

Wanted: A better defense of modern-day capitalism

The capitalist process has been fundamentally changed by the digital revolution and the network age by [David Howell](#) – Japan Times 26.10.17

LONDON – Economists and think tanks round the world have recently been rushing to the defense of capitalism — but a very poor fist they have so far made of it.

Of course it's easy to see that capitalism, broadly defined, has vastly improved living standards in the last hundred years or so and that Karl Marx was wrong about the imminent collapse of the capitalist system. For the majority of people, although not all, the rise in real incomes, and in general prosperity, has been unparalleled in human history. And in most places, but again not all, capitalism, freedom and the rule of law have all ridden together. Who could want to change any of that?

But the trouble is that this analysis is entirely backward looking. Its users are captives of a 20th-century vocabulary. They seem stone blind to the absolutely fundamental changes in the capitalist process that have been brought about by the digital revolution and the network age, and which are still taking place.

This new kind of turbo-capitalism is different by degree from anything that has ever existed before and it urgently requires new language, new skills and new insights to explain and defend, and to ensure that it is not replaced by something much, much worse that may be waiting in the wings.

Consider the bald facts, as set out in the historian Niall Ferguson's brilliant new book, "The Square and the Tower," which every single individual with any responsibility in public affairs anywhere should now be reading and absorbing.

The richest 1 percent of people in the world, he reminds us, now have more wealth than the rest of us put together. According to Oxfam, although one must be careful with their figures, a mere 62 individuals have the same wealth as the 3.6 billion people at the lower end of the

human income scale. Since sometime in the 1980s — the real onset of the microchip age at mass level — incomes for the top 0.01 percent have risen by 542 percent. For most of the rest real incomes have stagnated or fallen.

But so what, comes the retort. Dukes were always a thousand times richer than dustmen. Mega-industrialists were always living in oceans of wealth that placed them almost on another planet from most workers.

Furthermore, even in recent decades millions in many parts of the world, such as China, have moved into middle class or bourgeois affluence — of a kind. And the process is continuing.

But what this defensive mindset totally overlooks is that the very nature of the capitalist process has now changed, almost beyond recognition.

Just to assert that capitalism, on the basis of its undoubted past performance, is the answer completely ignores:

Transparency: the crystal clear view now available to the bottom two-thirds of the world, thanks to the ubiquitous cellphone and the web, of the way in which the rich, the powerful and the high-rollers live and behave.

Disruption: the way in which, and the speed with which, old skills are being destroyed and jobs being swept away to lower cost regions or disappearing altogether.

Fragmentation: as e-empowered localism and the desire for identity create new separatist and tribal divisions, and tear away old borders, as has already happened violently in Syria or Libya or Yemen, and now even in the quarreling Gulf states, as has happened in Africa and is beginning to happen in parts of Europe.

Migration: as tens of millions of people in poverty get clear pictures of the better life available in the advanced world and start streaming north with their families, presenting a major challenge to the existing social order throughout the advanced world.

Algorithmic power: trading trillions of dollars in nanoseconds, far more swiftly than any human mind can calculate.

Electronic oligopoly: placing the entire world's communications and business links in the hands of a handful of titanic global companies, bigger than any nation or government.

To assert in parrot fashion that the old capitalist model is the answer to all these issues, and others, is to insult the world's intelligence.

The inevitable response is populism — the growth of new and angry networks of protest, aimed at overthrowing all existing establishments, elites and hierarchies, as has already occurred in the Middle East, is occurring in Europe and has given the presidency of Donald Trump to America.

Networks grow at viral speed and smash up the old systems of governance. The door is flung open for people to grasp at the old failed remedies of the past, for the central planners to move in and for new forms of authoritarianism, disguised and presented as “the peoples’ will” or socialism, to take center stage.

If the new capitalism of the digital age is to hold its place, then a fundamental and radical rethink of the way in which it is organized and its benefits distributed is essential. But evidence of that new thinking is depressingly hard to find among the current defenders of the capitalist system.

Methods for shaping new forms of “social” capitalism are available and have been put forward. It is possible to work out ways of bringing wealth and the security of capital ownership to tens of millions of households and families both in the developed and developing world. But that will require far more than the repeated and complacent cry that capitalism has worked in the past and so will carry on happily working in the future. It won't.

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