GLOBAL PROBLEMS
AND THE CULTURE OF CAPITALISM

SEVENTH EDITION

Richard H. Robbins | Rachel A. Dowty

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Global Problems and the Culture of Capitalism

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Preface

Over the past 400 to 600 years, a culture and society, originating for the most part in Europe and dedicated to the idea of trade and consumption as the ultimate source of well-being, began to expand to all parts of the globe. In many ways it is the most successful culture and society the world has ever seen, and its technology, wealth, and power stand as monuments to its success; however, accompanying its expansion have been problems—growing social and economic inequality, environmental destruction, mass starvation, and social unrest. Most members of this society and culture perceive these problems as distant from themselves or as challenges for them to meet. However, there is the possibility that these problems, which threaten to negate everything this culture has accomplished, are intrinsic to the culture itself. That is the possibility to be explored in this book.

The outline of this book emerged when, a few years ago, colleagues at the State University of New York at Plattsburgh, James Armstrong and Mark Cohen, and the senior author began developing a course on global problems. We wanted to create a course that would help students understand the major global issues that they confront in the mass media—problems such as the so-called population explosion, famine and hunger, global environmental destruction, the emergence and spread of new diseases, so-called ethnic conflict and genocides, terrorism, and social protest. We learned quickly that to make the course successful, we had to overcome the often-ethnocentric perspectives of the students, perspectives that were often reinforced by media coverage of global affairs. We needed also to compensate for the students' lack of backgrounds in anthropology, history, and economics, all crucial for understanding the roots of the problems we were to examine. Finally, we needed to illustrate that the problems we examined were relevant to them, that the problems would affect them either directly or indirectly, and that their actions now or in the future would determine the extent to which the origins of these problems could be acknowledged, let alone ever addressed. The form of this book emerged from our efforts at dealing with these pedagogical issues and the classroom interactions that these efforts stimulated.

The Focus of this Book

We can summarize our approach in this book as follows: There has emerged over the past five to six centuries a distinctive culture or way of life dominated by a belief in trade and commodity consumption as the source of well-being. This culture flowered in Western Europe, reached fruition in the United States, and spread to much of the rest of the world, creating what some anthropologists, sociologists, and historians call the world system. People disagree on the critical factors in the development of this system and even whether it was unique historically, although most agree on certain basic ideas. Among the most important are the assumptions that the driving force behind the spread of the contemporary world system was industrial and corporate capitalism, and that the spread of the world system is related in some way to the resulting division of the world into wealthy nations and poor nations or into wealthy core, developed, or industrialized areas and dependent peripheral, undeveloped, or nonindustrialized areas.

The spread of the capitalist world system has been accompanied by the creation of distinctive patterns of social relations, ways of viewing the world, methods of food production, distinctive diets, patterns of health and disease, relationships to the environment, and so on. However, the spread of this culture has not gone uncontested; there has been resistance in the form of direct and indirect actions—political, religious, and social protest and revolution. How and why capitalist culture developed and the reasons why some groups resisted and continue to resist its development are among the questions posed in this book.

The answers to these questions are based on specific assumptions. First, a central tenet of anthropology is that personal, social, cultural, and historical factors determine the point of view any person might have regarding a certain phenomenon. No less is true of those participating in the culture of capitalism who have created a view of global events that we share. Consequently, these views tend to be, to one extent or another, ethnocentric; that is, they describe, evaluate, and judge events solely from a specific cultural perspective. Among the major purposes of anthropology is to teach ways to avoid ethnocentrism and appreciate the importance of understanding the beliefs and behaviors of others from their perspectives rather than from our own, a view anthropologists refer to as *cultural relativism*. To some extent ethnocentrism is unavoidable, and the job of the person who interprets global events—whether a journalist, economist, sociologist, or anthropologist—is to make the event comprehensible to those people for whom that person is writing. Our assumption is that to minimize cultural bias we must recognize that our views of events are partially influenced by our culture and, for that reason, we must make our own culture an object of analysis.

Second, we assume that an understanding of global events requires us to recognize that no contemporary culture or society exists independent of what anthropologists refer to as the world system, and that each falls within either the core or the periphery of that system. Using this terminology to refer to different parts of the world permits us to avoid the more value-laden distinctions implicit in the use of terms such as *developed* or *undeveloped, modern* or *traditional*, and *First, Second*, or *Third World*. World system theorists often include a third category, semiperiphery, to denote those nation-states or regions that are moving toward the core or that have moved out of the core. These distinctions recognize that countries can move from one category to another. For example, the three nation-states that world system theorists consider to have been dominant in the past four centuries—the Netherlands, the United Kingdom, and the United States—all began as semiperipheral to the world system.

Third, we assume that global events and actions cannot be adequately understood without considering the events that preceded them; we must develop a historical perspective. For example, we live in a period of human history largely defined by a sequence of events that began some four to five hundred years ago, loosely termed the *Industrial Revolution*. Because each of us has lived during only a particular phase of that history, we tend to take it for granted that the world has always been as it is today. Yet the modern industrial world order is, in historical terms, a very recent event. We are deceived by our biology, by our limited life span, into thinking of sixty, seventy, or eighty years as a long time, but in the perspective of human history it is a fleeting moment. Human beings have for most of their existence lived as bands of gatherers and hunters, for a shorter time as agriculturists and farmers, and only recently as industrialists and wage laborers. Yet the Industrial Revolution has transformed the world and human societies as has no other event in history. We cannot understand the events, issues, and problems of today's world without understanding the how's and why's of the Industrial Revolution.

It will be clear that the emergence of capitalism represents a culture that is in many ways the most successful that has ever been developed in terms of accommodating large numbers of individuals in relative and absolute comfort and luxury. It has not been as successful, however, in integrating all in equal measure, and its failure here remains one of its major problems. It has solved the problems of feeding large numbers of people (although certainly not all), and it has provided unprecedented advances in health and medicine (but, again, not for all). It has promoted the development of amazingly complex technological instruments and fostered a level of global communication without precedent. It has united people in common pursuits as no other culture has. Yet it remains to be seen when the balance sheet is tallied whether capitalism represents the epitome of "progress" that some claim.

New to this Edition

When preparing the sixth edition of this book Barak Obama had just been elected to a second term as President of the United States, Great Britain was a functioning member of the European Union, democratic upheavals were reshaping countries in the Middle East while the world was still recovering from the economic crisis of 2007. Global GDP stood at about $78 trillion and at about $17 trillion in the United States. A lot changed in five years. Authoritarian governments emerged in places as diverse as Poland, the Philippines, Egypt, India, and the United States. Citizens of Great Britain voted to leave the European Union as part of a seeming protest of immigration. In spite of international accords, carbon dioxide concentration in the atmosphere has risen from 397 parts per million (ppm) to almost 407 ppm and the world continues to yearly break old temperature records. New diseases, such as the Zika virus pose threats as do anti-biotic resistant diseases. And Global GDP has declined to about $75 trillion, while in the United States it has climbed to about $18.5 trillion as sovereign debt prompts counties, both poor and rich, to adopt so-called austerity measures including reduction of government services, pension plans, and assistance to the poor.

We have tried to address these concerns, as well as others, in the revisions to the seventh edition. These include the following:

- An expanded discussion of the nature of money and its relationship to debt and economic growth.
- Introduction of content in Chapter 3 on the English financial revolution of the seventeenth and eighteenth centuries, specifically the establishment of the Bank of England and the beginnings of the modern debt-based financial system.
- An expansion in Chapter 6 of the role of debt in hunger, and specifically a discussion of the debt/food insecurity cycle.
- A discussion in Chapter 10 of how our economic system relates to the occurrence, reaction and remediation of large-scale disasters such as floods, hurricanes and earthquakes.
- A completely revised final chapter (Chapter 13) trying to make sense of the political and economic upheavals of the past five years and the spread of so-called austerity programs. We have discussed several measures specifically involving finance and the creation of our money supply, that could alleviate many of the problems that we discuss in this book.

As always, we welcome comments and communications from readers and can be reached by email at richard.robbins@plattsburgh.edu and RDowtyBeech@newhaven.edu.

This text is available in a variety of formats—digital and print. To learn more about our programs, pricing options, and customization, visit www.pearsonhighered.com.

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Reviewers of the first edition were John L. Aguilar, Charles O. Ellenbaum, Cynthia Mahmood, Richard Moore, Jon Olson, and Dave Winther. Reviewers of the second edition were Elliot Fratkin, Smith College; James Loucky, Western Washington University; Luis A. Vivanco, University of Vermont; and Vaughn Bryant, Texas A&M University. Reviewers of the third edition were Eric Mielants, Fairfield University; William Leggett, Middle Tennessee; Nancy McDowell, Beloit College; and Benjamin Brewer, James Madison University. Reviewers of the fifth edition were George Esber, Miami University, Middletown; Suzanne Scheld, California State University, Northridge; James Sewastynowicz, Jacksonville State University; and Miguel Vasquez, Northern Arizona University.

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Part One

Introduction: The Consumer, the Laborer, the Capitalist, and the Nation-State in the Society of Perpetual Growth

> *[W]hat difference it would make to our understanding if we looked at the world as a whole, a totality, a system, instead of as a sum of self-contained societies and cultures; if we understood better how this totality developed over time; if we took seriously the admonition to think of human aggregates as "inextricably involved with other aggregates, near and far, in weblike, netlike, connections."*
>
> —ERIC WOLF, *Europe and the People without History*

On or about December 1910, wrote novelist Virginia Woolf, human character changed.[1] On his repeated visits to the United States, Frenchman André Siegfried (1928; see also Leach 1993:266) noted much the same thing: "A new society has come to life in America," he said. "It was not clear in 1901 or 1904; it was noticeable in 1914, and patent in 1919 and 1925." Samuel Strauss (1924, 1927; see also Leach 1993:266), a journalist and philosopher writing in the 1920s, suggested the term *consumptionism* to characterize this new way of life that, he said, created a person with a philosophy of life that committed societies to produce more and more things, and required individuals to buy more this year than last, and more next year than this, in perpetuity. It is obvious, Strauss said, that Americans have become committed to consider their standard of living as a "sacred acquisition." It means, also, that countries are committed to perpetual economic growth, regardless of the moral or intellectual costs.

There is no question that in America, the half-century from 1880 to 1930 marked a major transition in the rate and level of commodity consumption—the purchase, use, and waste of what comedian George Carlin called "stuff." Food production grew by almost 40 percent from 1899 to 1905; the production of men's and women's ready-made clothing, along with the production of costume jewelry, doubled between 1890 and 1900; and glassware and lamp production went from 84,000 tons in 1890 to 250,563

[1]The quote, which has been widely used (see, e.g., Fjellman 1992:5; Lears 1983), appeared in an essay, "Mr. Bennett and Mrs. Brown," in *The Captain's Death Bed and Other Essays*, but was originally part of a paper Woolf read to the Heretics, Cambridge, on May 18, 1924. "On or about December 1910 human character changed … The change was not sudden and definite … But a change there was nevertheless, and since one must be arbitrary, let us date it about the year 1910" (Woolf 1950).

tons in 1914. In 1890, 32,000 pianos were sold in the United States; by 1904, the number sold increased to 374,000 (Leach 1993:16).

During this period, the perfume industry became the country's tenth largest; at one department store, sale of toiletries rose from $84,000 to $522,000 between 1914 and 1926. The manufacture of clocks and watches went from 34 million to 82 million in ten years. By the late 1920s, one of every six Americans owned an automobile.

Of course, these figures are dwarfed by what Americans and others around the world consume today. World and national consumption expanded at an unprecedented pace during the twentieth century, with household consumption expenditures reaching over $40 trillion in 2015, three times the level of 1975 and six times that of 1950. In 1900, real consumption expenditure was barely $1.5 trillion (United Nations Development Programme 1997). Today there are as many cars in the United States as the number of people with drivers' licenses, and the rest of the world is doing everything that it can to catch up. China and India, alone, have added at least half-a-billion middle-class consumers in the new century demanding everything that consumers in the West desire.

However, although consumption rates were not nearly as high as they are today, the early twentieth century is notable because it marked the early phase of what Ernest Gellner (1983:24) called *the society of perpetual growth* and the creation of a new type of culture: consumer capitalism.

Aside from a few notable periods of economic contraction, such as the periodic depressions of the nineteenth century, the great worldwide depression of the 1930s, the recession of the early 1980s, the Asian financial collapse of 1997, and the economic crisis of 2007–2008, the global economy has grown reasonably well worldwide, although some parts of the world have historically done a better job than others.

Economic growth is traditionally measured by the growth of gross domestic product (GDP)—a measure of the money value of all goods and services produced and sold in a given time period. Table I.1 and Figure I.1 portray the yearly growth of global GDP during the past two millennia up to the onset of the twenty-first century.

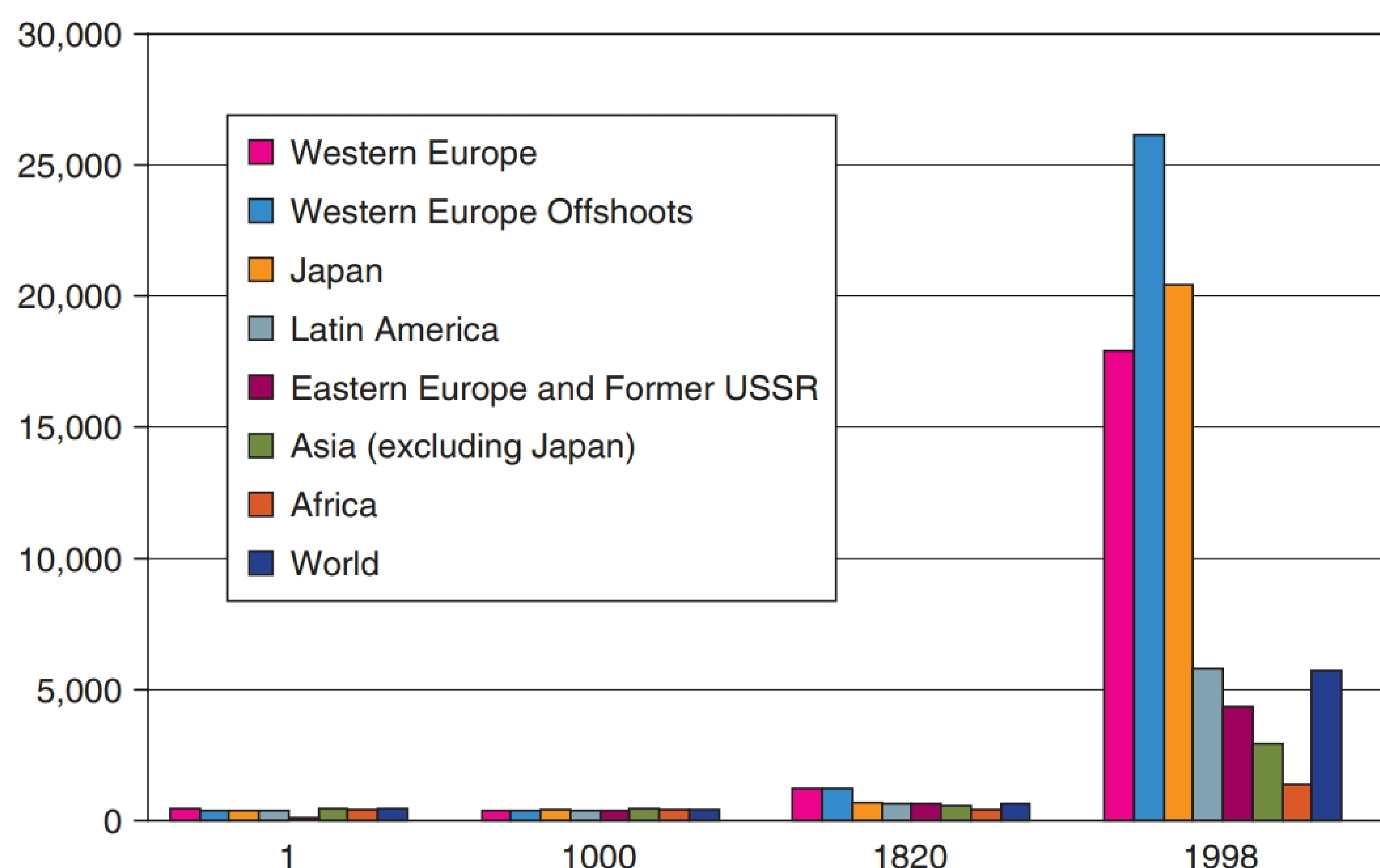
Over the long term, but particularly over the past two centuries, the growth of GDP in the global economy, especially among European offshoots (e.g., the United States and Australia) and Japan, has been spectacular: a 300-fold increase in the amount of goods consumed, the number of goods produced, and the fortunes that have been made. A global citizen of today is almost nine times as wealthy as his or her counterpart some 200 years ago; in some parts of the world, the average citizen has increased his or her wealth almost twenty-five times over the same period.

Table I.1 Level and Rate of Growth of GDP per Capita: World and Major Regions, A.D. 1–1998

	1	1000	1820	1998	1–1000	1000–1820	1820–1998
Region	**Level of Growth (1990 International Dollars)**				**Annual Average Compound Growth Rate**		
Western Europe	450	400	1,232	17,921	–0.01	0.14	1.51
Western Offshoots (e.g., United States, Australia)	400	400	1,201	26,146	0.00	0.13	1.75
Japan	400	425	669	20,413	0.01	0.06	1.93
Latin America	400	400	665	5,795	0.00	0.06	1.22
Eastern Europe and Former USSR	400	400	667	4,354	0.00	0.06	1.06
Asia (excluding Japan)	450	450	575	2,936	0.00	0.03	0.92
Africa	425	416	418	1,368	–0.00	0.00	0.67
World	444	435	667	5,709	–0.00	0.03	0.95

SOURCE: Adapted from Maddison (2003:28).

Figure I.1 Rate of per Capita GDP Growth by Region: A.D. 1–1998



To put perpetual growth into perspective, imagine that in the year 2010 you earned and spent $30,000 a year (or that some corporation earned $300,000,000). A growth rate of about 3 percent a year is necessary to maintain a healthy economy. Consequently, by 2015, you (or the corporation in this case) must have earned and spend $34,855 (or $348,550,000) and by 2035, earn and spend $63,507 (or $635,070,000). If we factor in an inflation rate of 3 percent on top of our necessary growth rate, the figures are even higher (see Table I.2).

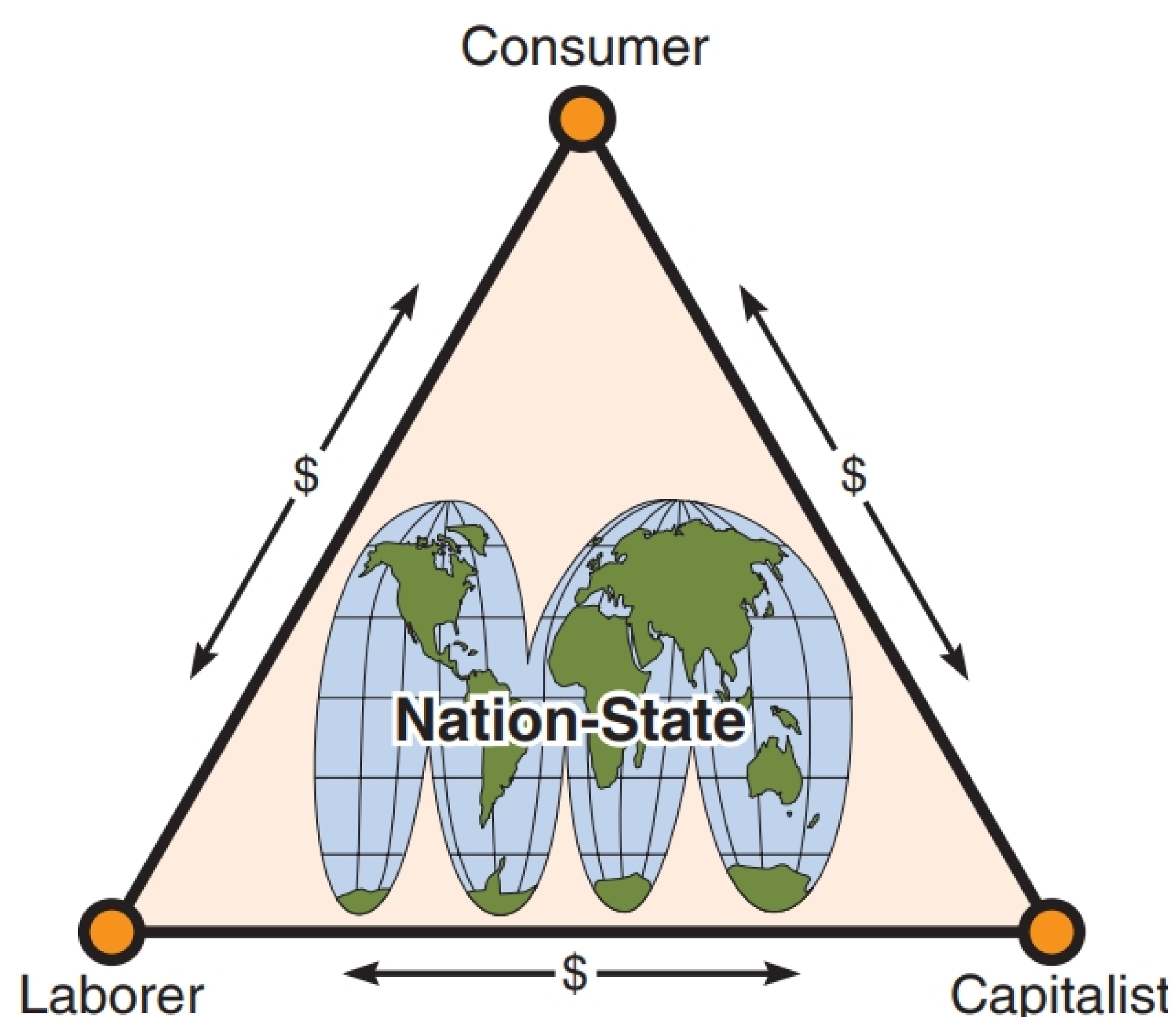
The emergence of the society of perpetual growth and the culture of capitalism marked a new stage in an ongoing global historical process that began (to the extent that it can be said to have a beginning) anytime from the fifteenth to the early nineteenth centuries. The creation of the human type that characterizes this stage, *the consumer*, followed soon after the emergence of two other historically unique categories of human types: *the capitalist* and *the laborer.* Merchants had existed, of course, for thousands of years, and people had always labored to produce goods and liked to consume what they'd produced. But never before in history has there existed a society founded on three categories of people: the capitalist, whose sole purpose is to invest money to earn more; the laborer, whose sole means of support comes from the sale of his or her labor; and the consumer, whose sole purpose is to purchase and consume ever-increasing quantities of goods and services.

At some point in their lives, virtually everyone plays the roles of consumer, laborer, or capitalist: as consumers, they buy goods and services; as laborers, they work for wages; and as capitalists, they invest money in banks, insurance policies,

Table I.2 Required Growth in Income and Spending over a Twenty-Five Year Period

	Required Income Growth 3 Percent (with 0% inflation)		Required Income Growth at 6 Percent (with 0% inflation) or Income Growth at 3 Percent and Inflation at 3 Percent	
Year	Individual	Corporate	Individual	Corporate
2010	$ 30,000	$ 300,000,000	$ 30,000	$ 300,000,000
2015	34,855	348,550,000	40,494	404,940,000
2020	40,495	404,950,000	54,661	546,661,000
2025	47,048	470,048,000	73,783	737,830,000
2035	63,507	635,070,000	134,434	1,344,340,000

Figure I.2 Patterns of Relations in the Culture of Capitalism



pension plans, stocks (slightly more than half of American families participate in the stock market, either directly or through investment accounts), education, or other enterprises from which they expect to profit. What ties together these roles, and indeed the entire culture, is money.

Thus, we can perhaps best conceptualize the working of the culture of capitalism as sets of relations between capitalists, laborers, and consumers, tied together by the pursuit of money, each depending on the other, yet each placing demands on, and often conflicting with, the others. Regulating these relationships is the fourth element in our scheme, the nation-state. In this cultural scheme, the *nation-state* serves as, among its other functions, a mediator, controlling the creation and flow of money and setting and enforcing the rules of interaction. But most importantly, it must maintain economic growth. (Figure I.2 is a highly simplified model, but it serves to underline the key features and unique style of the culture of capitalism.)

However, money is, obviously, the key to understanding this culture. Jacob Needleman (1991:40–41) wrote that, in another time and place, not everyone has wanted money above all else. People, he said,

> have desired salvation, beauty, power, strength, pleasure, prosperity, explanations, food, adventure, conquest, comfort. But now and here, money—not necessarily even the things money can buy, but money—is what everyone wants.... Therefore, if one wished to understand life, one must understand money in this present phase of history and civilization.

People require money as a means of exchange and, for the modern capitalist system to function, money must constantly increase in supply—that is, it must perpetually grow. Why this is so is not immediately apparent, even to many economists, but should the money supply fail to expand, the whole system could collapse in economic, political, and social ruin. Thus, virtually all of the issues discussed in this book relate in one way or the other to money and people's efforts to acquire it or compensate for the lack of it.

But first, given its central role in the working of the entire society, let's begin with a brief primer on the nature of money and an exploration of how money has assumed its importance and how it determines how we live our lives.

Alchemists believed that the philosopher's stone could convert something worthless into something of value, namely, worthless metal into gold. By adopting paper money as a medium of exchange, the culture of capitalism has invented a new philosopher's stone—one every bit as powerful as that sought by magicians of another time.

SOURCE: Chronicle/Alamy Stock Photo

A Primer on Money: The Philosopher's Stone

Commonly we consider money primarily as a standardized means of exchange—that is, as a substance with which the value of goods and services can be compared and traded, a tool, so to speak. But to view money only in that way is to misunderstand its true importance. To better explain, think, instead, of the philosopher's stone. Magicians or alchemists of the past sought the philosopher's stone because it was thought to have the magical power to transmute base metals into gold, which implies taking something that was considered worthless and converting it into something of value. Money is the modern-day equivalent of the philosopher's stone.

Historically there is a very real connection between money and alchemy. In the sixteenth and seventeenth centuries, at the birth of the European modern world, new technologies produced new stuff. Ships brought new goods from the near and far east; the steam engine produced new efficiencies in mining; innovations in farming methods increased food production. The problem was money. There wasn't enough of it, and without money, people couldn't buy what was being produced or purchase services that were being offered.

Money at the time consisted largely of gold and silver coins. The use of precious metals as a medium of exchange can be traced back 5,000 years to Mesopotamia and coins to the seventh-century B.C. These are examples of *commodity money*, substances that had value in themselves. However, there is just so much gold and silver, and if their supply doesn't increase as fast as the production of commodities or services, economies can't grow. That's where alchemy and the philosopher's stone come in. If enough gold and silver could not be discovered, mined, and turned into coins, why not seek the method of turning lead or any base metal into gold—alchemy. And that's what people tried to do. Virtually every European ruler at the time had a court alchemist working on discovering the secret of how to convert base metals into gold. The main work of Sir Isaac Newton, the most famous scientist of the period, was first and foremost alchemy and, later, as Warden of the English Mint, prosecuting counterfeiters of the new paper money (Dobbs 1975; Wennerlind 2011). But when alchemists failed to solve the gold problem, the next solution was credit-money, substituting paper for coins.

Precedent existed for paper money. "Exchange" or "demand" notes—paper certificates that could be exchanged for a valuable commodity, generally gold or silver—were first used in China in the twelfth century and became common in Europe in the fourteenth and fifteenth centuries (Williams 1997). Thus, a trader in Milan might buy textiles from someone in Bruges and pay with a paper note backed by gold that the seller could retrieve from a third party. Generally, banks or governments issued exchange notes or paper money, but virtually anyone could do it. Theoretically, these notes represented a specific amount of some valuable metal—usually gold or silver—that could be retrieved on demand by the holder of the note.

The issuing of paper money was a huge step in helping to accelerate economic growth because there was potentially no limit to the amount of money that could be created. This was the first step in money magic: paper, which was essentially

The issuing of paper money was a huge step in helping to accelerate economic growth.

SOURCE: Rafael Ben-Ari/Fotolia

worthless, now had the same value as gold, silver, or other precious metals. In a wonderful book, *Money and Magic: A Critique of the Modern Economy in the Light of Goethe's Faust*, economist Hans Binswanger (1994) describes how Johann Wolfgang von Goethe, who served as finance minister at the Weimar court, used his classic work *Faust* (published in two parts in 1808 and 1832) for a commentary on the industrial economy, and, more specifically, on the nature of money. The original Faust, on whom the story is based, was a magician, an alchemist. In Goethe's book, Faust makes a bargain with Mephistopheles—a devil—and together they create a new society based on paper money. Binswanger suggests the alchemist's attempts to convert lead into gold were abandoned

> not because they were futile, but because alchemy in another form has proved so successful that the arduous production of gold in the laboratory is no longer necessary. It is not vital to alchemy's aim, in the sense of increasing wealth, that lead actually be transmuted into gold. It will suffice if a substance of no value is transformed into one of value: paper, for example, into money. (Binswanger 1994:9)

There was, however, a couple of big loopholes with paper money that promised convertibility into gold or silver. First, it required trust; people had to trust that the gold or silver promised really existed and was accessible. Second, banks or other entities that issued money were under no legal obligation to have on hand an amount of gold or silver equivalent to the deposits they held or the amount of paper money they issued. Banks were allowed to practice what is called *fractional reserve banking*; this means simply that they had to keep on hand only a fraction of gold deposited, lending the rest and assuming that not everyone would demand their gold deposits all at once. Thus, while the paper money was theoretically backed by gold or silver, the bulk of the paper money issued was backed by nothing at all. Banks settled theoretically on about a 1:10 ratio; that is, for every dollar deposited, they could lend out ten paper dollars, even though they did not have on hand the gold on which the money was based. This gave to banks, and other private financial institutions, the power to literally create money out of thin air. On the one hand, banks profited from the interest on the loans, and, on the other, people had more money to spend. Problems occurred when, after an economic boom, the economy slowed down and depositors demanded their gold. Unable to pay all their depositors because they had issued notes in excess of the amount of gold they had on hand, banks failed and people lost their savings.

In 1913, the U.S. government tried to address some of these problems by creating the Federal Reserve Bank to control and stabilize the money supply. The Federal Reserve Bank, which is a private corporation, creates money buying stuff, usually U.S. government bonds, although, theoretically it can buy anything. The money that it uses to buy things, is simply created out of thin air. The debt represented by the bonds or securities issued by the government becomes an asset (i.e., money owed to the Federal Reserve) that the Federal Reserve then distributes to member banks who, allegedly following the fractional reserve requirement, can lend it out or invest it at a 10:1 ratio to earn interest and/or dividends. Money simply represents debt (see Brown 2010; Hallsmith and Lietaer 2012). Paper money was still tied to gold, and a person could retrieve paper for gold, but the Federal Reserve could ensure that banks had enough on hand, or could quickly acquire it, to honor withdrawals. In that way, banks could honor requests for gold but be able to create new money by lending it out as interest-bearing debt. But the Federal Reserve could still not address the limitations imposed on economic growth by tying money to a fixed commodity. Solving that problem required another bit of magic in the form of another government decree.

The next stage in the evolution of modern money occurred in 1931 when the United States stopped allowing people in the country to convert paper money into gold. The value of money was still tied to the value of gold, and exchanges with foreign governments still occurred in gold. However, in the 1960s the United States had flooded the world with so many dollars, partially because of spending on the war in

Indo-China, that it could no longer back its money with gold. Consequently, in 1971, when Great Britain asked to cash in its dollars for gold, the Nixon administration unilaterally severed the link between dollars and gold. This marked the final shift from commodity to fiat or debt money—paper that was used as evidence of a claim to economic value but that, legally, was not redeemable for anything. As we'll see later when we examine the history of global finance, war has frequently been intimately linked to changes in the nature and amount of money.

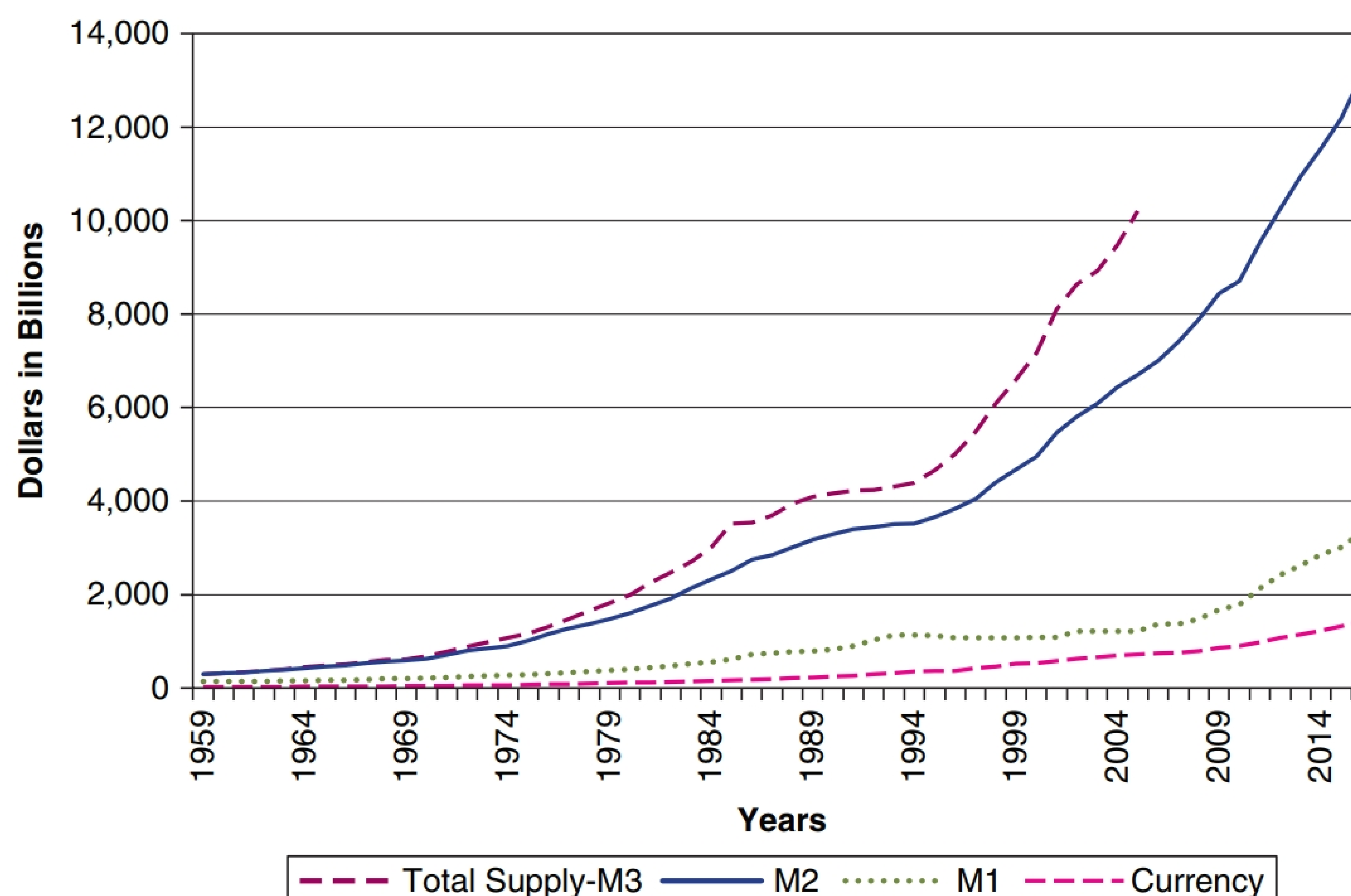
As might be expected, with dollars backed by nothing, the money supply could rapidly grow, and theoretically could then match or exceed the growth or potential growth of the economy. More importantly, the Federal Reserve in the United States (which serves as the U.S. central bank) and central banks in other countries could develop ways to control the money supply, ensuring that it grew fast enough to keep up with economic growth but not so fast that inflation resulted. Inflation would occur when the amount of money exceeded the value of goods and services that people demanded, thus driving up the prices as buyers competed for scarce resources. If, however, the supply of goods and services exceeded the money supply, prices would decline as sellers competed for limited dollars, which would lead to deflation. Thus, balancing the amount of money in circulation with the goods and services that could be purchased is a major challenge for central banks, such as the U.S. Federal Reserve.

When we think of money, we think of bills and coins. But that is only a small part (5 percent to 10 percent) of the money supply. The rest exists only as figures on paper (or in computers) in banks and in the records of other financial institutions.

Figure I.3 show the kinds of money, or money stocks, in circulation in the United States along with their growth from 1959 to 2016. You'll note that money is categorized by how easy it is to spend or the extent to which it serves as a store of value as opposed to a means of exchange. *Currency*, the easiest to spend, consists of paper notes and coins in circulation; *M1* includes currency plus traveler's checks, demand deposits, and other checkable deposits; *M2* includes *M1* plus "near money"—savings deposits, money market securities mutual funds, and other short time deposits. *M3*, which the Federal Reserve ceased publishing in 2006, consists of large time deposits, institutional money market funds, and other assets that serve largely as long-term stores of value.

Figure I.3 U.S. Money Supply by Type: 1959–2016

SOURCE: https://fred.stlouisfed.org/series/M1SL; https://research.stlouisfed.org/fred2/series/M2/; http://www.federalreserve.gov/releases/h6/hist/h6histb.txt



In sum, the *M2* money supply in 2016, over $13 trillion, was more than forty-three times larger than it was in 1959, $300 billion. You can perhaps begin to see why money represents a magical process. Because fiat or debt money is backed by nothing other than the legal power of the nation-state, but can be converted into all kinds of goods and services, we have further succeeded in the alchemist's goal of taking something that is essentially worthless (paper) and turning it into objects of value (whatever we can obtain with this paper).

But, as Faust learned in his bargain with the devil, there is often a price to pay for access to the philosopher's stone.

The Consequences of a System of Debt Money[1]

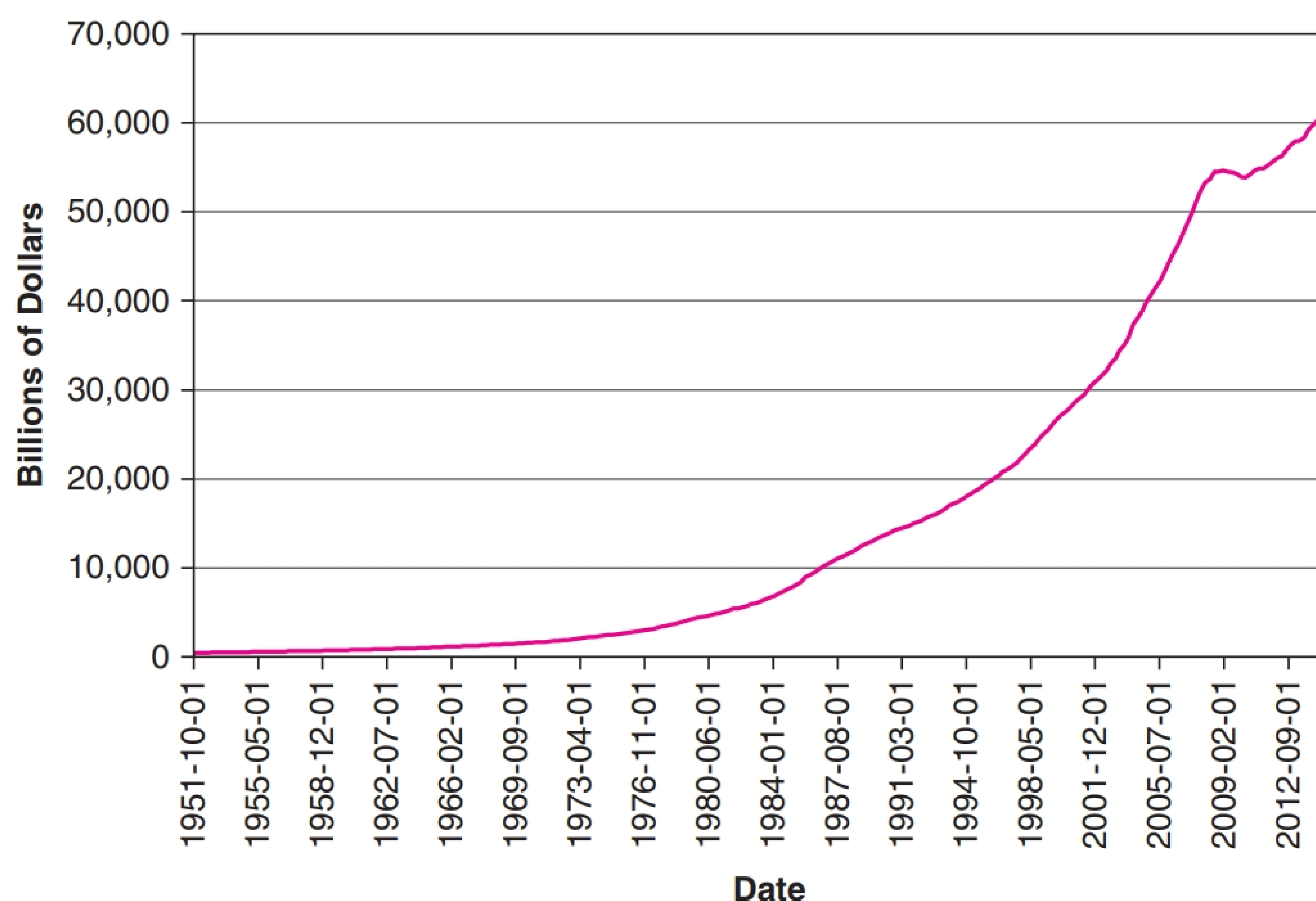
One of the obvious consequences of issuing money as interest-bearing debt, is that the more money is issued, the more must be paid back. Put another way, the more money, the more debt. Figure I.4 shows the growth of *total debt*—government, corporate, financial, and consumer—in the United States from 1951 to 2015. It now exceeds more than $60 trillion. Global debt is over $200 trillion, but we'll examine that in Chapter 13.

The key thing to remember about debt money is that it is lent into existence as interest-bearing debt. Consequently every dollar, euro, or pound must earn interest with money that doesn't yet exist. The interest it earns goes to the bank or the people or institutions who own the debt. As we'll see, this has enormous implications for our financial system and for the division of our societies into debtors and creditors. But consider for now that everything you buy, every service you pay for, or every tax that you pay, contains interest on someone's or something's debt.

Lending money into existence has advantages—theoretically only people who are capable of paying it back will get it; and, lending money with a requirement that it be repaid with interest disciplines people to work. However, debt money also concentrates wealth in the hands of a few, and, perhaps most importantly, it also exerts constant pressure for economic growth at any cost in order to maintain the interest payments on the money lent. Put another way, the money supply can grow, and

FIGURE I.4 Total U.S. Debt Liabilities: 1951–2015

SOURCE: https://fred.stlouisfed.org/series/TCMDO



[1] We will be talking about big numbers in reference to money, so remember that a billion is a thousand million and that a trillion is a thousand billion. For example, 60,000 billion can also be written as 60 trillion.

continue to do so only if there is a corresponding amount of economic activity. That is, when money is lent into existence it must earn itself and the interest. But, how does the money continue to grow?

To answer this question economist Barbara Garson deposited $50,000 (a publisher's advance on the book she was writing) in a small rural bank, the Bank of Millbrook, New York, and asked them to help her trace what happened to her money. The bank couldn't just hold it, because they had to pay interest on the deposit. The money had to keep moving and growing. So while giving Garson 2½ percent interest, they immediately sold it to Chase Bank at 4½ percent; but Chase, of course, had to move it out at a still higher rate. As Garson said,

> I thought of my money as the raw material that banks need and want in order to make more money. But I was beginning to sense, however fuzzily, that it could also be a hot potato that Millbrook passed to Chase and Chase had to pass quickly to the next guy. *Whoever held it, even for a second, had to pay interest. Which means he had to be able to collect interest. If he couldn't, he got burned.* (Garson 2001:39–40 emphasis added)

Thus Chase lent money to, among others, a Brooklyn fish company, which, Garson discovered, got much of its fish from East Asia, and to an oil company in Malaysia that was building a new refinery. Marveling at the power of money to mobilize people and resources, Garson traveled to Malaysia to see how her money was at work and discovered that thousands of people were getting jobs directly and indirectly through the money invested in the refinery. She also spoke to the fishermen in the area, some of whose catch may have been going to the Brooklyn fish market and discovered that the oil refinery polluted coastal waters and forced the fishermen to go farther out to sea for their catch. They talked to Garson about the good old days and the catches they used to bring home and the amount of work they have to do today to succeed.

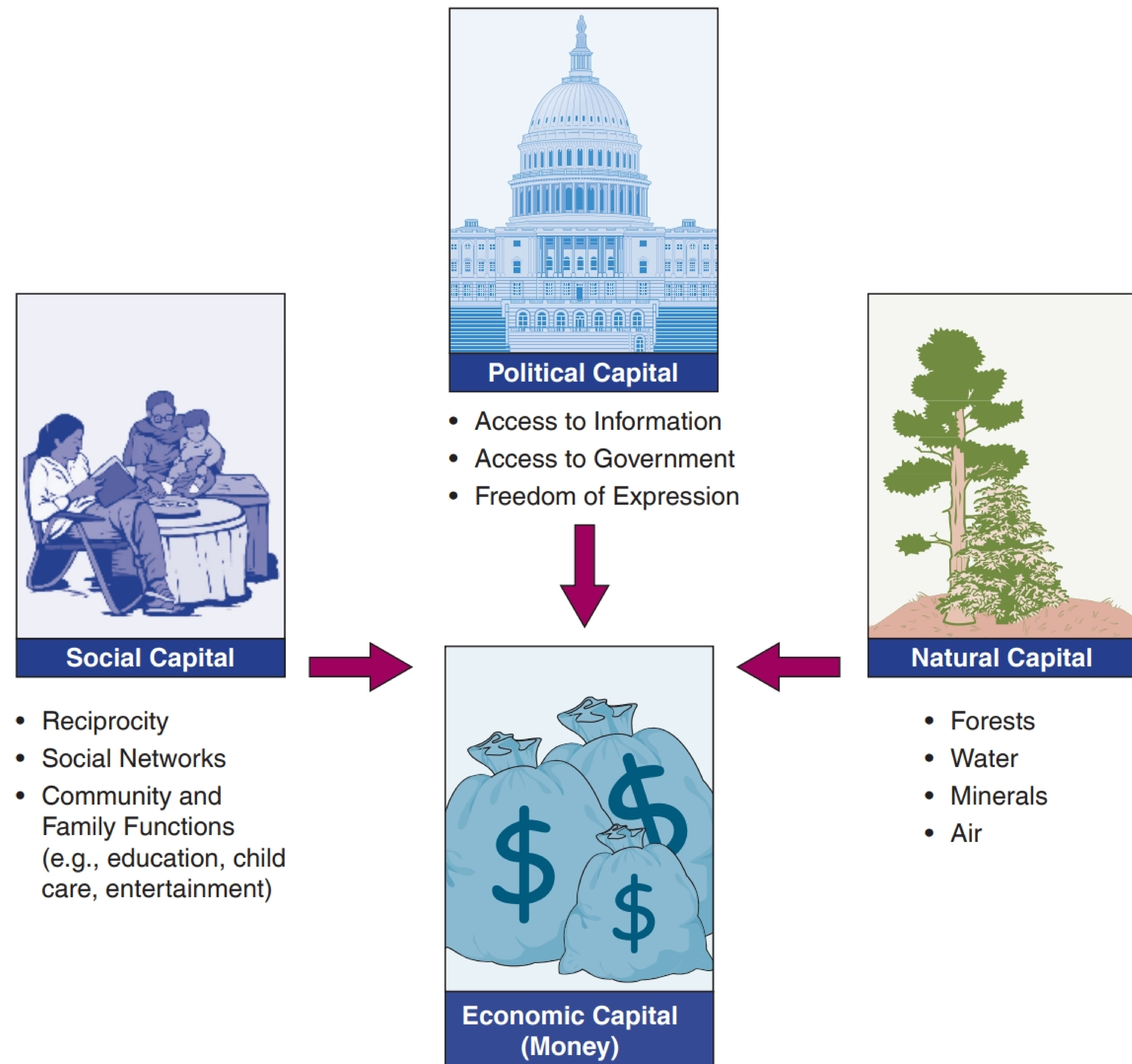
"Some fisherman are lazy," one of the fishermen commented, "If they caught a lot today, they don't go out tomorrow. But I think differently. If we catch a lot today we go out tomorrow, catch more."

But another man, says Garson, politely disagreed. "You're free to do what you want. You can go out three day a week or twenty days a month. *You stop when you have enough*."

While she says that she didn't realize it at the time, she later thought it was the most subversive thing she heard in all her travels: "The one thing my money could not do," she says, "was stop"(Garson 2001:105–106).

Thus for our economic system to work, the money that is lent into existence must keep working, in perpetuity, to earn more. But, as Garson found out, it continues to grow only at a cost, in this case to coastal environments. And this highlights another problem with debt money—the limit on things into which money can be converted. Although the money supply might be unlimited, the goods and services that people can buy with their money are not. But if economic growth (and the supply of money) must increase every year (and, according to most economists, must increase at a rate of at least 3 percent to maintain a healthy economy), then so must the things that money can buy. When money was tied to and limited by a commodity such as gold, the money supply was constantly trying to keep up with the goods and services available. However, once money was uncoupled from anything of value and could infinitely grow, the situation was reversed and goods and services began to chase the money supply. Thus, where we used to have a situation where we needed more and more gold to grow, now we simply need more and more stuff. In other words, *the money supply must grow if the economy is to remain healthy, and for the money supply to grow, there must be a steady increase in the goods or services that money can buy.* It is from this simple fact that many of the problems we discuss in this book derive.

Figure I.5 The Conversion of Natural, Political, and Social Capital into Money



Consequently, for the economy to grow, there must be a constant conversion of things that have no monetary value into things that do—that is, there must be constant commodification, because money can only grow through a process whereby nonmonetary wealth, goods, or values are converted into things of monetary worth (see, e.g., Bourdieu 1986:243). In this conversion process lies the genius of capitalism. In it also lies the secret of our Faustian bargain. Through the operation of a myriad of rules, regulations, values, and laws, the culture of capitalism encourages the conversion of items and activities that have no intrinsic monetary worth—but that are nevertheless valuable and even necessary in other ways—into items and activities that can be bought and sold in the marketplace. Thus, trees, lakes, and mountains must be converted into things that can be sold in the marketplace; activities once associated with family life and given freely, such as child care, food preparation, and education, must be converted into monetary activities; and freedom itself can be exchanged for money as powerful corporations use their money to gain political access and power (see Figure I.5).

In sum, then, our culture works largely on a magical principle in which money, an item of no intrinsic value, perpetually increases in quantity by being lent into existence while we work to convert more and more nonmonetary capital into goods and services that this money can buy. Of course, this is a simplification of everything that must be done to keep the system working. In the next four chapters, we describe how the consumer, the laborer, the capitalist, and the nation-state operate to maintain this magic act. In Part II we'll examine what economists term *the externalities of the working of the market*, such as the environmental damage witnessed by Barbara Garson,

and in Part III we'll explore the ways that groups of people have found to resist the sometimes-negative consequences on their lives from these externalities. The final chapter will propose some of the actions that are necessary to remedy the problems we will explore.

This book does suggest that what we term *capitalism* has been distorted by a financial system that requires perpetual growth, and that this growth is unsustainable. Not everyone agrees; some, including most mainstream economists, argue that sustained economic growth can solve many of the problems that we'll be examining. Consequently, much of this book is designed to explain how we got where we are and weigh the evidence of whether the harms done by a commitment to perpetual economic growth are greater or lesser than the good.

Chapter 1

Constructing the Consumer

Learning Objectives

1.1 Describe the role of the four factors in the creation of a consumer economy.

1.2 Explain the role of childhood in consumer capitalism.

1.3 Describe the globalization of consumer capitalism.

1.4 Summarize the impact of a consumption-driven lifestyle of capitalist culture.

> *The consumer revolution is a strange chapter in the ethnographic history of the species. For what may have been the first time in its history, a human community willingly harbored a nonreligious agent of social change, and permitted it to transform on a continual and systematic basis virtually every feature of social life.*
>
> —GRANT MCCRACKEN, *Culture and Consumption*

> *The... metamessage of our time is that the commodity form is natural and inescapable. Our lives can only be well lived (or lived at all) through the purchase of particular commodities. Thus our major existential interest consists of maneuvering for eligibility to buy such commodities in the market. Further, we have been taught that it is right and just—ordained by history, human nature, and God—that the means of life in all its forms be available only as commodities .... Americans live in an overcommodified world, with needs that are generated in the interests of the market and that can be met only through the market.*
>
> —STEPHEN FJELLMAN, *Vinyl Leaves*

The culture of capitalism is devoted to encouraging the production and sale of commodities. For capitalists, the culture encourages the accumulation of money; for laborers, it encourages the accumulation of wages; and for consumers, it encourages the accumulation of goods. In other words, capitalism defines sets of people who, behaving according to a set of learned rules, act as they must act.

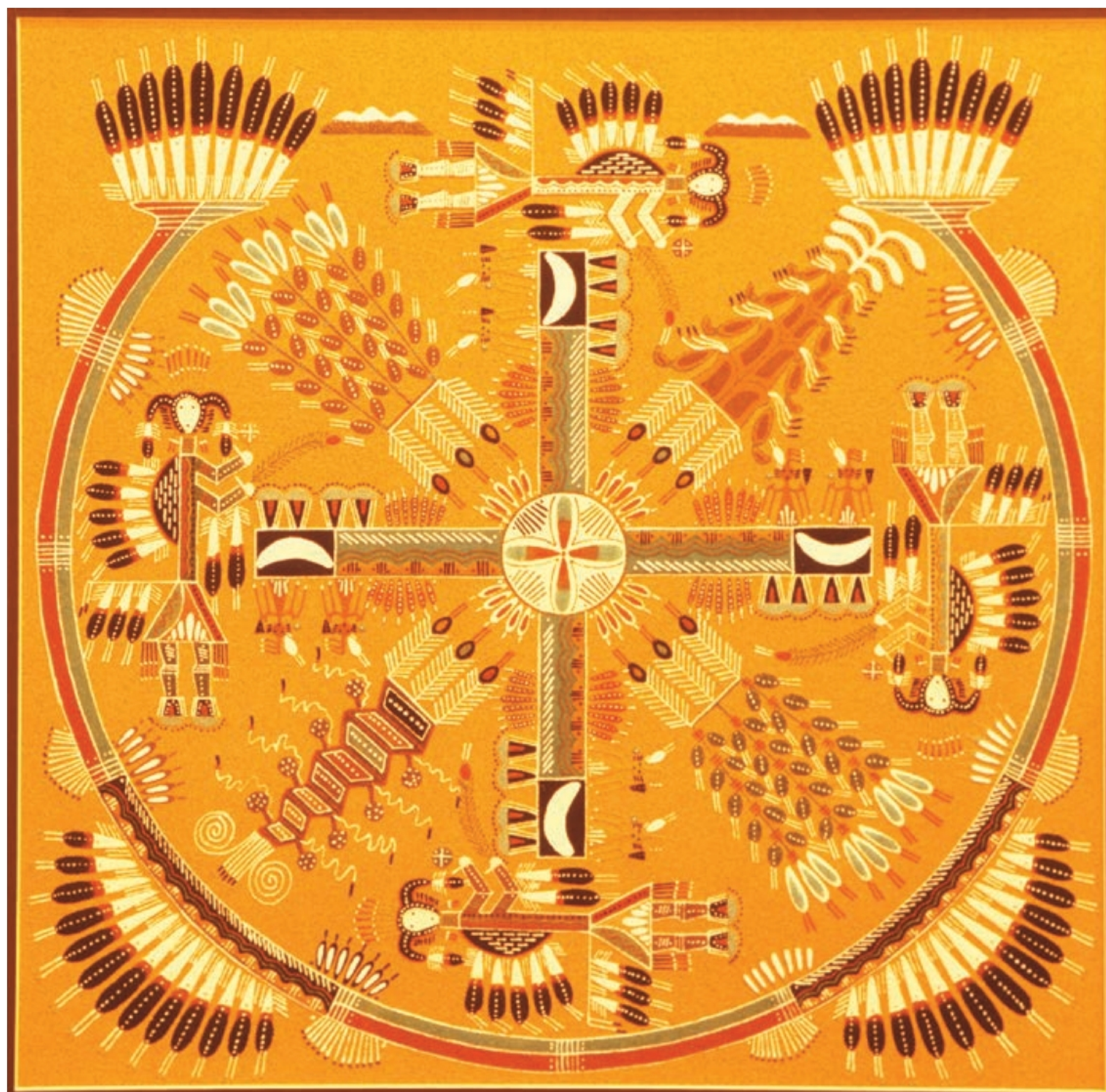
There is nothing natural about this behavior. People are not naturally driven to accumulate wealth. There are societies in which such accumulation is discouraged. Human beings do not have an innate drive to accumulate commodities; again, there are plenty of societies in which such accumulation is discouraged. People are not driven to work; in fact, contrary to popular notions, members of capitalist culture work far more than, say, people who live by gathering and hunting (see, e.g., Schor 1999). *How does* culture, *as anthropologists use the term, encourage people to behave in some ways and not in others? Specifically, how does the culture of capitalism encourage the accumulation of money,*

wages, commodities, and debt? How does it, in effect, encourage perpetual growth and what amounts to perpetual change?

It is not easy to describe the effects of culture on people's lives; anthropologists have noted that culture consists of all learned beliefs and behaviors, the rules by which we order our lives, and the meanings that human beings construct to interpret their universes and their places in them. Yet, using these abstract descriptions, it is difficult to understand how pervasive our culture can be in determining our view of the world. It may help, therefore, to provide a metaphor for culture in the form of a practice of another culture: the sandpaintings of the Navajo of the American Southwest.

Among the Navajo there is a healing practice in which a curer, using colored sand, cornmeal, or other bits of material, draws on the ground a miniature representation of the universe. Although there are perhaps a thousand versions of these drawings, each contains vital elements of what, for the Navajo, define the general conditions of existence. Navajo conceptions of space are indicated by symbols of the world's directions and that of social life by the distribution of Navajo houses (*hogans*) and mythic beings; values are represented in the stories and chants associated with each sandpainting. Material items critical to Navajo existence (e.g., horses or ritual items) are also portrayed. Once the work is completed, the patient sits on or in the sandpainting, and a curing ceremony, accompanied by chanting and prayer, proceeds. Illness, the Navajo claim, is the result of persons' losing their proper place in the world; the aim of the ceremony is to restore the patient to that place. When the ceremony is completed and harmony restored, the sandpainter destroys the painting.

Navajo sandpainting contains all the elements of what anthropologists often mean by the term *culture*. Like the sandpainting, a culture serves to define the universe as it is supposed to exist for a people. The sandpainting contains the key elements and symbols



Navajo sandpaintings serve as therapeutic stages on which a person's place in the universe is defined and ritually enacted.

SOURCE: Chuck Place/Alamy Stock Photo

that people use to locate themselves in physical and social space. It affirms the place of the person in the created world and the values that govern people's lives. Like the sand-painting, particular cultural representations serve as therapeutic frames that communicate to us who and what we are and how we figure in the larger order of things. These representations are therapeutic because they help people resolve the contradictions and ambiguities that are inherent in any cultural definition of reality and self.

Furthermore, every society has its sandpainters, those individuals who are given or who take responsibility for representing the universe to others and who have the power to define those elements that are essential for others in locating and defining their identities. In some societies, as among the Navajo, it is the curer, shaman, mythmaker, or storyteller; in others, it is the priest, poet, writer, artist, singer, or dancer. In capitalism, the sandpainter works in churches, synagogues, or mosques; in theaters; through television sets; at sporting events; or in the shopping malls that reaffirm the vision of abundance central to the consumers' view of the world. Contemporary sandpainters, including marketing specialists, advertisers, government agents, corporate public relations specialists, entertainers, and journalists, create a vision of the world designed to maximize the production and consumption of goods. They have helped to create a culture in which the prime elements are commodities and in which the consumer's first duty is to buy (or "Shop till you drop," as a popular bumper sticker advises). It is a culture in which virtually all our everyday activities—work, leisure, the fulfillment of social responsibilities, and so on—take place in the context of commodities, and in which shopping, like the sandpainting cure, serves as a therapeutic activity. These contemporary sandpainters construct for us a culture in which at one time or another every individual assumes the identity of consumer. The question we need to explore first is, *How was the universe of the consumer and the consumer her- or himself created?*

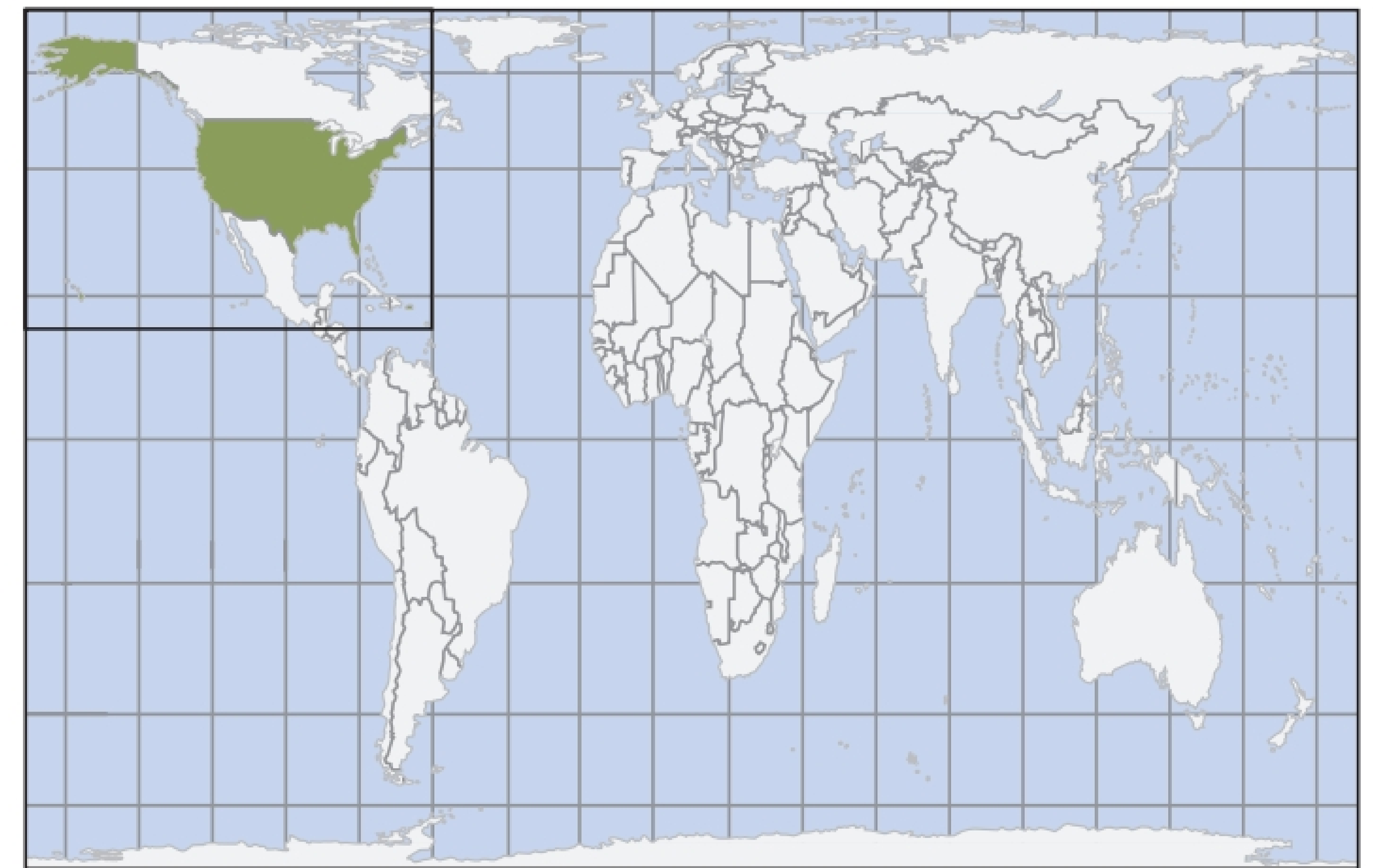
Remaking Consumption

1.1 Describe the role of the four factors in the creation of a consumer economy.

The consumer did not, of course, appear full blown in the early twentieth-century United States. Mass consumption of certain goods—notably addictive substances such as tobacco, opium, rum, gin, coffee, and tea—arguably fueled the Industrial Revolution and even Europe's colonial domination of Asia, Latin America, and Africa (see, e.g., Trentmann 2016). This consumption also defined the methods by which later commodities were produced, distributed, and consumed (see, e.g., Trocki 1999). But, since these items were physically addictive and required little marketing, merchants generally paid little attention to how these and other goods were marketed or displayed, assuming that when people needed their products, they would buy them. It was this attitude in the United States of a century ago that was to undergo a profound change.

The change did not occur naturally. In fact, the culture of nineteenth-century America emphasized moderation and self-denial, not unlimited consumption. People, workers in particular, were expected to be frugal and save their money; spending, particularly on luxuries, was seen as "wasteful." People purchased only necessities—basic foodstuffs, clothing, household utensils, and appliances—or shared basic items when they could. If we look at a typical inventory of the possessions of an American family of 1870–1880, we find a pattern very different from that of today. In 1870, 53 percent of the population lived and worked on farms and produced much of what they consumed. One Vermont farm-wife recorded making 421 pies, 152 cakes, 2,140 doughnuts, and 1,038 loaves of bread in one year (Sutherland 1989:71). Household items were relatively simple—a dinner table, wooden chairs, beds, and perhaps a carpet or rug. There were a few appliances to aid housework—cookstoves, eggbeaters, apple parers, pea shellers, and coffee mills—but

most other housework required muscle; even hand-cranked washing machines were not available until the late 1870s. Although most people, except the poorest or most isolated families, did buy some ready-made clothing, most of the items people wore were made at home and were largely functional. Furthermore, because the vast majority of American families lived on farms, most of the family capital was invested in farming tools and implements. There were, of course, exceptions. The wealthy members of society competed with each other in the ostentatious display of wealth and luxury, as they had for centuries. But they represented a small percentage of the population.



Of course, Americans did not yet have electricity, the automobile had yet to be invented, and the money supply was far more limited than it is today. Nevertheless, to transform buying habits, luxuries had to be transformed into necessities. In America, this was accomplished largely in four ways: a revolution in marketing and advertising, a restructuring of major societal institutions, a revolution in spiritual and intellectual values, and a reconfiguration of space and class.

The United States

Marketing and Advertising

First, there was a major transformation of the meaning of goods and how they were presented and displayed. For most of the eighteenth and nineteenth centuries, retailers paid little attention to how goods were displayed. The first department store—Bon Marché—opened in Paris in 1852, allowing people to wander through the store with no expectations that they make a purchase. Enterprises such as Bon Marché were devoted to "the arousal of free-floating desire," as Rosalind Williams put it (McCracken 1988:25). The display of commodities helped define bourgeois culture, converting the culture, values, attitudes, tastes, and aspirations of the bourgeoisie into goods, thus shaping and transforming them (Miller 1994).

But Bon Marché was an exception. In stores in the United States, most products were displayed in bulk, and little care was taken to arrange them in any special way. Prepackaged items with company labels did not even exist until the 1870s, when Ivory Soap and Quaker Oats appeared (Carrier 1995:102). Shop windows, if they existed, were simply filled with items that had been languishing in back rooms or warehouses for years. Even the few large department stores of the mid-nineteenth century, such as that of Alexander Turney Stewart, the Marble Palace in New York, paid little attention to display. It was not until the 1890s and the emergence of the department store in the United States as a major retail establishment that retailers began to pay attention to how products were presented to the public.

The department store evolved into a place to display goods as objects in themselves. When Marshall Field's opened in Chicago in 1902, six string orchestras filled the various floors with music, and American Beauty roses, along with other cut flowers and potted palms, bedecked all the counters. Nothing was permitted to be sold on the first day, and merchants in the district closed so that their employees could visit Field's. Later, elaborate theatrical productions were put on in the stores, artworks were exhibited, and some of the most creative minds in America designed displays that were intended to present goods in ways that inspired people to buy them. The department store became a cultural primer telling people how they should dress, furnish their homes, and spend their leisure time (Leach 1993).

Advertising was another revolutionary development that influenced the creation of the consumer. The goal of advertisers was to aggressively shape consumer desires and create value in commodities by imbuing them with the power to transform the consumer into a more desirable person. Before the late 1880s, advertising was looked down on and associated with P. T. Barnum–style hokum. In 1880, only $30 million was

invested in advertising in the United States; however, by 1910, new businesses, such as oil, food, electricity, and rubber, were spending $600 million, or 4 percent of the national income, on advertising. By 1929, advertising was an $11 billion enterprise, and by 1998, the amount spent globally on advertising reached $437 billion. By 2016, global advertising expenditures reached almost $500 billion (Handley 2016; Lee 2012), or more than the GDP of Sweden.

By the early twentieth century, national advertising campaigns were being initiated and celebrities were being hired to offer testimonials to their favorite commodities. Advertising cards, catalogs, and newspaper ads became a regular feature of American life. Outdoor advertising—billboards, signs, and posters—appeared everywhere. Electrical advertising—neon and flashing signs—were marketed, and Broadway became famous as the "Great White Way." Today, advertising plays such a ubiquitous part in our lives that we scarcely notice it, even when it is engraved or embroidered on our clothing.

Another boon to merchandising was the idea of fashion: the stirring up of anxiety and restlessness over the possession of things that were not "new" or "up-to-date." Fashion pressured people to buy not out of need but for style—from a desire to conform to what others defined as "fashionable."

It is hardly surprising, then, that the garment industry in America led the way in the creation of fashion; its growth in the early 1900s was two or three times as great as any other industry. By 1915, it ranked only behind steel and oil in the United States. Fashion output in 1915 was in excess of $1 billion; in New York alone, 15,000 establishments made women's clothes. New fashion magazines—*Vogue, Cosmopolitan*, and the *Delineator*—set fashion standards and defined what the socially conscious woman should wear, often using royalty, the wealthy, and celebrities as models. In 1903, the fashion show was introduced in the United States by Ehrich Brothers in New York City; by 1915, it was an event in virtually every U.S. city and town. Relying on this popularity, the first modeling agency was founded in New York by John Powers in 1923 (Leach 1993:309). The entertainment industry contributed by making its own major fashion statements as American women of the 1920s sought to imitate stars such as Clara Bow.

The importance of fashion hasn't changed, and fashion magazines remain, as film critic Manohla Dargis (2009) put it, "temples of consumption." Reviewing the documentary, *The September Issue*, about the creation of a single issue of Vogue, she notes that the glossy images, expensive clothes, and accessories displayed in its pages are about creating desires and transforming wants into needs. The magazine, of course, wants to sell the stuff that adorns its pages; however, more than that, it wants to instill in the reader sets of aspirations. It seeks to define tastes using attractive models and celebrities to define what the well-dressed woman should wear.

Another addition to the marketing strategy was service, which included not only consumer credit (charge accounts and installment buying) but also a workforce to fawn over customers. Customers became guests.

William Leach suggested that service may have been one of the most important features of the new consumer society. It helped, he said, mask the inequality, poverty, and labor conflicts that were very much a part of the United States at this point in its history. If one wanted to understand how consumer society developed, Leach said, one could look at the rise of service. As economic inequality rose in America, and as labor conflict increased, Americans associated service with the "promise of America." Service conveyed to people the idea that everything was all right, that they had nothing to worry about, and that security and service awaited them. Service expressed what economists then and now would refer to as the "benevolent side" of capitalism that exchanged a steady flow of profits for greater comfort. From this perspective capitalism did not just seek profit, but satisfied people's needs by being more efficient. "Capital," said one turn-of-the-century economist, "reigns because it serves" (Locke 1984:111).

The Transformation of Institutions

The second way in which American buying habits were changed was through a transformation of the major institutions of American society, each redefining its function to include the promotion of consumption. Educational and cultural institutions, governmental agencies, financial institutions, and even the family itself changed their meaning and function to promote the creation of the ultimate consumer.

Before 1900, the contributions of universities to the capitalist economy largely dealt with how to "make" things—that is, with the production of commodities. Virtually no attention was paid to selling or keeping track of what was sold. For example, there was no systematic examination of mass retailing, credit systems, or banking offered by America's schools or universities. In the twentieth century, however, that began to change. For example, in New York City there was the good-design or arts-in-industry movement; schools, such as the Pratt Institute and the New York School of Fine and Applied Arts (now Parsons School of Design), developed and began to prepare students to work in the emerging sales and design industries and in the large department stores. The University of Pennsylvania's Wharton School for Business and the Harvard School for Business introduced programs in accounting (virtually nonexistent before then), marketing, and sales. In 1919, New York University's School of Retailing opened; in the mid-1920s, Harvard and Stanford established graduate business schools as did such schools as Northwestern and other universities in Michigan, California, and Wisconsin soon after. Today, there are virtually no two-year or four-year colleges that do not offer some sort of business curriculum.

Museums also redefined their missions to accommodate the growth of the consumer culture. The American Museum of Natural History and the Metropolitan Museum of Art in Manhattan, the Brooklyn Museum, and the Newark Museum—all heavily endowed by wealthy patrons such as J. P. Morgan—began to make alliances with business. Curators lectured to designers on Peruvian textiles or primitive decorative art. The head of the American Museum of Natural History, Morris D'Camp Crawford, assisted by the head of the anthropology department, Clark Wissler, urged businesspeople and designers to visit the museum. Special exhibits on the history of fashion and clothing were arranged, and Wissler even borrowed the window-display techniques of New York department stores for his exhibits (just as window-display designers had borrowed the idea of the mannequin from anthropologist Franz Boas's exhibit of foreign cultures at the 1893 World's Columbian Exposition in Chicago). The editor of *Women's Wear* magazine praised the museum for being "the most progressive force in the development of the designer" (Leach 1993:166).

The second set of institutions to aid in the development of consumer culture comprised agencies of the local and federal governments. The state, as an entity, had long taken a lively interest in commerce within its borders (as we'll see when we examine the history of global capitalist expansion in Chapter 3). But prior to the twentieth century, the state's concerns focused largely on the manufacture of commodities, the organization of business, the control of labor, and the movement of goods. It wasn't until the twentieth century that state agencies began to concern themselves with the consumption end of the business cycle. In fact, it may not be an exaggeration to say that the government did more to create the consumer than did any other institution.

Nothing better represents the increasing role of the federal government in the promotion of consumption than the growth of the Commerce Department under Herbert Hoover, who served as its head from 1921 until his election as president in 1928. When the Commerce Building opened in Washington in 1932, it was the biggest office structure in the world (and was not surpassed in size until the Pentagon was built a decade later). At the time, it brought together in one building virtually all the government departments that had anything to do with business, from the Patent Office to the Bureau