GLOBAL PROBLEMS AND THE CULTURE OF CAPITALISM

SIXTH EDITION

RICHARD H. ROBBINS

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Richard H. Robbins

State University of New York at Plattsburgh

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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, my colleagues at the State University of New York at Plattsburgh, James Armstrong and Mark Cohen, and I 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 THE SIXTH EDITION

Since the publication of the fifth edition of *Global Problems and the Culture of Capitalism*, we have experienced significant global upheaval as well as heightened concerns over global immigration, urbanization, climate change, and regional conflict, as well as levels of protest,

all of which are addressed in this, the sixth, edition of the book. Specific changes include the following:

- Additional discussion of money as debt, the movement of money, and the consequences and the importance of perpetual growth.
- Material on advertising targeted to children and the scope of the practice.
- Coverage of immigration, its history, and its social, political, and economic impact.
- Coverage of urbanization and its impacts
- Discussion of climate change and its impact on the economy and society as a whole.
- Timely information on Occupy Wall Street and the philosophy and techniques of Direct Action.
- A new, comprehensive Chapter 13 discussing how to address many of the issues raised in the book.

Throughout this edition, I have tried to make the nature and origin of complex problems accessible to general readers and undergraduates without oversimplifying the gravity of the problems.

As always, I welcome comments and communications from readers and can be reached by email at richard.robbins@plattsburgh.edu. In addition, readers are encouraged to use the Web resources, including readings, online videos, and references created especially for the book, at http://www.plattsburgh.edu/legacy.

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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 human beings to the production of more and more things—"more this year than last year, more next year than this"—and that emphasized the "standard of living" above all other values.

It is obvious, he continued,

> that Americans have come to consider their standard of living as a somewhat sacred acquisition, which they will defend at any price. This means that they would be ready to make many an intellectual or even moral concession in order to maintain that standard.

---

[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).

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 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 $37 trillion in 2010, 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.

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.

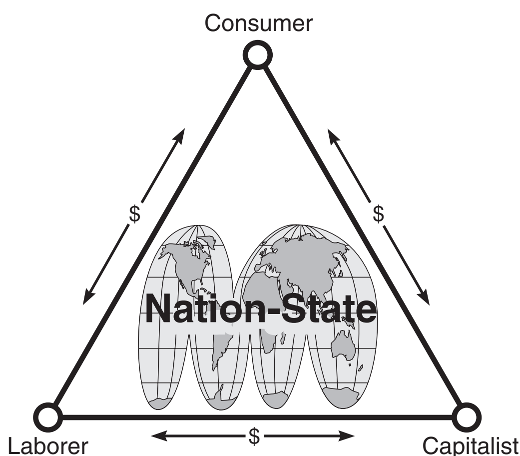

FIGURE I.1
Patterns of Relations in the Culture of Capitalism

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, 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. (Figure I.1 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.

Part I of the book describes the emergence of the consumer, the capitalist, the laborer, and the nation-state and outlines how each must function for our society to work. In Part II, we examine what economists call *market externalities*—that is, some of the mostly unintended consequences that follow from the interaction between the consumer, the laborer, the capitalist, and the nation-state. Finally, in Part III we explore the range of resistance to these externalities.

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.

A PRIMER ON MONEY: THE PHILOSOPHER'S STONE

Commonly we consider money simply 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 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.

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. (Mary Evans Picture Library/ Alamy.)

To appreciate the magic of money, the most important thing to consider is that *the prime directive of the culture of capitalism is that it must maintain economic growth.* People must buy, produce, invest, and profit more this year than the last and more next year than this in perpetuity. Failure to maintain growth would threaten the economic, social, and political foundations and stability of our entire society. People would be unable to repay debts, banks would fail, millions would lose their jobs, and millions of businesses would go bankrupt, to name only a few of the obvious consequences. Aside from a few notable periods of economic contraction, such as the periodic depressions

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

Region	1	1000	1820	1998	1–1000	1000–1820	1820–1998
	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)

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 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.2 portray the yearly growth of global GDP during the past two millennia.

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)

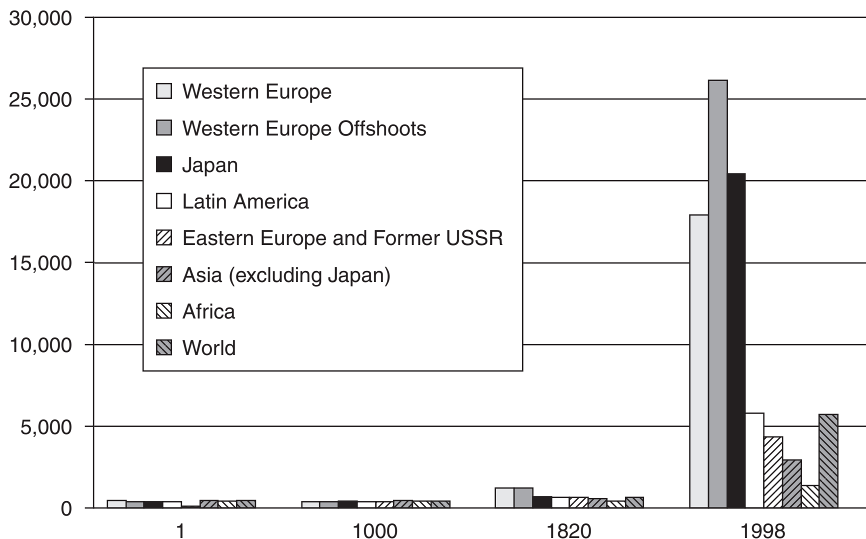

FIGURE I.2 Rate of per Capita GDP Growth by Region from A.D. 1 to 1998

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

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 25 times over the same period.

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 earn 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).

These increases, of course, could occur only with a steady increase in the money supply. Without the increase, people would not have the means to buy more, employers would not have the means to pay more, and capitalists would not be able to profit more. *But how does the money supply increase? Where does money come from and what or who provides its magical power?*

The Development of Commodity Money

The use of objects as a medium of exchange is likely as old as trade. Thus the use of shells, furs, and other items of value as money are known in small-scale societies throughout the world (see Graeber 2011). 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*. Commodity money is money that has some value in itself beyond its exchange value. Thus, precious metals used for making coins can be used for making jewelry or other objects of art. Generally, the value of the coins is equal to the value of the metals used. As such, the use of coins for trade involves the exchange of one thing of value (e.g., a shirt) for another thing of equivalent value (e.g., an equal amount of gold).

But coins had a big disadvantage: They were difficult to store and to transport. Furthermore, it was not uncommon for people to melt the coins and use them for some other purpose, thus preventing them from circulation. This is where the first bit of magic comes in; people began to substitute paper for coins. "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 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 big loophole with commodity money. 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 practiced what is called *fractional reserve banking*; this means simply that they had to keep on hand only a fraction of the money or gold deposited assuming that not everyone would demand their gold deposits at the same time. They settled 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

The issuing of paper money was a huge step in helping to accelerate economic growth.
(Rafael Ben-Ari/Fotolia.)

loans, and people had more money to spend. On the other hand, 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, a private corporation, creates money by lending it to the federal government. The debt assumed by the government becomes an asset (i.e., money owed to the Federal Reserve) that the Federal Reserve then distributes to member banks who, 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. It is lent into existence (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 money 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 making loans. 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 Shift from Commodity to Fiat or Debt Money

The next stage in the evolution of 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. Then in 1971, the U.S. government declared that its currency would no longer be backed by gold, or anything else for that matter. 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 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 was 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. Debt money, for example, simply represents a promise by the borrower of money to repay it at some future date.

Table I.3 and Figure I.3 show the kinds of money, or money stocks, in circulation in the United States along with their growth since 1959.

In sum, the money supply in 2007 was more than forty-six times larger than it was in 1959. 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.

TABLE I.3 Increase in U.S. Money Supply from 1959 to 2009 (in billions)

Years	Currency	M1	M2	M3	Non-M2 M3	Percentage of Change in M3
1959–1970	416.1	1,959.1	5,074.2	5,256.1	202.0	—
1971–1980	731.6	2,910.3	10,252.8	11,905.2	1,652.6	127
1981–1990	1,661.3	6,102.2	24,088.3	31,002.9	6,916.4	160
1991–2000	3,681.8	10,550.1	37,696.1	49,151.9	11,428.7	59
2001–2009	6,175.0	11,896	58,268.5	140,701.3[1]	31,993.3[2]	186

M1 = Currency, traveler's checks, demand deposits, and other checkable deposits

M2 = M1, retail MMMFs, savings, and small-time deposits

M3 = M1, M2, large time deposits, RPS, Eurodollars and institutional money funds, available at http://www.federalreserve.gov/releases/h6/hist/h6histb.txt

[1] The Federal Reserve stopped publishing M3 data in 2006. The data from 2006 to 2009 is estimated with information available at http://www.shadowstats.com/alternate_data

[2] This includes estimated data from 2006 to 2009.

The Consequences of a System of Debt Money

The key thing to remember about debt money is that every dollar that is created is someone's debt. Money is lent into existence. Consequently every dollar, euro, or pound must earn interest. The interest it earns goes to the bank and the people who buy the debt. This is not the only way to create money; money can be distributed, or given as a reward for some action. Think about airline miles; when people travel they get bonus miles that they can use to purchase airline tickets, or a host of other things such as gas gift certificates. 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 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?

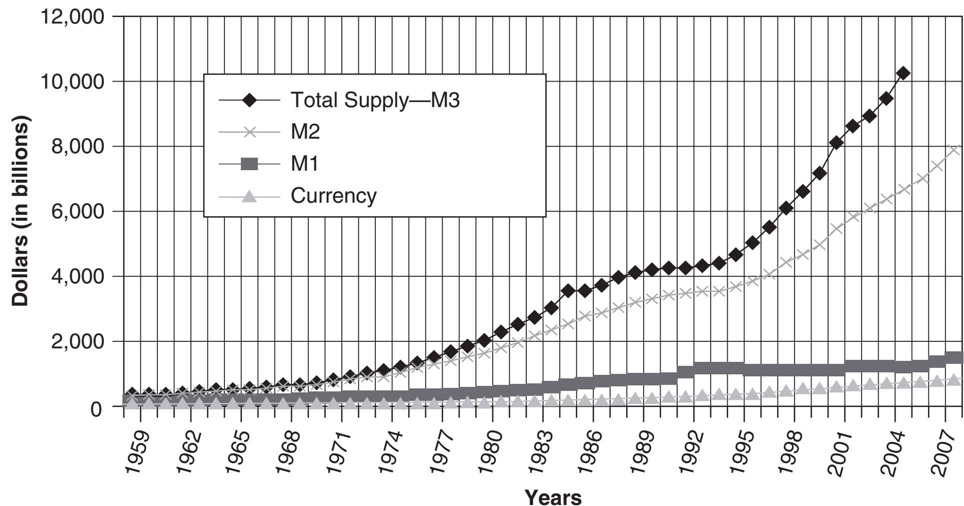

FIGURE I.3 U.S. Money Supply by Type, 1959 to 2008

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 a Brooklyn fish company, among others, 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 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 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.

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