

CAPITALISM & ITS LIMITS

PAUL ADLER & RYAN JEFFERY

The Distance Plan invited organisational sociologist Paul Adler and filmmaker Ryan Jeffery to talk about common ground in their research into representations of capitalism and its limits. Their conversation took as its starting point Paul's recent book review *The Environmental Crisis and its Capitalist Roots: Reading Naomi Klein with Karl Polanyi*, and Ryan's film *All that is solid melts into data* (2015; a collaboration with Boaz Levin).

***All that is solid melts into data* positions data centres as emblems of the often-overlooked materiality of networked technologies, in order to consider their social, environmental, and economic impact. In his review of Klein's book *This Changes Everything: Capitalism vs. the Climate* (2014) Paul notes that Klein "claims that the root cause of this environmental crisis lies in the capitalist character of our economy. But at other points she indicts not capitalism as such but rather its neoliberal variant, and at yet other points she attributes the crisis to an 'extractivist mindset'. This blurred identification of the issue is problematic as each analysis points to very different remedies." Paul reads economic historian Karl Polanyi (2001) for a theory of capitalism that helps us clarify the alternatives. Polanyi argues for the indictment of capitalism as such, rather than its currently dominant neoliberal variant or an extractivist mindset. The conversation took place in September 2015 in Paul's office at the Marshall School of Business, University of Southern California, in Los Angeles.**

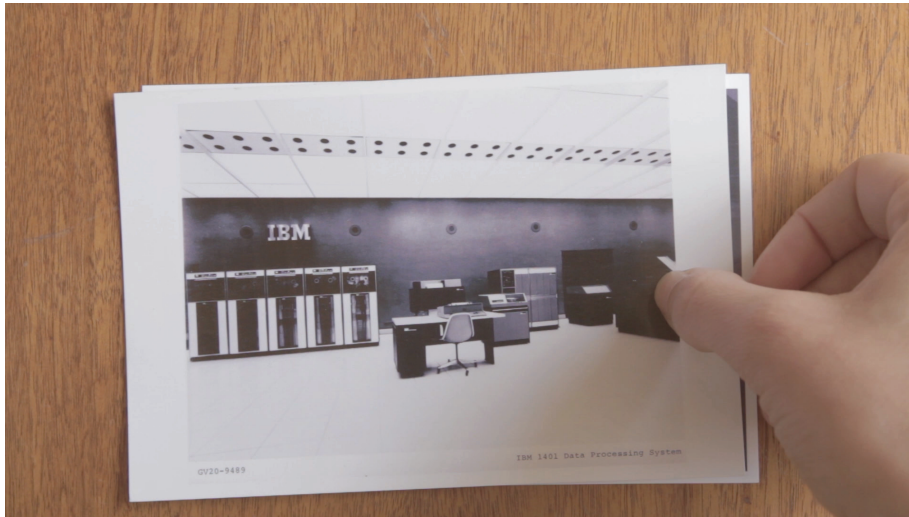
Ryan Jeffery

All that is solid melts into data is about the history of data centres. It really starts in 2006 when Google established their first data centre up in Oregon, which they built—for tax and energy economy purposes—in the high altitude desert of the American Northwest. But the history of data centres goes further back than this, really beginning with IBM just after WW2. The film looks to this history in order to understand the technology of the internet by specifically looking at the history of the buildings that make up what we might call the internet. So I guess I could say it's a pseudo-architectural documentary, but really it is a means to talk about the politics and the political economy of data centres and the structures of power behind these buildings.

I really identified with a statement you made in your review of Klein's book, about the problem of the division between social and environmental issues. In making this film we began with the political and economic issues, but in the process issues concerning the environment quickly revealed themselves.

Paul Adler

I stumbled into that distinction by accident. Let me explain how. My research has been about the dynamics of the capitalist system of private enterprise, where firms compete to maximise profitability. In this kind of system, firms will ignore whatever doesn't affect their bottom line, and the result is that the system generates a lot of what economists call 'externalities'—results of the business's action that affect other people or the planet but are not reflected in the price of the business's products. Some externalities are positive—such as people learning new skills on the job and as a result expanding their capacities and opportunities. The externalities we worry about are the negative ones. Some of these are social—such as demanding that employees work such long hours that they don't have time to spend with their families, or firing people when there's a business downturn and leaving communities devastated by unemployment. And some negative externalities are environmental, such as discharging effluent into rivers or polluting the air with toxins or carbon dioxide. In a capitalist economy, the only way to reliably limit these externalities is through some kind of regulation and taxation.



Stills from *All that is solid melts into data*, 2015.

When I started getting interested in environmental issues in my teaching and research, my assumption had been that businesses and government would treat social and environmental externalities in broadly similar ways. But the more I thought about it the more it seemed that the dynamic associated with each of them was different.

On the one hand, on the social side, capitalism has managed over the last 200 years to find ways to absorb most of these negative social externalities. That has happened through both economic and political processes.

First, capitalism has both created and absorbed many social externalities through the more or less automatic economic cycles so characteristic of the capitalist market economy. Markets are not stable—they move in cycles. Booms lead to over-investment and busts. Those busts inflict unemployment on working people and destroy a lot of otherwise viable businesses. However, when there are a lot of unemployed people and when a lot of businesses fall into bankruptcy, that creates juicy prospects for business—it means the surviving businesses or newly formed ones can get people to work for lower wages and they can operate with fewer competitors. So the busts create the conditions for a new boom.

The other way capitalism has absorbed these social externalities is through regulation. When capitalist business practices inflict suffering on working people, these people often mobilise to improve their lot—forming unions and demanding changes in management policies, and when that fails, demanding stronger government regulation. While some firms ferociously resist these demands, others are happy to see government regulations block their more ruthless competitors.

The result is that, in the long run, living standards have tended to improve under capitalism. We may be—should be!—angry about inequality, about business cycles that throw people out of work, and about the ruthless destruction of traditional communities. But in the long term, capitalist development hasn't meant a degradation of the social conditions of working people, but on the contrary, improvement. Sure, it's a path that's scandalously slow and jerky, but very few people want to turn the clock back.

Environmental externalities work differently. When business practices create externalities that screw up the environment, there are not typically hundreds of firms eager to rush in to capitalise on the resulting new business opportunities. Let's say a firm like GE (General Electric) pollutes the Hudson River: there may be some environmental remediation businesses who step forward to fix that—but only if the government has forced GE to pay for a cleanup. Otherwise, there's no cleanup work here. So there is no automatic equilibrating process like the boom and bust business cycle.

In the social domain, the business cycle means that when a lot of people lose their jobs and firms go out of business, we can be pretty confident that sooner or later there'll be a lot of businesses aiming to profit from this misery, and their investment will drive a new boom. But there's no parallel to this in the environmental arena: there's no automatic cycle in which businesses' destruction of the environment calls into existence a burst of investment by business aiming to restore the environment. The destructive effects of coal, for example, have spurred investment in solar—but only after government has stepped in to subsidise it.

A second, and closely related difference between social and environmental externalities is that when people get hurt, they are likely to fight back. To defend themselves from overwork, low pay, and so forth, people form trade unions, mass movements — they revolt, and they force the state to intervene. But when the environment gets destroyed, it doesn't assert itself as a political actor, and the linkage to political action on behalf of the environmental is very weak. When agricultural spaces are devastated, people are more likely to move away rather than organise to stop the destruction. Political organisation is a critical step in the process leading from externality-related damages to remedies, and that step is much harder to take when it comes to environmental externalities. The environment needs people to speak for it. The environment doesn't speak for itself in the political arena.

So what are the prospects for the environment? While there is a growing number of people who are willing speak on its behalf, and while we could imagine that eventually governments

could be forced to regulate industry more rigorously, the underlying processes of environmental destruction have accelerated—things have gotten out of hand. We are on a trajectory of environmental degeneration. You see it with global warming and with the destruction of the ice coverage: this is happening at such a rate, and the acceleration is so rapid, that it's very hard to see political mobilisation succeeding soon enough to save us from a very dark future.

RJ

Yes, that makes me think of the current coverage of the Syrian refugee crisis and the debates about are they economic migrants or are they refugees from a war—as though war has no economic element to it. I guess in one sense you need a taxonomy, specific language, you need to compartmentalise things to a degree. But in my mind it's dangerous when you start to describe such things as though they are autonomous.

PA

That's a deep point. Yes—environmental problems both generate and are caused by social problems, and those problem cycles are intertwined in a profound way.

RJ

The coal mining industry in West Virginia is a helpful illustration of this. Economic concerns come up against environmental concerns, and the debate gets divided into two issues of externalities —it's almost like religion and politics, but under pressure, economic concerns always comes first. There is of course empirical evidence that burning coal is polluting the air and that it will affect future generations, as well as the current generation—everyone really knows this—but the first question raised is what's the economic alternative? If there is no apparent market alternative then there appears to be no alternative at all. Employment gets pitted against the environment.

PA

On the one hand I would want to say this is a false dilemma. If we had a sane social system, the coal miners would be offered attractive opportunities to move into new occupations and industries and get on with their lives without participating in this

polluting industry. And yes there might be something sad about the loss of a traditional way of life of coal mining, but if the future were a brighter one for them they'd gladly leave it behind and cherish the fond memory rather than continue with the dirty reality. But on the other hand I'm worried that in a capitalist form of society, the opportunities to move into a new industry are typically not there in time, and in that case, there really is a trade-off between jobs and the environment.

And I'd go further: under any system of government, even the most utopian, we won't be able maintain the rich world's affluent lifestyle if we start to behave more responsibly towards the environment. It's very hard to see how we can be environmentally responsible and not radically reduce the rate at which we're absorbing non-renewable resources. We're sitting in an air-conditioned office and burning all these fluorescent lamps. If I understand it correctly, we are going to have to reduce my energy consumption—and the energy consumption of the billion richest people on the planet—by something like 80% within the next 20 years if we have any chance at all of not tilting the planet into a massive cycle of climate turmoil.

I fear we are headed into a new dark age—both in terms of environmental conditions and political prospects. And that has me wondering about our understanding of politics, our templates for social mobilisation: What would it look like to mobilise people in a progressive direction, when hundreds of millions of people are fleeing coastal areas? When people are driven by hunger out of traditional agricultural areas? When there are demagogues on the far right waving xenophobic banners? I think we will soon need a whole new kind of politics for the crisis situations that we're heading into. I have no idea what that kind of politics will look like.

RJ

The two examples that I reach for here are the austerity measures we see happening in Europe, and the current Syrian refugee crisis. They are both telling examples of what we are told is *going* to happen. It's happening already. Maybe not in an entirely identifiable one-to-one relationship with climate change yet—but it's people migrating nonetheless and it very much resembles the picture that's

been painted what climate change will look like. I've recently been following the political scientist Mark Blyth, and his discussion about the situation with Greece and Germany, and the history of austerity, back into the Scottish enlightenment. He thoroughly proves that austerity never works; therefore the question quickly arises, why is it administered? How did we get here? It seems like it comes down to the loudest voice just arguing people into the ground. Blyth flatly states: if we really cared about empirical evidence we would have done something about climate change a long time ago.

This separation of social externalities and environmental externalities becomes very troubling, because to my eyes they seem very much like the same issue. For me, at the centre of this is what people think the purpose of the state is, and what the purpose of the market is. The irony in the case of the environmental crisis is that of course the free market is supposed to be able to respond faster than the state to solve needs and problems. At the end of your article you point this out. Precisely because it's governed by investor needs, the market has demonstrated that it's actually too slow to handle this problem. But it's still the loudest voice.

Going back to Virginia, it seems quite obvious that if they don't mine for coal there the economy will suffer greatly, but that's only because of the assumption that there has to be a market solution. There's supposedly no way out of this because the market is supposed to be free and autonomous—no one would dare say, hey wait a minute, maybe the state should step in and help to define what our markets are. This is the whole liberal trap. Blyth's point is that we need the state to uphold our markets and then they need to step out of it. So we want the state, but we then we don't want the state.

PA

It's interesting that you bring up Mark Blyth. His intellectual frame of reference is shaped by Karl Polanyi—the historian I was referring to in my article. I like a lot of what Blyth has to say, but fundamentally, I think he misses Polanyi's most important point. I don't think Blyth has a very good answer to your question as to why we find ourselves confronting such a powerful lobby for austerity. His explanation is basically that this lobby is driven in a

mistaken direction because they are in the grip of old, disproven ideas.

I find that pretty weak, because I don't think all these finance ministers across Europe are stupid. I think they know what they're doing: they're representing their own classes' interests. Their austerity policy may seem to us to be mad in its unnecessary destructiveness, but to the economic elite, the alternative—the one we propose, of state intervention to create jobs and re-balance the economy—is even more dangerous: it takes power out of the hands of the elite (the capitalist class) and puts it in government hands. And who knows—they say to themselves—where that may lead: democracy is always a risky proposition to this elite. When economic conditions are okay, they let us have our little elections to see if Tweedledum or Tweedledee will govern us, but when the economy crashes, the 'little people'—us—might get ideas about using democracy for more radical change.

Blyth argues that the elite's neoliberal celebration of the market and their mania for deregulation will eventually prompt a progressive reaction. This is what Polanyi calls the 'double movement' – first, the capitalist market is dis-embedded from state, societal and normative controls, and then that creates so much social turmoil that eventually there is a wave of government regulation to restore the balance and 're-embed' the market by protecting workers, communities, and the environment. So Blyth and many social democratic liberals put their faith in this re-embedding movement, hoping it will eventually reassert itself.

But this misses one of Polanyi's key points: such re-embedding movements eventually prompt another round of dis-embedding. Yes, the New Deal re-embedded a capitalist market economy that ran off the rails in the great Depression...but then those capitalist interests came back with a vengeance in the 1980s and since, with Reagan, Thatcher, and the neoliberalism that we are still living under today. The capitalist class is not going to stand by as you gently dispossess and disarm them as Roosevelt tried to do. They eventually fight back. And so long as the basic structure of the economy is a capitalist one, it's the capitalist class that holds all the strongest cards.

The double movement, in other words, is an infernal pendulum. We can only escape it by a more fundamental, qualitative transformation of capitalism into socialism—we need to move to a completely different system. That's not re-embedding the market with stronger government regulations or with the ethical influence of 'conscious consumers'. Instead, it's a system that replaces the market with democratic planning of the whole economy.

RJ

Is it helpful to think of Polanyi's double movement of embedding and re-embedding as essentially the discourse we hear over deregulation and regulation?

PA

Yes that's a good way to summarise it. What I think he [Polanyi] was actually trying to say was that you're crazy if you think we can solve capitalism's basic problems by regulation: regulation prompts deregulation and this back and forth cycle will never get out to any truly civilised form of society.

You might ask whether this view is too pessimistic about what democratic politics can do to restore some sanity to a market economy. But I think the jury of history has already returned a verdict on this issue and declared Marx correct: in a class-based society—where some people own the means of production and other people have to work for them for a wage—government and the whole 'state system' are basically an instrument of the dominant class.

When well-meaning liberals wring their hands about the influence of money on our political system, it's hard to keep a straight face: are we really supposed to believe that campaign finance reform would turn the government of this country into a vehicle for advancing the interests of working people? That's seems to me like a fantasy. If the rich people who control the means of production were confronted by a truly democratic government, what do you think they would do? They would simply take their money and move it somewhere else. We would see a 'capital strike'. They don't need to let you use their factories. These are their factories and if push comes to shove they'll use violence to make that understood.

So, yes, we should try to get Bernie Sanders elected and get the government to raise the minimum wage and create universal health insurance. But that's not going to eliminate the boom and bust cycles of capitalist economic development, the periodic financial crisis, and certainly not halt the downward spiral of massive environmental destruction.

So, sure, we need to mobilise people so they call on government to give these [West Virginian] miners employment opportunities. But at the same time we need to completely rethink the nature of society, as well as rethinking our consumption patterns, and the industrial technologies we are using which generate these environmental crises.

RJ

Yes, and perhaps that's where you can locate the connection, within Polanyi's double movement. If I'm understanding the way you're describing it, we have fallen into some sort of false debate in which re-embedding and dis-embedding, or deregulation and regulation, is formulated as an antagonism between the market and the state. But those are both internal to capitalism, so it's not where the real debate should be.

What your article also made me think more about is the language and terminology that's used to work through these problems, specifically the use of *Neoliberalism* or *late capitalism*, and now *cognitive capitalism* and *turbo capitalism*. I found myself questioning how helpful many of these terms can be at times. Because if I'm reading your article right, and going back to Polanyi, there's a call to look at events within capitalism on a larger horizon, rather than dividing them into discrete smaller stages?

PA

Clearly there is some merit to the idea of Neoliberalism. It's been quite a self-conscious ideological movement, which has managed to influence government policy in the economic and social arena—not to speak of foreign policy—in a lot of countries. But the question at the centre of this article is—is Neoliberalism the problem, or capitalism?

Mark Blyth would say Neoliberalism is the problem. If we only had a more enlightened form of social democratic government then

we would be able to solve all these problems. So that's an attack on Neoliberalism from within the capitalist frame. And I'm all for efforts to shift things from Neoliberalism to social democracy and American-style liberalism. But to imagine that's going to get us anywhere near to where we need to be seems just a delusion.

RJ

I am curious if this is accurate: I remember at one point hearing that insurance companies were the first industry to actively admit that climate change was happening, quite simply because it's been affecting their bottom line.

PA

It's not exactly the insurance companies—it's the re-insurance companies. They're the people who insure the insurance companies, and they do indeed have a very broad view. Like you, I've also been very impressed about how vocal they've been. But I think, as with all of these issues—whether they're social problems, or environmental problems—there are always sectors of the capitalist class that see the issue and can even make a profit from responding to it—such as solar energy companies, and re-insurance companies. There is always a diversity of views within the capitalist class. The question is whether you can count on the dominant factions being committed to driving the necessary regulations.

RJ

Yes, and that's had me thinking about the role of the knowledge economy—the knowledge-intensive sector of the economy. You were talking about the way capitalism functions. How it absorbs and hides the costs of certain things. In regard to land use and the environment, the film I made about data centres tried to illustrate how the communications industry does this, specifically looking at data centres, the bunkers that warehouse communications data. This technology and these structures are intentionally designed so that its users, basically all of us who use the internet, don't think about its materiality and its cost, but these buildings of course have a huge expense in resources.

PA

You mean beyond the energy side?

RJ

It's mainly energy, but also equipment. They constantly need to update their equipment. Machines are constantly being replaced for faster and faster processors, which of course take up more energy. The technology is accelerating so fast that they have to be constantly buying new equipment, but by and large it's energy.

But they can absorb that cost and hide it from us, because of course they want us to use their services free of charge. For the business of warehousing data, the real value and profit is concerned with its potential use; in turn this speculative drive results in the constant construction of larger and larger data centres to accrue more data, for more speculative potential.

For a business, the larger the sets of a data that you have, the better you can propose its potential use to suit a larger array of needs or markets—you can approach virtually any industry, be it pharmaceutical, or policing, of course advertising, which is the most lucrative. This has also led to the new industry of data brokers who aggregate and buy and sell data just like stocks. For private enterprise, not to mention the government, the value of data, or more specifically its potential value, far outweighs the material costs to store and collect it. The two central costs for data warehousing are taxes and the electricity bill. This is why so many are up in Eastern Oregon, where there are a lot of energy sources, and where there is a state government that has been very cooperative in their tax policies for the communications industry.

PA

I'd like to get more of your thoughts about the role of art in all this. I had a very interesting experience in my teaching last spring. I showed a video about what life is going to be like 50 years from now under severe water shortage conditions. The images were very crudely drawn and the voice-over was pretty rough too, but it was evocative. So I showed it to my class, and I was stunned by how strong an effect it had. Several students were in tears. They were so upset by the picture of the world it drew. I realised that even these students—students interested enough in environmental issues to take an elective—had not thought about how bad things are likely to get.

This seems like an important role for artists—helping people see and feel the future. But I wonder how artists can succeed in this. We have great science fiction, post-apocalypse movies, but they don't seem to prompt any real thinking. Some of them are surely produced with good intentions, and the directors feel honestly that it's best to sneak in the message behind the entertainment, but the end result leaves the audience more cynical than angry—more passive than eager to get involved in any effort to change things.

Perhaps one of the reasons this video I mention worked so well was precisely because it was rather crude and heartfelt. Because it wasn't so polished or entertaining.

RJ

The artist Zachary Formwalt¹ made a simple statement that I was struck by. He said, "We need images in times of crisis." I heard him say that within the context of a project he was working on before 2008, trying to visualise the economy. He had been collecting images that related to the economy, for example someone looking at a stock ticker, computer screens, trading floors. At that time there weren't that many, maybe one or two a month, and then the sub-prime mortgage crisis happened and suddenly there was an overflow of imagery. He ended up abandoning that particular project, but out of it came a deeper understanding of the image's role in a crisis, and how and under what circumstances we relate to images. After 2008 we suddenly needed some representation of the ephemeral abstraction of our economic systems. Most of us had happily lived without this imagery when the system seemed to predominantly work, but as soon as it was 'broken' the abstraction was no longer acceptable.

PA

Yes, surely explaining things is very hard without images. But I'm struck by how critical images are even to the simpler task of getting people to imagine where things are headed.

RJ

I think there is a tendency to want a crisis explained, but there

¹ See <http://www.zacharyformwalt.com>

is also a desire for that explanation to fit within a pre-existing worldview, whichever view that might be. Images can be tools for this, susceptible and malleable to fit different needs and agendas. But even in these instances the lies that images can be used for are also able to speak deeper, unintended truths.

P: I also wonder about images of hope versus fear. I was at a meeting a while ago with the head of the Sierra Club, and his pitch was: "We environmentalists have to stop all this dark pessimistic talk about environmental crisis, because people are not going to respond to a message of fear and anxiety. People respond to a message of hope." There is a lot of research that supports that point: fear tends to paralyse people. But to me the emotion that seems most important here is anger—anger that things could be so much better and that you bastards are too selfish and are standing in the way of urgently needed change.

RJ

So fear and anger seem like the dominating commodities of our capitalist discourse.

PA

But I suppose the hope thing matters a lot too. I've heard some pretty smart people argue that even if the hope is deluded, you need to start there. Take, for example, AB32, the climate change initiative here in California. These measures are terribly insufficient—way too little to avoid environmental catastrophe—but you can make a good argument that if people hope that regulations like this will help solve the problem, then, when it becomes clear that we need far stronger measures, they will be willing to take the next step. If they are immobilised by fear now, then when things get really bad, they're only going to be more so.

RJ

That's sort of the guiding principle of what agitprop is: to agitate and propagate. The propagation part gets a little dangerous depending on what's being propagated, but fear can also inspire greater engagement, especially if rights are being taken away or threatened, and this has the potential to encourage stronger action in regards to climate change—which is hopefully different to regressive fear mongering.

I think people's alienation from both market and state actors might be what leads to the immobilisation that you're describing. As someone working with images, my hope is that they can provide some reorientation or connection to events and images right in front of all us, but I'm interested to defamiliarise them through selective juxtaposition, to reveal the power relations occurring beneath them.

I absolutely agree with you about the depictions of the future typical of Hollywood science fiction movies. These stories always seem to be about young individuals at odds with everyone around them. There's no suggestion that solidarity might be possible, and there is an assumption by the writers that audiences will identify with that.

PA

Great point! It does seem that when well-meaning filmmakers try to communicate a progressive idea in the form of a compelling 'narrative', they almost inevitably make a hero of the story an individual, and in that way obscure the critical role of collective solidarity in making change happen.

We have to encourage hope and the feeling that by working together we can master these challenges. The Italian Marxist Antonio Gramsci had a personal motto: "Pessimism of the intellect and optimism of the will." Be rigorously objective in assessing where we stand, but remain confident that working together we can move forward. To be honest, when it comes to the environmental dimensions of our crisis, I'm not sure where we find the hope—but without that, no one is going to get off the couch and into the streets.

RJ

How does that play out for you as an educator?

PA

I encourage students to feel like they can change the world, and through my work as a teacher, help them to be a little less naive about the challenges that they face. There is no great glory in teaching despair. [Laughs.]

RJ

I don't want to make films in a vacuum; for me it's important to just be out in the world and talk to people, whether it's researching or during the filming stages. I wouldn't dare call myself a journalist but I like how the writer/journalist David Simon² positions himself: as being part of the argument.

² Writer and creator of TV series *The Wire* (2002) and *Treme* (2010) among others. For his writing see <http://davidsimon.com/>