stalled potential that exists in the country. This allows for a broader approach, an understanding of the pieces that need to be articulated.

The underutilization of production factors in Brazil, a theme that involves both economics and politics, has everything to do with the structural dimension of our dramas. It's a practical view. Anyone who has ever managed a company, a project, a territory, when seeing people unemployed, factories working way below capacity, land underutilized, financial resources rolling in speculative casinos, thinks about how to bring the pieces together. So much idle capacity is a shame. It's a matter of organization, not of waiting for the 'confidence' fairy or the 'invisible hand'. Today's capitalism is impressively inefficient .

- **The underutilization of labor**

We return to the numbers we saw above, in more detail. The reality is shocking: in this country of 215 million inhabitants, formal private employment (excluding domestic work) is limited to 33 million people.<sup>62</sup> Adding 11 million civil servants, that's 44 million, just 42% of the workforce of 106 million. The underutilization of the workforce is a particularly glaring dimension of our economic fragility, as it is, in addition to the social drama, an enormous economic incompetence. The IBGE study *2019 Synthesis of Social Indicators* presents the basic numbers.<sup>63</sup>

As an order of magnitude, we have 40 million people in the informal sector. According to the IBGE, the income of these workers is around half of the income that the formal worker earns. These are people who essentially do their best in in unproductive

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<sup>61</sup>This chapter is based on the article published in the journal of the Federal Council of Economics, COFECON, and reproduced by Outros Palavras, 2021 - <https://dowbor.org/2020/09/1-dowbor-a-subutilizacao-de-fatores-de-production-revista-do-cofecon-jul-set-2020.html>

<sup>62</sup>“ The number of employees with a formal contract in the private sector, not counting domestic workers, reached the number of 33.5 million people in the third quarter of 2021” - <https://agenciabrasil.ebc.com.br/economia/news/2021-11/ibge-employment-with-signed-in-the-private-area-has-discharge-of-44>

<sup>63</sup> We work here with orders of magnitude. More recent details of variations do not change the structural situation. See for example <https://agenciabrasil.ebc.com.br/economia/noticia/2021-10/ibge-aumenta-emprego-formal-e-informal-mas-cai-rendimento-medio> , 2021

activities. “Se viram”, we say in Brazil. Being an ‘individual entrepreneur’ (*empreendedor individual*) no doubt often ensures a more dignified appearance to underutilization, but we see in uberization and irresponsible outsourcing itself what this can mean. And we have 15 million people who are formally unemployed. Adding the 40 million in the informal sector and the 15 million unemployed, there are 55 million, half of the workforce. To this contingent we must add the immense discouragement (*desalentados*), people who are of working age, but have given up looking. We can add people classified as employed, but who work only a few hours.

The underutilization of the workforce, in a country where there is so much to do, is absolutely shocking. In each of the 5,570 municipalities in the country, we have, for example, unemployed people and idle land. Green belts of small-scale agriculture can be organized around each one of them, simply by articulating the factors of production at a standstill. In Santos, in the time of David Capistrano, I followed the project in which the unemployed in the city were registered and organized in Operação Praia Limpa, which allowed for sanitation works to be carried out, removing sewage from the rainwater channels, which restored the bathing properties of the beaches, and consequently tourism, hotel activity and the like, transforming a temporary operation into permanent jobs. The mayor did not wait for “the markets”: he created the basis for their dynamism. Examples abound, economic and social planning largely consists of articulating underutilized factors.

A shameful ideological argument has always sought to justify inequality with the lack of initiative on the part of the poor: the poor do not need to be taught willingness to work, they need opportunities. This involves public planning and initiatives rather than ideological discourse.

- **The underutilization of land**

The 2017 agricultural census gives us another dimension of the underutilization of production potential. Brazil is immense. The 8.5 million square kilometers correspond to 850 million hectares. According to the census, 353 million hectares are agricultural establishments. In these, 225 million hectares constitute arable land, therefore available for productive activities, both because of the quality of the soil and the availability of water. What is shocking is that, adding up permanent and temporary farming, productive use in the full sense occupies 63 million hectares.<sup>64</sup> Rounding up, we have 160 million hectares of idle or underused agricultural land. This area is equivalent to five the territory of Italy. Do we need to burn the Amazon forest? Anyone who knows Europe or China, where the intensity of land use is very high, is amazed at the gigantic areas lying fallow in Brazil.

Much of this idle or underused land is occupied by extensive cattle raising. The boundary between productive and unproductive land has generated a wide debate due to the secular pressure for agrarian reform in the country. Using immense regions with around one hectare per head of cattle undoubtedly generates fortunes for meat-exporting

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<sup>64</sup>See summarized data from the 2017 agricultural census at [https://censoagro2017.ibge.gov.br/templates/censo\\_agro/resultadosagro/index.html](https://censoagro2017.ibge.gov.br/templates/censo_agro/resultadosagro/index.html)

conglomerates, but for those who know modern ways of raising semi-confined cattle, with livestock units planting forage, the waste becomes evident. In an immense part of Brazil, the soil constitutes only the base for an unproductive rentism. Extensive livestock generates very little employment, few taxes, and is articulated with the large international *traders* of commodities. The Economist recalls that in the hectare occupied by an ox in Brazil, 5 tons of corn or 28 tons of potatoes could be produced.<sup>65</sup> No wonder JBS, which is under the control of J&F Investimentos, has become the giant it is. The MST (Movimento dos Sem Terra) uses land in an incomparably more productive and sustainable way. The very necessity of a peasant movement to fight for access to land is absurd in Brazil.

Rescuing the ITR (Rural Territorial Tax), which in Brazil is a fiction, would undoubtedly stimulate productivity: as in Europe and other regions, the fact that they pay taxes on idle land encourages landowners to use it more productively, or sell it to productive farmers. In particular, it is necessary to tax rentism, in which idle land grows in value with the simple expansion of infrastructure and urbanization. In Imperatriz do Maranhão, more than 80% of the products on supermarket shelves come from São Paulo, over two thousand kilometers by truck, while immense stretches of still land sleep around the city, which is passively valued with urban expansion. The streets are full of unemployed adults. Are we waiting for “the markets” to sort it out?

- **The underutilization of capital**

As glaring as the underutilization of labor and land in Brazil is the underutilization of capital, which is transformed into family assets and financial investments instead of productive investments. This hampers the development of infrastructure, the production of goods and services and employment. In Brazil, few people make the essential distinction between financial investment and productive investment. In French, the difference between *placements financiers* and *investissements* is quite clear. The Economist distinguishes between *speculative investments* and *productive investments*, which is helpful. Mariana Mazzucato uses *financial investments* to characterize the difference. The fact is that in Brazil what the banks call investment constitutes an immense sterilization of our resources. Speculators like to call themselves 'investors'.

The 315 Brazilian billionaires featured in the special edition of *Forbes* are essentially owners of holding companies, shareholders, controllers of investment funds, and naturally bankers or bank shareholders. Many are simply heirs. Financial intermediation, as we have seen, has become a veritable extortion among us. One of the main mechanisms is usurious interest rates, representing as an order of magnitude per month what in the rest of the world banks charge per year. Examples of effective total cost of credit presented by ANEFAC (National Association of Finance, Administration and Accounting Executives) include, in March 2022, 84% on commercial installment purchases, 361% on credit cards, 147% on overdraft, 58% on personal loans at banks.

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<sup>65</sup>The Economist – April 30, 2022 – A broader view on the environmental catastrophe can be found in George Monbiot, *Regenesis: feeding the world without devouring the planet* – Penguin books, 2022



Inflation was around 6%. By way of comparison, interest on credit cards in Canada was 22% per year, reduced to 11% with the pandemic.

For legal entities, the average presented is 54%. All these rates have been at approximately the same level since 2013, regardless of changes in the basic interest rate (Selic rate).<sup>66</sup> The immense financial profits generated a political force that knew how to stop Dilma's attempts to reduce interest rates, in 2013, with the political cost that we know. With Joaquim Levy, a banker put in charge of the economy in 2015, as part of the impeachment process, interest rates rose again, and loan sharking continues to this day. The result is that two essential forces propelling the economy, household demand and business investment, were drastically limited, even before the pandemic, which worsened unproductive wealth extraction. The last year of significant growth of the Brazilian economy was 2013, of 3.0%. With the offensive against the inclusive and distributive phase in 2013 and 2014, the Lavajato war and the pre- and post-electoral chaos, the Brazilian economy is in the ninth year of paralysis.<sup>67</sup> The drain of resources by financial groups has dismantled the economy and kept it at a standstill.

In terms of economic theory, the concept of financialization has become essential. The works by Thomas Piketty, Joseph Stiglitz, Marjorie Kelly, Ann Pettifor, Ellen Brown, Hazel Henderson and many others are allowing a turnaround after 40 years of neoliberal discourse dominance. The basis is simple: the production of goods and services in the world increases by about 2% to 2.5% per year. Yields from financial investments in high volumes are between 7% and 9%. Between interest and dividends, earning money, big money, has largely been divorced from production processes, and capital goes where it earns the most. The basic mechanism for appropriating the social surplus has shifted: to exploit a wage earner, the entrepreneur must at least generate a job. Today, household indebtedness is widespread, absurd card fees affect everyone. And high dividends in productive companies make productive expansion limited.

The effectively productive entrepreneur does not need “confidence” or ideological discourse, he needs families with purchasing power, to have someone to sell to, and cheap interest to be able to finance production. In Brazil, he has neither. After so many years of “Ponte para o Futuro” (Bridge to the Future) in various formats, a narrative justifying austerity, companies in Brazil are working with 30% idle capacity. David Harvey is right, what was capital, therefore money inserted in the process of productive accumulation of capital, today is essentially private wealth. Between 2020 and 2021, the 315 Brazilian billionaires increased their wealth by 700 billion, an increase of around 50% in a stalled economy. At the beginning of the pandemic, in the 4 months between March and July 2020, the more restricted group of 42 billionaires in dollars had increased their fortunes by 34 billion dollars: it is the equivalent of 6 years of Bolsa

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<sup>66</sup>See Pesquisa de Juros, ANEFAC, June 2022 -

[https://www.anefac.org/files/ugd/bed087\\_b05a0d5eff1d4300997aff1bb4642296.pdf](https://www.anefac.org/files/ugd/bed087_b05a0d5eff1d4300997aff1bb4642296.pdf)

<sup>67</sup>The year 2014 can be considered the year of transition to the austerity phase, with the consequent paralysis of the economy. Dilma is formally removed from power in 2016, but the shift from the distributive phase to the so-called austerity phase takes place earlier. There is no significant economic growth with the 'Ponte para o Futuro' neoliberal program, and the 'austerity' policy from 2015 on. The pandemic has only exacerbated an already established economic paralysis. Saying that Dilma broke the economy, and that they came to fix it, is a comfortable transfer of responsibilities. Distributive policies work, and they will have to be resumed.

Família, which reached 14 million families. But this is just for 42 persons, in 4 months, in the middle of the pandemic.<sup>68</sup> Bearing in mind that since 1995 this type of earnings has been tax-exempt (*Lucros e Dividendos Distribuídos*), and that the profits are essentially from unproductive activities.

The economic dynamics of China, or South Korea, for example, is not a miracle, it was simply a matter of ensuring the orientation of financial resources towards productive activities. A UN report sums up the issue: “Prosperity for all cannot be ensured by austerity-minded politicians, rent-seeking corporations and speculative bankers. What we urgently need now is a new global compact.”<sup>69</sup> We need productive capital, not smart speculators.

- **The underutilization of scientific-technological potential**

Today the main factor of production is knowledge. What is taking shape is much more than “industry 4.0”. The change is seismic. Here we adopt the view expressed in *New Scientist*: “Technology has such a great potential that the general expectation is that its impact will be as profound as that of the industrial revolution.”<sup>70</sup> It is not just money that has become dematerialized, simple magnetic signs recorded on computers, it is the whole of the economy that shifts its forms of organization to what André Gorz called *L’Immatériel*. It is no longer General Motors and the like that dominate the game, it is the financial and technology control systems, the GAFAM in the United States, the BAT in China, the SIFIs (*Systemically Important Financial Institutions*). At the center of the economy, there is no longer the factory, but the platforms, the wealth managers, the controllers of communication and personal information.<sup>71</sup>

We can only be impressed by the Brazilian submission to the United States in the case of the 5G technology, the destructuring of the research capacities of Petrobrás, the closing of the program for training scientists abroad, the blocking of research and postgraduate grants, the badly aborted sale of Embraer, the country's transformation into a mere buyer of patents: the retreat in this area will have overwhelming impacts on the country's future. We have more than a third of the population without access to the internet, in an age where staying outside the digital system means social isolation and disconnection from economic dynamics. We still have universities where students just photocopy chapters in faculty folders.

We still lock access to scientific texts when MIT makes them available on the OCW (Open Course Ware) platform, China on the CORE (China Open Resources for

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<sup>68</sup>Data from Forbes, Year IX, No 89, August 2021 – See also data from Oxfam:

<https://dowbor.org/2020/07/bilionarios-da-america-latina-e-do-caribe-aumentaram-fortuna-em-us-482-bi-during-pandemia-oxfam-brasil-2020-3p.html/>

<sup>69</sup> UNCTAD – *Trade and Development Report 2017: Beyond Austerity, Towards a Global New Deal* – Unctad, Geneva, 2017, p. ii

<sup>70</sup> *New Scientist*, April 23, 2018

<sup>71</sup>We detail these transformations, and the gestation of a new digital mode of production, in *Beyond Capitalism: new social architectures* - Cambridge Scholars, 2021 – Brazilian edition: *O Capitalismo se Desloca* – SESC, São Paulo, 2020 - <https://dowbor.org/wp-content/uploads/2020/05/Dowbor-O-capitalismo-se-disloca-Edicoes-SescSP-2020.pdf>

Education) system. Japan for decades has had online systems of technological support for small producers, including family farmers. Finland 50 years ago launched the country's scientific-technological transformation, with public, free and universal educational programs. In Brazil, the privatization and distribution of *vouchers*, a proposal from the time of Ronald Reagan in the United States, is still being discussed. The underutilization of the population's immense creative capacity, by blocking opportunities for the majority, constitutes a crime against the next generations, and demonstrates a profound ignorance of what Jessé Souza aptly called *A Elite do Atraso* (the backward elite).

- **The underutilization of public policies**

Celso Furtado had a clear idea of the importance of the State and of planning. In our case, in the name of outdated ideologies, the country stagnates, but is also compromising its future. The idea of the 'minimal state' is simply stupid. There are things that private companies do better, such as producing tomatoes, bicycles or automobiles. Delivering basic services such as health, education, culture, security and other social policies to private groups leads to radical losses of efficiency. The largest economic sector in the United States today is healthcare, about 20% of GDP. The cost of the largely privatized American health services is \$10,400 per person per year. In Canada, where health services are public, free and universally accessible, the cost is US\$4,400. Canada is among the first in terms of the quality of the population's health, among the OECD countries, while the United States is among the last.

Mariana Mazzucato, in her *The Entrepreneurial State*, as well as in her most recent *The Value of Everything*, strongly emphasizes the importance of the role of the State in promoting policies. It is not about the size of the State, but about the multiplier effects, in terms of the country's systemic productivity, which a strong State guided by the interests of the nation can ensure. In our case, with the appropriation of key functions of the State by private groups, and the restriction of financial regulation, the whole economy has been harmed, even stalling so many productive companies that had supported the austerity narrative, and supported the political coup.

We entered the the pandemic crisis already with six accumulated years of economic and social paralysis, we have now completed nine years. Restoring the role of the State as an inducer of development, decentralizing public management, rescuing the role of planning in the articulation of underutilized resources, and in particular rescuing the regulation of the financial system, so that it finances what is necessary for the country, are starting points, simply necessary. It is impressive to read in the Financial Times editorial of April 4, 2020, already in the midst of the pandemic, that “governments will have to accept a more active role in the economy, and they must see public services as investments, not as obligations.” Here prehistoric economists speak of the minimal state and qualify public services as “expenditures”.

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Looking at the big picture, the underutilization of production factors in Brazil is impressive, and makes clear the central dimension of the economic and social paralysis,

which is the loss of systemic productivity and radical management incompetence. These are immense resources drained in an unproductive way, while the State, which is the main articulator of the set, is immobilized. The solutions lie in the organization of synergy: joining the fallow land and the unproductive workers, mobilizing finance to ensure scientific and technological support and productive investment, ensuring basic income that boosts the demand for growing production – there are no mysteries as to the measures to be taken. Instead of nonsense such as a minimal state, privatization, high interest rates, priority for exports or spending caps, measures that enrich unproductive elites, it is a matter of directing resources to where they will have multiplier effects. The common denominator of countries that work, even with different political systems, is to orient the economy towards the well-being of families, mobilizing for this not only companies but also the State and civil society organizations.

## IV - POLICY SUMMARY: PROPOSALS

This fourth part systematizes the proposals for a functioning society, an objective that involves economic dimensions as well as social and political organization, and in particular a displacement of the very cultural basis of what we call development. We group the proposals into four pillars: 1) productive inclusion, focusing in particular on our main challenge, inequality; 2) the financial mechanisms, focusing on the necessary measures so that the resources serve development, and not only private fortunes; 3) modernization of management, of decision-making processes that are currently inoperative, in the sense of decentralization and more social empowerment, including taking advantage of new technologies and network connectivity; 4) and rethinking the political base of support to the new dynamics of inclusive development, certainly facing income and wealth inequalities, but also those concerning territory, generations, race, gender, sexuality, seeking to rescue of human dignity for society as a whole: it is about the political-cultural dimension of the transformations that lie ahead, far beyond the GDP per capita figures.<sup>72</sup>

### 1) Productive inclusion

Productive inclusion as a strategic pillar is directly linked to the immense underutilization of production factors that we saw above. Lamenting public deficit when the financial source of public revenue, which is the country's productive base, has been paralyzed, makes no sense. Weakening the population's consumption, blocking access to social policies, reducing investments in infrastructure and increasing unemployment, all in the name of fiscal austerity, resulted in general paralysis. The proposals are aimed at boosting the economy from the bottom up, generating a virtuous cycle of development: income distribution, social policies, investments in infrastructure and public employment policies.

- **Ensure income at the base of society**

In Brazil in 2022 we have 33 million people going hungry, of which about 20% are children. That's a crime. But we have 125 million people in a situation of food insecurity. This in a country that produces food for export, simply because with the Kandir Law (1996), which exempts exports from taxes, and the appreciation of the dollar, exporting yields more for commodity traders. But there is also a lack of housing, a deficit of around 6 million units, and other basic goods and services deficits, while companies operate with an idle capacity between 25% and 30%, simply because of weak demand and lack of productive credit. This understanding is central to the design of a development strategy, as we have both unmet needs and underutilization of capacity.

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<sup>72</sup>We detail proposals to reorient our development in the book *O Pão Nosso de Cada Dia*, in an expanded edition of 2021 - <https://dowbor.org/2015/06/1-dowbor-o-pao-nosso-de-cada-dia-the-productive-processes-in-brazil-ed-foundation-pereu-abramo-sao-paulo-2015144p-isbn-978-85-7643-266-1.html>

Placing resources at the base of society, ensuring basic income, raising the minimum wage, rebuilding social security, guaranteeing minimum prices for small farmers – we know well how to ensure a greater flow of income to the base of society. It improves the wellbeing of families, stimulates companies, expands employment and does not generate inflation, as it did not during the productive inclusion phase from 2003 to 2013 in Brazil, nor in other distributive experiences such as the American New Deal or the Welfare State in many countries. And a stimulated economy raises returns to the State.

Some things cannot be lacking for anyone: it is a crime for children and adults to go hungry when there is food, for a mother not to be able to pay for medication for her children, people living on the street in sub-human situations. The Bolsa Família was an immense progress, it generated efficient forms of organization, but we cannot keep changing basic income according to political whims, with families that sometimes do not receive anything, sometimes receive 600 reais as in 2020, or about 300 with differences, or even 400 reais: the basics cannot be lacking for anyone, and universal access to a minimum is a matter of good economic sense, as it ensures a feeling of security and tranquility essential for the lives of families. We have the financial resources, we have developed all the necessary transfer technologies, and we know that it is politically right and humanly just to ensure a stable, predictable flow of income to the base of society. In particular, we know that in a country with immense underused resources, boosting the economy through aggregate demand is fundamental, and financial resources return with a surplus. To suggest that if people have a basic income they will avoid working is an intolerable prejudice, even belied by the facts: it is a floor, which allows people to build their own lives.<sup>73</sup>

- **Ensuring investments in social policies**

Family wellbeing does not depend only on money in your pocket. As an order of magnitude, 60% of the families' economic security depends on being able to pay bills and purchases, but the other 40% depends on access to collective consumption goods: we need security, but police stations cannot be bought. You don't buy schools, hospitals, parks, clean rivers, tree-lined streets and so many essential services for a dignified life. The *Teto de Gastos* law and other limitations on the provision of social policies with universal free access constitute an economic nonsense. Privatizations in the health area result in the disease industry (see the costs and inefficiency of private health plans), in education they generate elitism and an authentic diploma industry, in security they generate militias, as we see both in Brazil and in the United States.

Instead of ideological discourses about 'minimal state' and 'fiscal austerity', we have to rescue the public dimension and universal access to services that are, after all, absolutely essential, such as health, education, security, and, of course, environmental sustainability. With the exception of the United States, developed countries ensure public, free and universal access simply because it is incomparably less bureaucratic

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<sup>73</sup>Eduardo Suplicy's works are very enlightening: more than left-wing politics, it is about human decency, as well as economic common sense. While we discuss politics, let the children eat. The study *Basic Income and the Left*, by Philippe Van Parijs, (2020), systematizes the arguments.

and more efficient, as we saw above in the comparison of health services between Canada and the United States.

For Brazil, rebuilding social policies through public services is particularly important, insofar as public, free and universal access constitutes a powerful tool for reducing inequalities, our main structural challenge. And the systemic impacts are immense, as a healthier population, with increasingly higher levels of education and scientific knowledge, with more access to culture, and sustainable policies, will not only have a better quality of life, but will also become more productive. Qualifying social policies as “expenditures”, and placing a ceiling, while resources transferred to financial groups are qualified as 'profits and dividends' and tax-exempt, is simply absurd in economic terms, yet understandable in terms of the interests of financial corporations that drain the country. Social policies are investments of prime importance for our future.

- **Expanding investments in infrastructure**

Free and universal access to social policies is essential for the well-being of families, which is the aim of development, but also for the productivity of the entire production system: a healthy, well-educated workforce, wealth of cultural activities, security, better social balances are essential for a dynamic country-building environment. But equally important are investments in infrastructure, which both improve the comfort of families – with paved streets, public transport systems, internet infrastructure, access to cheap energy, water supply and sewage treatment systems, for example – and improve the productivity of companies. In this sense, the use of public resources can be greatly expanded, as it improves social productivity and ensures a return on investment. What is essential, of course, is to invest in a planned manner in order to increase the economy's systemic productivity. It's productive investment, not “expenditure” as the austerity theories present it.

The role of the State is fundamental, as evidenced by investments in infrastructure both in Europe and in China, South Korea and other countries: integrated and articulated networks of transport, communications, energy and water and sanitation infrastructures ensure savings for productive activities. The options guided only by private interests, as in the case of transport in Brazil, have led to the transport of people in cities being largely individual, the transport of cargo essentially by road and truck, the intercity transport relying heavily on planes – in all cases the least efficient options compared to mass public transport, cabotage and freight rail networks, and high-speed trains for regional intercity mobility. The environmental costs are also the highest. In other words, with planning, there are immense gains in terms of systemic productivity to be recovered.

Here, Brazil has both the financial resources and the technical capabilities, but investment has been taken over by private corporations, with little public control. Short-term profit maximization does not work for infrastructures, which need a systemic long-term approach. You do not build more or less railways according to market fluctuations. The reorganization of infrastructure in the country can be the source of a set of labor-intensive initiatives, policies that generate at the same time better systemic productivity

through the quality of infrastructure, income for families through the jobs generated in the construction of infrastructures, and dynamization of the aggregate demand at the base of society.

- **Public employment policies**

The immense mass of underutilized human resources constitutes a challenge and an opportunity: as Celso Furtado suggested, when a person's production is zero, any activity is profit. The aforementioned *Operation Praia Limpa*, organized by the mayor of Santos David Capistrano in the 1990's, represents an example that can be multiplied throughout the country, depending on the circumstances: a register was made of the unemployed and underemployed in the municipality, and with resources from the municipality, basic sanitation works were undertaken, rescuing the balneability of the beaches, contaminated by sewage from buildings illegally connected to rain-water sewers. The result was the generation of jobs, with financing from the city hall. The indirect impact was the recovery of bathing on the beaches, the return of tourism, and the generation of numerous permanent jobs in hotels, restaurants and other services, in turn generating resources for the municipality. These are resources that multiply. Capistrano did not wait for "the markets" initiative.

Considering the dimensions of underutilization of labor in Brazil, including many technicians with higher education, waiting for "the markets" to solve it makes no sense, particularly considering the penetration of new technologies in production processes. The Biden Government is studying the *Public Employment Program*, India has municipal labor-intensive public project programs (*National Rural Employment Guarantee Act, 2005*) that guarantee 100 days of paid employment per year. Basic sanitation works, for example, which are usually labor intensive, generate savings in the health area that are on the order of 4 times the cost of sanitation: they are investments that generate employment and multiply resources.

National and international examples abound, the drama of unemployment, informality and the underutilization of human resources, with all the suffering they generate, can and must be transformed into productivity: they are not expenses, they are investments. We need public employment policies, with the corresponding forms of organization, in particular municipal initiatives, since the workforce is local. The 5,570 municipalities in the country can be transformed into construction sites, with infrastructure, urban maintenance, afforestation, and so many initiatives that increase the systemic productivity of the territory.<sup>74</sup>

And there are countless opportunities for job creation by ensuring microcredit and technology support for small producers, local government purchases, price guarantees, improvement of transport and communications infrastructure, generalization of internet access and other measures that ensure better conditions for business initiative, as seen in

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<sup>74</sup>See in particular the research report *Política Nacional de Apoio ao Desenvolvimento Local*, <https://dowbor.org/2009/06/politica-nacional-de-apoio-ao-development-local-2009.html>, with contributions from Márcio Pochmann, Pedro Paulo Martone Branco, Juarez de Paula, Paulo Vannuchi, Sílvio Caccia Bava and Ladislau Dowbor. See also Pavlina Tcherneva, *The Case for a Job Guarantee* – Polity Press, 2020 - <https://dowbor.org/2022/05/the-case-for-a-job-guarantee.html>



so many undertakings in the 2003-2014 decade, for example with the productive and guided microcredit program of public banks. It is about freeing productive capacities and potential immobilized within the framework of the absurd “austerity” policies, in which the country was paralyzed in the name of fiscal responsibility, while generating unproductive financial fortunes.

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This first pillar, which we can summarize as productive inclusion, follows the general orientation of stimulating the economy as a whole from the bottom-up, expanding the demand for goods and services for individual consumption, access to goods and services for collective consumption such as health, education and security, investments in infrastructure that improve overall productivity, expanding infrastructure and tapping into the immense underutilized potential of manpower. All of this represents investments on the part of the State, but by enhancing the use of idle resources, it generates a return. Demand at the base of society stimulates production and business investment, access to public goods for collective consumption reduces costs through economies of scale and organization, better infrastructures reduce production costs in all sectors, while better use of the labor force generalizes both the well-being of families and systemic productivity. It's a win-win process.

## **2) Financing policies**

The productive inclusion policy involves the intelligent use of money, which in economics we call the rational allocation of resources. We saw above that Brazil is not a poor country, it is a country where financial resources are diverted to unproductive activities, natural resources to export (without paying taxes), public services to international private groups: it is the great corporate spree that characterizes post-2014 politics. To repeat, what we produce annually of goods and services, the GDP, of \$1.8 trillion dollars in 2021, for a population of 215 million inhabitants, represents about \$2,600 dollars per month per four-member family. We are not a poor country. With taxes around 34% of GDP, the State has sufficient resources to finance the necessary policies. The central problem is the profound distortion of the incidence of the tax burden, the generalized usury in the credit system, the use of exported natural resources for financial fortunes instead of funding development, and a fiscal policy that privileges financial groups and intermediaries that drain the economy instead of promoting it. The four main necessary shifts refer to tax policy, credit policy, the productive use of natural resources exports, and fiscal policy oriented to inclusive development.

- **Tax policy**

Tax policy in Brazil is unfair, unproductive and inefficient. The debates in Congress are endless because it is in the hands white and rich men, who organize the collection and use of taxes for their own benefit. The bottom line is that well managed countries use taxes to redistribute, resulting in a better balanced society. In Brazil taxation is used to

concentrate even more. We need progressive, not regressive, taxation. Half our taxes come from indirect taxes, built into the prices of the products we buy. As the mass of the population spends almost everything they earn on purchases, the country's poor pay proportionately much more. We are one of the few countries with this nonsense. The income tax plays a small role, when it should be a tool to reduce inequalities: a maximum rate of 27.5% makes me as a teacher pay the same as the rich. Since 1995, distributed profits and dividends have been tax-exempt, deepening inequalities. We all need public services, social policies, infrastructure. The rich who say that “tax evasion is not theft” like to have their children study in public universities, to live with paved streets. Obligations must be balanced. The ethical principle of reducing injustices is fundamental.

In this country where structural inequality is the main obstacle to development, we must also think about taxes in terms of the productivity of taxation itself. The ITR, Rural Land Tax, is practically not charged, which means that we have immense areas of idle land, in the hands of those who neither use nor let it be used, waiting only for the long-term appreciation that results from the opening of roads, of demographic pressure and other factors. Charging a tax on idle land encourages landowners to work it, or sell it to anyone who will work it. Idle capital needs taxes so that it is stimulated to return to production. This also applies to the tax on profits and dividends (exempt since 1995), this absurdity that generates a universe of unproductive financial investments. It also applies to the Kandir Law, which exempts production destined for export. The propaganda slogan at the time, 1996, was “exporting is what is important” (*Exportar é o que Importa*), a smart play of words but a tragic blunder. Today, the only productive sector that works is exporting primary goods, generating a technologically advanced neocolonialism, disastrous for the country: it generates few jobs, but many environmental disasters, and decapitalizes the country instead of using natural resources to finance industrial development. The systemic result is generalization of unproductive financial fortunes, in particular international ones, as well as environmental disasters and reprimarization of the economy.<sup>75</sup>

A third deformation of the tax system is the extreme concentration of resources in Brasília, with very limited access to resources by state governments, and in particular by the country's 5,570 municipalities. With 87% of urban population, practically all the municipalities in the country now have urban centers that allow an effective decentralization of access to resources, for differentiated use depending on local realities. Local authorities in Sweden manage around 70% of public resources, in Brazil we are on the order of less than 20%, with mayors traveling to Brasília to seek favors from central government, turning politics into permanent bargaining. It is important to

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<sup>75</sup>As we have seen, it also generates catastrophic hunger, which affects even millions of children. Brazil, which, for example, with 11 million tons produces enough rice for the entire population, favors exports in the midst of rising food prices and an explosion of hunger: “According to Abiarroz Exports manager, Carolina Telles Matos, the increase in global demand for the cereal and the intensification of promotional actions of the Brazilian Rice Project – developed by the association in partnership with Apex-Brasil – contributed to the good performance of foreign sales in the sector last month.” Brazil had been taken out of the FAO hunger map in 2014. *Canal Rural*, 10/20/2021 - <https://www.canalrural.com.br/noticias/brasil-aumenta-exportacoes-de-arroz-em-setembro-mesmo-com-dificuldades-no-frete/>

remember that the integrated computerized system makes it possible today to follow the flows of resources, and that the smaller municipalities have organized themselves into inter-municipal consortia that ensure another level of efficiency. The general principle that has characterized the systems that work is that money is used more efficiently when the decision on its use is closer to the communities concerned. China, according to Kroeber, is even more decentralized than Sweden: it has a politically strong central government, but initiatives and organization are local.<sup>76</sup>

The current tax policy is simply scandalous, and paralyzes the country. It is unfair, unproductive and inefficient. The argument is made that making the rich pay taxes will make them take the money abroad. They don't have to run away: tax evasion today is already on the order of 8% of GDP, and we have hundreds of billions of dollars in tax havens. We need to rescue the tax policy in the country, in a fair and honest way.<sup>77</sup>

- **Credit policy**

The money that is in the banks is ours, it belongs to the population and the companies, not to the banks, institutions that can be private but have to receive authorization from the Central Bank, a charter that authorizes them to work with the money of third parties. Even the money that finances the public debt is our money, from our taxes. The essential thing is that the financial intermediaries who manage our resources must do so in a way that is useful to society. In Brazil, the financial intermediation system, instead of providing intermediation services and promoting the economy, has become a system of financial drains, blocking household consumption, business investment, and public policies through the public debt service. I present the mechanisms in detail in my book *The Age of Unproductive Capital*, in particular in chapter 12.<sup>78</sup>

The essential deformation, in economic terms, is that intermediating other people's money, or issuing papers and even money in the form of debt, is more profitable than investing in production. When interest rates, and we have to include the numerous fees and “reciprocities” charged, are higher than the income that they guarantee to borrowers, the result is people and companies indefinitely indebted, who “roll over” the debt without being able to get out of the indebtedness cycle. A simple reference point would be to use the average interest charged in OECD countries. As we have seen, and to have an order of magnitude, interest on the revolving card in Canada is 11% per year,

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<sup>76</sup> Arthur Kroeber – *China's Economy* – Oxford University Press, 2016 - <https://dowbor.org/2016/11/arthur-r-kroeber-chinas-economy-oxford-oxford-university-press-2016-isbn-978-0-19-023903-9-320-p.html>

<sup>77</sup>The best study and systematization of well-quantified proposals, *A Reforma Tributária Necessária*, 2018, was coordinated by Eduardo Fagnani, with the participation of about 40 researchers. It is available in full at <https://dowbor.org/2018/06/eduardo-fagnani-org-a-reforma-tributaria-necessaria-anfip-fenafisco-plataforma-politica-social-sao-paulo-2018.html> See also Fenafisco, <https://fenafisco.org.br/28/07/2020/tributar-os-super-ricos-para-reconstruir-o-pais-fenafisco-e-entidades-parceiras-lancam-propostas-para-the-promotion-of-tax-justice/>

<sup>78</sup>L. Dowbor – *The Age of Unproductive Capital* – 2019 – Available at <https://dowbor.org/2017/11/2017-06-l-dowbor-a-era-do-capital-improdutivo-outras-palavras-autonomia-literaria-sao-paulo-2017-316-p.html.html>

while in Brazil it is around 380% in mid-2022. And the policy adopted by President Dilma in 2013, which was to use public banks to offer credit to the economy with adequate interest rates, must be resumed, thus forcing the rupture of the cartel of large banks and the loan sharking that it allows. This also involves installment plans in commerce, which in Brazil generate fabulous profits for large commercial networks that have become more financiers than commercial intermediaries.

The measures, here too, are known, the Central Bank must once again play a regulatory role in the credit system, banks must once again serve the society whose money they manage, and not just serve themselves. Adopting measures close to the OECD average not only would ensure this functionality, but would also prevent speculative flows with the external financial market. The limitations are political, not technical or financial. Both national and international shareholders got used to draining the Brazilian economy, generating unproductive fortunes in astonishing volumes. Any attempt to change the financial rentism system created in the 1990s generates violent opposition among the elites, as seen with the reduction of interest rates and taxation of speculative profits (*carry trade*) adopted by the Dilma government in 2013, and which originated the coup.

Much of the impunity with which financial groups drain the economy results from the population's lack of understanding of financial mechanisms, as can be seen with the absurdity of raising the Selic rate on the pretext of fighting inflation, a meaningless justification in an economy that is depressed, not overheated, or with the presentation of interest per month, when the rest of the world works with annual rates. The financial system needs to become transparent, and the Central Bank has an important role to play that needs to be rescued. The commercial media blame borrowers, saying they need financial education: no financial education will abolish the loan shark cartel.

- **Financial use of primary goods exports**

Brazil has immense natural wealth, in energy, water, minerals and agricultural soil. These riches must be used to finance the balanced development of the country. What we have seen in the most recent phase is a radical reprimarization of the economy, with de-industrialization, and loss of small and medium-sized enterprises and family farming linked to the internal market. With very advanced technologies, and under the financial control of international commodity traders, the export of primary goods has become the sector that has grown the most in the Brazilian economy.

Commodity production creates environmental disasters, generates few jobs, and has limited development induction effects by enriching shareholders and commercial intermediaries. Natural wealth is gradually exhausted, by the reduction of mineral reserves and by the weakening of soils and destruction of forest cover. Primary exports are only justified if the generated resources are used to get out of dependence on them. This involves the enrichment of the production chain, both upstream, with more local inputs, (scientific-technological basis, equipment, infrastructure) and downstream, for example soybean oil and other industrialized sub-products instead of exporting the crude product.

On the other hand, as these are essentially natural resources, which belong to the nation, such as oil, instead of being privatized and used to enrich international traders and their internal associates, they should contribute to financing the balanced development of the country, with more science and technology, education, industry and other sectors that allow to boost overall development. Privatization causes the profits of primary export activities to enrich international and national shareholders – privatization here means denationalization – while tax exemption (Kandir Law) causes resources to contribute little to financing public policies. What is needed is using the primary sector as leverage to boost more technologically advanced sectors and more related to the well-being of the country. What we have today is essentially a drain. In the case of widespread hunger, this is a scandal.

- **Rational allocation of resources: fiscal policy**

The country's main problem, in terms of financing, is not the lack of resources, but their allocation that favors unproductive financial gains instead of promoting the economy. As we have seen, part of the dynamics to be corrected is the tax policy, exempting consumption and productive activities and levying taxes on large fortunes and unproductive uses. Similarly, the credit policy should favor the financing of productive activities. Oil and other natural resources exports should be used to fund industrialization, social policies and infrastructure. And fiscal policy aims to rationalize the use of public money. Overall, public funding must seek the multiplier effects of resources. As we have seen above, ensuring a basic income generates a higher return than what the government passes on to the base of society. Financing basic sanitation generates savings by reducing disease costs. Financing support for family farming ensures productive effects that also multiply resources. Social security policies generate well-being and demand at the base of society.

Brazil acquired, through Caixa Econômica Federal and Banco do Brasil in particular, but also from regional public banks, a great capacity for productive management of financial resources. As of 2015, the priority became the increase in the banks' profit, and consequently of the shareholders, and not the multiplier effect of productive activities. In general terms, instead of pointing out the deficit and proposing a reduction in “expenditure”, in the name of “austerity”, the government needs to direct resources to boost the underutilized productive base, reducing the deficit through the expansion of the productive base. This involves prioritizing the productive inclusion that we saw above, with basic income, expansion of social policies and investments in infrastructure and employment.

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The basic problem is not “where” the resources come from – which is basically from taxes, but can also be from the conversion of foreign exchange reserves, debt or even public monetary issuance – but “where” they go: a good investment generates returns and balances the accounts. There is no way not to see the widespread looting of public resources that generated the situation in the country in 2022, with economic paralysis,

high public deficit, growing inflation, absurd interest rates, giving away natural resources, including oil, so important to finance development. The convergence of the absurdities of regressive taxation, of usury in credit policies, of privatization and of a fiscal policy that privileges financial corporations instead of promoting the economy, generates a catastrophe with simultaneously economic, environmental, political and social dimensions.

### **3) Management rationalization: the decision-making process**

We have the financial and technological resources, we know what must be done – at a global level, it is about seeking an economically viable, socially fair and environmentally sustainable society – and we even have the details in the 17 Sustainable Development Goals, 169 targets and over 200 indicators. We know our dramas, hunger, inadequacies and inequality in education, lack of health services, environmental destruction, financial chaos and so many problems we face. Systematizing, quantifying and publicizing our problems is fundamental, but when we have a convergence of so many critical dynamics, we have to think not only about the dramas, but about the management processes that generate them, or that prevent them from being faced. With absurd ideological simplifications such as waiting for the ‘markets’, minimal state, privatization, diversion of public money to debt service, and above all the generalized prioritization of financial gains, we have a crisis of the problem-solving process itself. The institutional impotence that plagues the country has to be faced, building the necessary governance, streamlining the decision-making process of society.

- **The State, corporate and civil society balance**

Markets alone present no viable solution. While in another era we had countless companies that faced each other in the market to provide adequate services, today we have corporate giants, platforms that control finances, communications, information and even private behavior and have decisive weight in parliament, in the executive and in a large part of the judiciary. The private appropriation of public policies is a central challenge, and it means that we have lost both the regulatory power of free business competition – which exists only in areas of small and medium-sized companies – as well as the medium and long-term planning systems that played and still play an important role in the European Union, in China and other countries. The globalized and financialized world has lost its two main regulatory mechanisms, business competition and economic and social planning. And we need both, besides rescuing the participation of civil society organizations. It is for society that both the State and businesses are supposed to be useful.

We are societies that are too complex to be managed by ideological simplifications such as neoliberalism. In the aforementioned study *O Pão Nosso de Cada Dia* (our daily bread), we proposed a set of solutions based not on ideological manichaeism, but on monitoring what works, under what conditions and with what forms of organization, in

the most diverse sectors: Producing cars, T-shirts and tomatoes can be regulated within the framework of private property and with market mechanisms, but large infrastructures such as transport, energy, communications and water and sanitation need a systemic vision, long-term planning and decisive participation by the State. Another vital area of the economy, which today has become dominant, which are intermediation services such as finance, commodity trading, legal intermediation and the like – the toll collectors of any economic activity – need regulatory systems and in particular state-owned sectors to reduce the force of cartelization. Nowadays the economy is dominated by intermediaries who say they “facilitate”, but in reality are bureaucratic middlemen. And a fourth area that has become a giant, that of social policies, with health, education, security and the like: where it works, it is ensured in the form of public policies, free of charge and with universal access.

In other words, when we look at how and where different areas of activity function properly, education in Finland, urban policies in Denmark, the financial system in China, Germany and Sweden, the healthcare system in Canada, the conclusion is that it is not a matter of the maximum or minimum State, but of the State managing the sectors in which the public and systemic vision are essential. Companies producing consumption goods can regulate themselves by market mechanisms, within a legal framework that controls the formation of monopolies and environmental impacts. But large infrastructure networks need a long-term vision, systemic objectives and public planning, with strong State participation. Financial intermediation and communication platforms need to be strongly confronted with regulation, as they naturally tend to form demand monopolies. Social policies require decentralized and participatory forms of management, since they are capillary networks of services that must reach every home, every child, and every community, with an important role of civil society participation.

In other words, instead of ideological simplifications, we need to opt for the forms of organization and decision-making processes that work best according to the different areas of activity. We can call this mixed and articulated management systems. It is not about ideological simplifications, but the application of common sense. Privatizing Petrobras and subjecting the country to the fluctuations of international markets, when we have the raw material and the complete technical chain in our hands, is understandable by the interests involved, but it is a disaster for the country, and an idiocy in terms of management. Corporate control of public policies works for the corporations, not for the country, not for society. Public institutions must be built back in a more balanced decision-making process.

- **Decentralized network management**

Updated forms of management have shifted in both the public and private sectors. Large private corporations with units in numerous countries and in various sectors work with decentralized systems, articulated in a network, to optimize the decision-making process. In the case of Brazil, with its territorial dimension, regional diversity and 5,570 municipalities, the current centralized system, in which the allocation of resources ends up being essentially in Brasília, is irrational both for the base of society, which does not

have the resources corresponding to their role, and for the central government, mired in micro negotiations. The study by Marcélio Uchôa, *What municipal public managers need to know* (2021), shows in particular the impotence of small and medium-sized municipalities.<sup>79</sup> The decentralization of resources, accompanied by network online management, will allow the different levels of government to monitor in detail the financial flows and achievements, naturally depending on ensuring widespread digital inclusion, a precondition for any rational management of resources, with due controls, in this age of virtual money.

For municipalities, as we have seen above regarding the underutilization of management capacities, the decentralization of resources is essential, with the possibility of organizing proximity finance, municipal public banks (as in Germany, China, and in numerous other cases), community development banks, and evidently an increase in predictable public transfers, allowing for adequate local planning. The 1988 Constitution is distorted in the sense of more responsibilities having been transferred to the municipalities, but not the corresponding resources, requiring a reformulated federative pact. It is important to reiterate that the computerized network system allows the set of flows to be monitored at the various levels of government, while ensuring the necessary control and management flexibility depending on the diversity of municipalities and regions. As mentioned above, the research report *National Policy for Supporting Local Development* (2009) systematizes in 8 sectors and 89 proposals what could be a rationalization of the decision-making process at the level of the basic unit of public management that is the municipality.<sup>80</sup>

- **Digital inclusion**

With the shift of so many activities to the immaterial economy, good quality digital inclusion, the generalized connectivity of all economic and social agents, and even of individuals, have become fundamental. In terms of cost-benefit, digital inclusion is the initiative with the greatest multiplier effect, as it radically increases the options available to individuals, corporations and the various levels of public administration. In Brazil, it is a widely underused resource, as can be seen in the reports of the *Comité Gestor da Internet* (CGI), with a quarter of the population excluded, and a limited portion of the population with full quality access. Exclusion, or only partial digital inclusion, deepens inequality: how can children study without internet access?

Although it is associated with cutting-edge economic activities, today digital inclusion and access to technologies in general are vital for any small producer. The small farmer needs artificial insemination, soil analysis, meteorological information, price information, consultation with potential customers: connectivity breaks isolation, it even

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<sup>79</sup>Marcélio Uchôa – *O que os gestores públicos municipais precisam saber* - CRV, 2021 - <https://dowbor.org/2020/08/marcelio-uchoa-o-que-os-gestores-publicos-municipais-precisam-saber-ed-crv-2020-preface-dowbor.html>

<sup>80</sup> *Política Nacional de Apoio ao Desenvolvimento Local* – Inst. Cidadania, Sebrae, Fundação Banco do Brasil, 2009, 114 p. - <https://dowbor.org/2009/06/politica-nacional-de-apoio-ao-development-local-2009.html>



makes it possible to break the tolls of middlemen by facilitating the sale of production to the final consumer. It is important to remember that the transport network makes it possible to articulate the economic agents in the territory, but it involves very high costs. Network connectivity has very low costs, as electromagnetic waves come from nature, a natural vehicle for articulating all activities. The prices we pay for access do not result from costs, but from the high profits of oligopolies that charge tolls on transmission channels that belong to nature. As with water and energy supply networks, high-level and widespread access can be provided as a public service, essentially covering costs.

Digital inclusion initiatives such as Piráí Digital, which ensured public internet access throughout the municipal territory, with very low costs, show how an economy can be stimulated by freeing up access to communication, information and networking in all areas of activity. The experiences of Kenya and countless others show how direct contact between economic agents makes it possible to escape the costs imposed by banks and other financial or commercial intermediaries. In the age of the knowledge economy and society, the delay that Brazil is showing in the technical base and in the process of digital inclusion is catastrophic. The refusal of Minister Paulo Guedes, in 2021, to authorize the financing of 3.5 billion reais to ensure internet access in public schools shows a radical misunderstanding of national priorities and of the scientific-technological dimensions of development. In fact, with knowledge becoming the main factor of production in modern economies, ensuring performing systems of access for all has become essential.

- **The potential of collaboration platforms**

General connectivity opens new opportunities for the organization of participatory community management, through local collaboration platforms. While global platforms like Uber drain a huge part of what drivers earn, in Araraquara, for example, a local platform, managed by the municipality, ensures drivers earn 93% of what is paid to them. The Piráí example mentioned above ensures local businesses, public services and individuals are all connected, allowing for numerous forms of collaboration, without having to depend on the platform monopolies. In São Paulo, Casa Verde district organized a collaborative platform that ensures proximity solutions for production, culture, community organizations.<sup>81</sup> This liberation from the global platforms rent extracting and trading in personal information to generate marketing fortunes is essential, and allows us to escape the demand-monopoly system. Brazil already has 180 community development banks, with local currencies, and a synergy of local initiatives. It still has a very small participation in the credit system, but together with the financial cooperatives, it shows the potential of local collaboration platforms for community empowerment. It makes local resources work for the community, not for extractive

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<sup>81</sup> Fernando Camilher – Nosso núcleo Casa Verde – 2021 - <https://dowbor.org/2021/10/nosso-nucleo-casa-verde-desenvolvimento-local-sustentavel-fomentado-pela-vontade-do-territorio-e-pela-tecnologia.html>

financial and communication platforms. Arun Sundararajan presents an overview of the opportunities in the “sharing economy”.<sup>82</sup>

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It is important to understand that the management of large corporations such as banks, or producers and exporters of primary goods (agribusiness, mining), is nowadays very modern and advanced from the technological point of view, but prioritizes the maximization of profits, in an uncontrolled environment that has abdicated any link to national interests, even if they repeat their ESG commitment. There is no problem in exporting oil, if the taxes levied and the resources raised are used to finance industrialization and scientific advances. Public interest, however, has been drastically weakened, which allows privatized corporations to become drains of wealth instead of contributing to development. The functioning countries, as we have seen, ensure a reasonable balance between the State, companies (and in particular the transnational giants) and the different levels of civil society organization, in particular unions and other types of associations. In Brazil, dramas such as hunger, deindustrialization, reprimarization, scientific and educational backwardness, environmental disasters and other deformations are widely studied and known, but we need to turn our attention to the decision-making process that allowed and continues to deepen the divorce between the private short-term interests, including international ones, and the interests of the population. We need a modern management shock both in public administration and in its relationships with the various economic and social agents. We are facing the powerful, global and technologically advanced corporations with outdated institutions, both at national and international level. Reinventing government would not be an overstatement.

#### **4) The political foundations: democratization**

We need to realize that we are living in a make-believe democracy. The government of oligarchies and the submission to global interests, which is what has characterized our governance, deforms development insofar as it favors the reproduction of inequalities, and deepens the country's social fracture. The same process favors the erosion of the country's sovereignty, since the groups effectively in power are today essentially associated with the international financial giants, the commodity trading, the interests of the great powers for access to raw materials, without regard for the social, economic and environmental dramas generated. Alignment with external interests breaks the necessary balance between external pressures and the long-term needs of our development. There will never be total sovereignty in this interdependent world today, but if there is no government capable of negotiating Brazil's interests, the country will simply be used, a submission particularly deepened since the 2016 coup. Democratization and sovereignty

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<sup>82</sup> Arun Sundararajan – *The Sharing Economy: the end of employment and the rise of crowd-based capitalism* - Cambridge, MIT Press, 2016 - <https://dowbor.org/2016/09/arun-sundararajan-the-sharing-economy-the-end-of-employment-and-the-rise-of-crowd-based-capitalism-cambridge-mit-press-2016-isbn-9780262034579.html>

are vital to all our goals. This implies a radical reduction of inequality, since political democracy becomes a fake system if it is not accompanied by economic democracy.<sup>83</sup>

- **Participatory democracy**

Democracy is not just based on voting, it needs democratic forms of regular consultation, monitoring of programs, participation in different initiatives. As we have seen, this involves a strong decentralization of the decision-making process, particularly to the municipal level, which is where the population lives and knows the problems, the political characters, the challenges to be faced. This can perfectly coexist with modern forms of financial and results control, in the framework of decentralized network management that we saw above. These are not ideals, it is simply much more efficient for each city to be able to solve the problems of its daily life, the formation of a vegetable-fruit-farm green belt, employment policies, improvement of infrastructure and so on. Schools, colleges and universities can now articulate at regional levels for scientific exchange. This even improves management at the central government level, which can focus on broader issues.

Modern technologies appropriated by corporate giants have generated an intolerable system of centralization of power and concentration of wealth, disastrous in economic, social and environmental terms. Democratization, perfectly possible in technical terms, and with low costs, can open space for an appropriation of initiatives by the grassroots. In the age of knowledge, and with the available technologies, the idea of a decentralized and participatory society becomes simply realistic, as we see in many countries. The above-mentioned example of the Casa Verde neighborhood, in São Paulo, where a collaborative platform allows companies, clubs, samba schools and even families to articulate in their own neighborhood according to their needs and projects, shows the space of opportunities that connectivity has opened.

We are no longer in prehistory in which a minority had access to education and general knowledge. Everywhere today, there are educated people, and global connectivity allows for collaborative interactions. It is the basis of a much more participatory democratic system that we need to ensure, as a counterweight to the centralized system of interests of large corporations and their political articulations. It is essential to understand that when the main factor of production is knowledge, which is immaterial and, therefore, subject to infinite reproduction without additional costs, wide opportunities open up in which collaboration is more efficient than competition. In a way it is the technological basis of political transformation.<sup>84</sup>

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<sup>83</sup>For a broader discussion of the topic, see L. Dowbor - *Economic Democracy* - LAP Lambert Academic Publishing - 2011 - <https://dowbor.org/2011/03/economic-democracy-strolling-through-theories-revised-and-updated-march-2011-136-p.html>

<sup>84</sup>An important read is Jeremy Rifkin's book, *The Zero Marginal Cost Society*, 2015, <https://dowbor.org/2015/03/jeremy-rifkin-the-zero-marginal-cost-society-the-internet-of-things-the-collaborative-commons-and-the-eclipse-of-capitalism-new-york-palgrave-macmillan-2014.html>

- **Rescuing human dignity**

Inequality measured in economic terms, particularly in terms of income and wealth, remains fundamental. But its manifestations take place in complex social dynamics, in which economic inequality is articulated with inequality of gender, race, sex, regions, or even neighborhoods. Inequality has to be analyzed and tackled in the plural, just as the United Nations today works with the concept of multidimensional poverty. The broader concept of rescuing human dignity, which ranges from ensuring an economic floor for all, to confronting the most varied forms of arrogance, humiliation that affect most of the population, better reflects the systemic impact of the various forms of inequality. Economic contradictions remain essential, but their ramifications and differentiated manifestations go far beyond economic dimensions. We have to organize democratization to face the various forms of discrimination, in a systemic approach.<sup>85</sup>

The quota law adopted in Brazil was an impressive success, in particular because inclusion through education and access to knowledge in general have structural and long-term impacts, and will be increasingly decisive as knowledge in production processes continues to become more dominant. We saw in the case of communities organized by the MST how productive inclusion needs to be accompanied by a profound cultural change in personal relations, in the feeling of belonging to a broader social construction. Numerous economic activities, as we have seen with the solidarity economy initiatives promoted by Paul Singer, and the advances in cooperative systems, contribute to generating dynamics that are both productive and collaborative, in which the economic, political, social and cultural dimensions meet and become synergistic.

- **Restoring the relationship with nature**

Until relatively recently, environmental protection measures were defended by informed minorities, but today, with the scale of the catastrophes, more and more people are convinced that it is not a question of whales and pandas, but of our survival. It is undoubtedly easier to mobilize people around short-term problems, but the scenario has changed, and many, particularly in the new generation, have already understood and are mobilizing, as we have seen in the movements in Chile and in many other countries. It is a profound cultural change, which opens up the possibility of mobilizing people not only around their immediate challenges, but around systemic and medium and long-term challenges. We are going far beyond the “greens”. It is a challenge for humanity.

The basic concept of an economically viable, but also socially just and environmentally sustainable society, very present at the international level, is part of this broader dimension of the mobilization of society. On the one hand, this involves the State's ability to regulate, to curb dramas such as Mariana, burning of forests in the Amazon and the cerrado, pesticides in all foodstuffs and in rivers, and so on. On the other hand, it involves the immense potential of public employment policies, with basic sanitation,

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<sup>85</sup> The aforementioned book by Mário Theodoro, *A Sociedade Desigual*, constitutes a fundamental contribution to this discussion and policy reorientation.

urban afforestation, and so many possibilities, at the municipal level, with co-financing from the States and the Federation, generating at the same time employment, income and healthier life in the country. Equally important is the fact that the country adhering to coherent environmental policies is today of prime importance for international relations and the opening of markets. Environment initiatives can be powerful in building local and regional solidarity, and an overall orientation of the economy towards the common good.

- **A civilization based on knowledge and collaboration**

Is it too much to dream of a profound change in values, in the very culture of competition, exploitation, war of all against all? In reality, it's about avoiding the nightmare. Today we have an explosion of studies that show that we are rapidly heading towards the destruction of our own civilization, both because of the environmental dramas – we are part of the nature that we are destroying – and because of the explosive inequality that makes us ungovernable, and because of the disarticulation of this small progress that we have had, over the last few centuries, with the concept of a democratic society. The challenges are well summarized by David Wallace-Wells, in his *The Uninhabitable Land*,<sup>86</sup> and today we have countless studies that detail the step by step to revert the slow-motion catastrophe we face. The culture of war of all against all, with modern technologies, generates a dynamic that is simply destructive. It is not 'destructive' in the academic or parliamentary sense, but destructive in the physical sense, of our children and grandchildren, if not of ourselves in the pandemic that has spread across the planet. We have to learn to collaborate, and to put donkeys' ears, as had been done with bad students in schools, on the heads of billionaires who create this chaos.

The differentiation of specific interests and diffuse interests helps us understand the dilemmas. The majority of the Brazilian population undoubtedly supports the preservation of the Amazon, but these are diffuse interests, fragmented in the consciousness of millions of people, while the individual interests of corporations that profit from wood, soy, meat and ores lead to buying political parties, changing laws or promoting coups if necessary: these are organized interests that become much more powerful than the diffuse interests of humanity, and even expand their base of support with the payment of dividends to so many shareholders. We find this dynamic in the planetary contamination of aquifers, rivers and seas, in the expansion of climate change, in the destruction of biodiversity, in the reduction of hundreds of millions of people to despair and hunger. *The business of business is business*, justified Milton Friedman. How could so many businessmen and scholars repeat this idiocy?

Today we have the statistics, but not the power to change them. The WHO presents in detail the 8.2 million premature deaths caused by smoking, 7 million smokers and 1.2 million from passive exposure. About 4.2 million die from air pollution, 3.6 million from water pollution. A total of 15.8 million per year, with known, preventable causes. Obesity, caused largely by processed foods, causes an additional 5 million premature

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<sup>86</sup>David Wallace-Wells, *The Uninhabitable Land* – 2019 - <https://dowbor.org/2019/07/david-wallace-wells-the-uninhabitable-earth-life-after-warming-tim-duggan-books-penguin-new-york-2019.html>

deaths. Cancer, largely caused by chemicals, causes 10 million deaths annually, and today affects even young people and children. The companies contributing to these deaths know the numbers all too well. But the priority is to get more profits and dividends for shareholders, large financial groups. They all subscribe to the ESG principles. Do you remember how many years it took and what battle it was to get lead out of fuel? Or for tobacco companies to recognize that they knew about the cigarette's link to cancer? Are those who contaminate the water with pesticides uninformed? Do those who liquidate life in the oceans not know the numbers? Volkswagen didn't know about the deaths from particulate emissions? Or Exxon about climate change?<sup>87</sup>

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We briefly summarized four pillars of initiatives: organizing productive inclusion, ensuring the corresponding financial balance, updating the forms of management so that policies work, and broadening the political clout to make these changes possible. On this last point, we are drowning in ideological simplifications, particularly in economics, where we justify barbarism by stirring up the danger of an even greater barbarism. Eric Hobsbawm rightly wrote that the economic theories of the neoclassicals came to be defended as a theology.<sup>88</sup> The essential thing is that populations, civil society organizations, small and medium-sized companies, the set of social agents, need to have a much more active and daily presence in managing the interests of society. Faced with the strength of the world's large corporations, we will have participatory democracy or we will not have democracy. And in particular, we need to rescue more Paulo Freire, Franz Fanon and so many people on the planet who sought a dignified life for all. I would not hesitate to say that we need a new humanism, and the corresponding forms of organization of how society decides its course. Is this a dream? Once again, it is about avoiding the nightmare.

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<sup>87</sup> An important reading is the book by Nicholas Freudenberg, *At what cost?* published by Elefante in 2022. <https://outraspalavras.net/pos-capitalismo/dowbor-retrato-do-capitalismo-em-fase-senil/>

<sup>88</sup> Eric Hobsbawm – *The Age of Extremes* – Pantheon, 1994, p. 336

## REALISM AND HOPE

Back to the main issue: we know the dramas and challenges, we know what must be done, we have the financial and technological resources necessary to ensure everyone a dignified and comfortable life within the framework of a sustainable society, without having to impose oppressive egalitarianism. How long will we accept the absurd narratives spread by commercial media, financed by corporations, when we need an informed society and responsible governance? We are on the verge of no-return decisions. In the film *Do not look up*, the main character breaks down in tears in the interview on commercial TV, feeling helpless in the face of what he knows to be facts. George Monbiot, who is not a fictional character, but one of the best analysts of current reality, a columnist for *The Guardian*, says that he had a similar and humiliating crisis in an interview with the BBC: how long are we going to keep the make-believe, until when will we tolerate a system that is destroying us?

Vaccines against the pandemic and its successive variants were developed by private companies and public institutions in several countries, on the basis of genome knowledge built by thousands of public and private institutions, but their generalization is radically impeded by corporate interests. Depriving billions of people of access will favor the emergence of new strains, and selling the vaccine at high prices maintains the drama, even as it generates immense private fortunes. It's but just one more example: the deformation is systemic. The reversal of the depletion of the ozone layer, achieved through international collaboration, offers a rare example of the potential of planetary collaboration and common sense. Today we need to build this common sense in a generalized way, with an effectively informed society, and a policy aimed at the common good, and not just aimed at ensuring a comfortable institutional framework for the accumulation of fortunes at the expense of the future of us all. *Our Common Future*, at the end of the 1980s, already pointed the way. Today we have the Sustainable Development Goals, many meetings and commissions. Basically, more talk.

Time is short, and in the concrete political horizons of each country, we have to forcefully insert not only the immediate challenges, but also the systemic vision of a civilized society. In the initial part of the present study, we mentioned how “exploration, narratives and the whip” are articulated. Because when studying the history of humanity, there has always been a mix of these three elements. Slavery required less storytelling and more clubbing, and exploitation was more overt. Even so, they managed to get enough narratives to calm any problems of conscience. Darwin was used to justify the most inhumane behaviors. Today, with the power of invasion of our intimacy, and algorithms that allow adapting narratives to our individualized personalities, in addition to the incessant invasion of our conscious space with both rational and absurd messages, we are facing a kind of brain fog and a feeling of impotence. People who feel lost cling to simplifications, for the sake of at least a little peace of mind. Frustrated populations are easy prey for hate-speech. In a complex society, this is disastrous.

Directions are not promising. I have called this institutional impotence. We all know that we have to change directions, but very little happens. In the asset-management industry the algorithms that define where immense masses of financial resources will be invested follow short-term return-maximizing instructions, while public relations departments launch statements about the importance of ESG. It's a make-believe universe. What we have to do is raise awareness, fight for changes, for a surge of common sense. Most likely, however, it is only with the deepening of the planetary catastrophe that humanity will wake up to really change the ways in which society is managed. It was the profound shock of the tragedy of World War II that generated the political force to create the UN and institutions of international regulation, now outdated or inoperative. How long will this passive observation of the slow-motion catastrophe last? To keep repeating that “the markets” will solve it is the domain of idiots, and people with interests. Often both.

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