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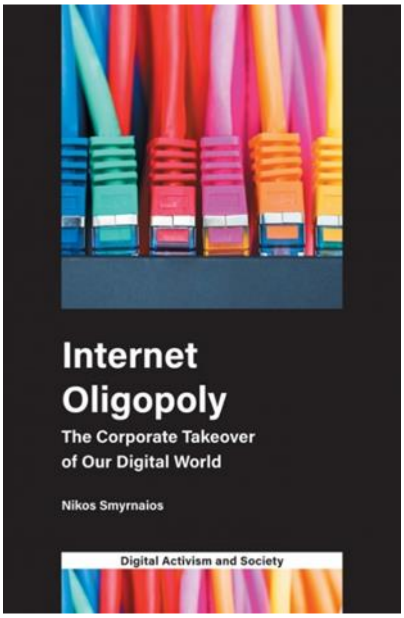
Inside this issue:

Review of Smyrnaios, N. (2018) Internet Oligopoly: The Corporate Takeover of our Digital World

By Mitja Stefancic

Smyrnaios, N. (2018) I*nternet Oligopoly: The Corporate Takeover of Our Digital World*,
Emerald (ISBN 9781787692008)



"Internet Oligopoly" is written by Nikos Smyrnaios, Associate Professor at the University of Toulouse, France. The book is a recommendable reading for economists as it effectively challenges the assumptions at the basis of laissez-faire policies and the assumingly efficient self-regulating markets of the so-called 'new economy', showing how the internet came to gradually operate under an oligopolistic regime. In it, Smyrnaios advances a substantial critique of the digital political economy by arguing that the commodification of the internet on the one hand, and the use of market power by top internet firms on the other hand, significantly limit real competition in such markets. This has a number of negative spillovers, including lower labour standards and the worsening of employment conditions worldwide.

The book is composed of five chapters. The first two chapters trace the history of the founding period of the internet and both its subsequent privatisation and commodification: 'Over the period from the 1960s until the beginning of the 1990s, networked computing emerged as a public good but then began to deviate from this initial notion towards a market-centred one' (p. 15). Chapter 3 focuses on the favourable conditions common to the key actors on the digital markets, enabling them to grow large and consolidate their position to the point of constituting an oligopoly. Chapter 4 provides a critical discussion of global market platforms that exert an unprecedented adaptive force on traditional actors in a variety of economic sectors. Finally, Chapter 5 puts into perspective the advertising dominance of the internet by critically assessing its consequences for the society and, ultimately, for contemporary democracy.

In Chapter 1 Smyrnaios takes the reader on a journey showing her/him how in the early 1980s the US government and the UK government implemented deregulation policies of their respective telecommunications industries, which had previously been subject to state regulation. For instance, by dismantling the American Telephone and Telegraph (AT&T) in 1982, the Regan administration in the US 'undermined the idea that had previously dominated: namely, that protecting the public interest required a single network under the supervision a public regulatory body' (p. 24). What followed, according to Smyrnaios, was the convergence of neoliberal economic policies and the belief that the advent of the information society was inevitable. Despite the initial resistance of some countries such as France, the example was soon followed more-or-less substantially by almost all Western countries.

In Chapter 2 Smyrnaios convincingly argues that speculation is somewhat intrinsic to the 'new economy': as he observes, from the mid-1990s onwards, the internet proved to be a privileged place for speculation, particularly for financial speculation originating from the 'unbrilled search for capital gains' and from the 'search for investment opportunities in high tech' – a trend that eventually culminated in the dot-com bubble and its burst (pp. 46-47). The crisis of the digital economy resulted primarily from the over-valuation of the possibilities offered by the internet and the performance of digital firms. Nevertheless, following Smyrnaios' arguments, one is left questioning pretty much whether any lessons have been learned so far.

Throughout the book, the author of "Internet Oligopoly" sheds light on how market liberalisation and the concurrent deregulation in Europe and North America created favourable conditions that helped to increase the concentration of market power of oligopolistic internet players. This helped a few multinationals, referred to in the book with the acronym 'GAFAM' (obtained from the first letters of Google, Amazon, Facebook, Apple and Microsoft, and commonly used in France) to become an oligopoly governing the information at the basis of contemporary communication, transactions, etc.. According to Smyrnaios, their market power is indeed very clear: 'the internet oligopoly is omnipresent. Its services and products are used on all seven continents by billions of individuals. Apple, Google, Amazon, Microsoft and Facebook are now brands as well known throughout the world as Coca-Cola or McDonald's' (p. 68).

As we learn from the book, within the framework of a globalised economy developments in the 'new economy' were matched by the worsening of working conditions, originating for instance from the vast number of new possibilities for subcontracting intellectual work and freelance work 'to an extent never seen before' (p. 61). As it is by now well recognized, this is not only a problem for the so-called advanced economies, but also for developing countries: 'The internet oligopoly actors exploit to the maximum the possibilities offered by the globalised economy when organising production. Indeed, they all practice outsourcing to low-cost countries to varying degrees' (p. 71). In this respect, Smyrnaios effectively shows how the reshaping of the society through the digital economy over the last twenty years has impacted on social and economic inequalities – not solving them, but adding new forms and dimensions of inequality.

In Chapter 4 the Greek scholar refers to the concept of 'infomediation', originally used by Canadian researchers Iris Fitzpatrick-Martin and Kimon Valaskakis in late 1970s, in order to further shed light on the fundamental economic role of digital platforms and their relations to the media. As Smyrnaios argues, infomediation is characterised by an intermediary position between a supply and a demand on digital markets; it also serves as a means for selecting information that involves algorithms and mediated social interactions; finally, it favours business models depending on commissions and using data collected from users for marketing purposes and advertising (a topic furtherly discussed in Chapter 5).

Smyrnaios evaluates how vertical integration serves as a leading strategy of the internet oligopoly. The latter is present in a number of markets that are part of the so-called 'infomediation infrastructure' and comprise operating systems, consumer electronics, telecommunications networks and centres. As a result of the developments that occurred during the last three decades, the most successful internet firms managed to develop global platforms forcing traditional actors in the cultural industries to adapt and serve the ultimate goal of maximising their profits. Contrary to what is perhaps still the general perception of the internet, the author suggests that 'the internet oligopoly works less in favour of diversity and pluralism than it does in commodifying and industrialising online culture and information, as well as strengthening financial control over the internet' (p. 100).

In the conclusion of "Internet Oligopoly" Smyrnaios concludes that the internet nowadays resembles what it originally was thought to oppose, namely computing as a technology of power and economic domination: 'our uses of the internet increasingly depend on the goodwill of the owners of platforms and infrastructures, whose main concern is satisfying their invisible but omnipresent shareholders' (p. 147). In providing this argument, he offers a rather dystopian point of view on the internet – one that stimulates the reader to take a critical stance against dominant discourses on the democratic nature of the internet by recognising instead the fact that a criticism of the new centralisation of the internet cannot be separated from the criticism of the neoliberal capitalism: 'without connecting the two together, it is impossible to propose a coherent alternative path' (p. 148), one that could perhaps bring us back to the original idea according to which the internet shall be conceived of as a public good (if not a public property).

Selected quotes from the book

'*Despite resistance in several European countries, including France, the new policy of deregulation and privatisation became the dogma of the European Union, not only among the groups that traditionally propounded this doctrine such as the Conservative and neoliberal parties, but even within the political currents that had historically been interventionist, such as the British Labour Party and the French Socialist Party. Throughout the 1990s, the European Commission promoted initiatives in this direction, approved each time by EU heads of state*' *(pp. 25-26)*

'*The switch of the internet from public service to gigantic market place happened very quickly. In a few years, thousands of commercial websites were created including Google, Yahoo!, eBay and Amazon, popularising what is now called start-up culture*' *(pp. 41-42)*

'Hundreds of billions of dollars from sources as diverse as the sovereign funds of the Gulf countries, Russian oligarchs, US hedge funds and European banks were thus invested in the main internet players … Satisfying shareholders has become these companies' top priority, taking precedence over anything else, such as the interests of internet users' (pp. 65-66)

'*The rationales of productivity, immediacy and exhaustiveness that dominate on high-audience sites, whose economic models depend heavily on advertising revenue, increase their dependence on third-party sources such as news and public relations agencies*' *(p. 136)*.

Some additional questions for Nikos Smyrnaios (January 2021)

Q1: In what ways are the internet and digital markets different in comparison to other, more traditional markets?

The first characteristic of the internet that breaks with previous media is the fact that it carries data which is basically a non-rival good meaning that there is no restriction nor reduction in its consumption by some due to their consumption by others. Non-rivalry often goes together with non-exclusivity, which means that it is sometimes difficult, if not impossible, to prevent the consumption or use of non-rival goods by anyone who is not prepared to pay the price. This is why many digital goods and services are free for users while funded by advertising, thus generating a "surveillance capitalism" as defined by Soshana Zuboff. Another economic characteristic of the internet is its strong positive externalities, that is to say, the actions of agents have a positive impact on other agents. For instance almost every freely accessible online resource benefits Google's search engine and every picture uploaded on Instagram by ordinary users is monetized by Facebook. The most succesful internet firms are those that manage to exploit value generated by their users in the form of "digital labor".

Q2: What about the economic advantage of lower transaction costs on the internet?

Digital networks are also characterized by lower transaction costs than physical markets. As a result, they enable business transactions that were previously impossible from a practical or cost point of view. Reduced transaction costs allow for the generalization of outsourcing and subcontracting, which explains the success of Uber, AirBnb or Deliveroo. Finally, the digital economy is characterized by a winner-take-all logic. These economic characteristics of the internet, have led to two strong tendencies: a) the commodification of entire areas of human activity that were previously not commercialised; and b) the establishment of conditions favourable to the emergence of monopolies.

Q3: In "Internet Oligopoly" you suggest that the interventions of regulators on these markets were missing for a long time. At best, they proved to be largely ineffective. What would be the costs and the consequences if regulators started to intervene now?

Regulators have started to intervene, notably in Europe through the General Data Protection Regulation but also the Digital Services Act. In the United States, many states have started antitrust investigations against Google, Facebook and Amazon. In addition, many countries such as the UK, France and Germany have introduced specific binding legislation targeting oligopolistic internet players such as Google and Facebook, in relation to copyright, taxation or the dissemination of hate speech and disinformation. All these measures are encouraging because they show a political awareness of the harmful effects of this monopolistic concentration. However, there are two points that seem problematic to me: the first is that in most cases governments act without consulting the population with the main objective of defending their political interests. This is the case, for example, of the law against "fake news" voted in France in 2019 by the government of Emmanuel Macron, which puts in place a system of online censorship, against the opinion of all the expert groups (journalists, ONGs, academics, etc.). The second problem is that these initiatives, such as the Digital Services Act, are motivated by a belief in neoliberal principles that see "pure and perfect competition" as the solution to all problems. However, the idea of public service or the perspective of democratic control over the digital giants is never taken into account because it seems too "radical".

Q4: Could you comment on the Trump ban by social media?

Far from constituting transcendent and autonomous powers, the oligopolistic firms of Silicon Valley are political entities that are the object of internal and external struggles with nothing less at stake than the democratic functioning of the digital public space. The suspension of Donald Trump's accounts by Twitter, Facebook and YouTube is proof of this. This event generated many criticisms especially among the European left who denounced the arbitrary power of major platforms.

These concerns are obviously justified. On the one hand, cases of arbitrary censorship on these platforms are legion and are not limited to the racist, homophobic and sexist extreme right. Very often professional alternative media are targeted, but also social movements that question neoliberal hegemony, social and environmental injustices or even outright the principle of representative democracy or the bourgeois state (Black Lives Matter, Extinction Rebellion, antifascists, anarchists etc.). In view of the latest developments, one is entitled to wonder whether this counter-hegemonic discourse questioning the established order still has its place in social media. Today, the latter constitute the main means of expression of the representatives of the radical and anti-authoritarian left because of their exclusion from mainstream media (whereas the extreme right is regularly welcomed there). There is therefore a real danger that Trump's censorship will be used by political and economic power to try to remove from the digital public space any voice that is at odds with the dominant ideology.

On the other hand, pointing out the hypocrisy and incompetence of the platforms is also absolutely justified. For a long time, the latter have accommodated hateful and manipulative speech as long as it discreetly increases "engagement" and therefore advertising revenues. Moreover, disinformation and propaganda campaigns on social media have influenced electoral processes in many countries such as the Honduras, Ukraine, Ecuador or India, and have even claimed numerous victims, as in the case of the Rohingya genocide in Myanmar, fuelled by hate speech on Facebook. We know today that these tragedies have not been avoided for trivial reasons such as the lack of human resources devoted to moderation of content, poor coordination between services or simply the lack of interest and consideration for these countries that constitute "small markets".

However, all these arguments are not enough to disqualify the historic and intrinsically positive nature of the decision by Facebook, Twitter and Google to silence Donald Trump. For contrary to what is widely believed, this is not an "arbitrary" decision, but an imperative imposed on oligopolistic platforms by a powerful popular movement that reached its peak in the United States following the trauma caused by the events on Capitol Hill, but which preceded it. For years, progressive political organizations, civil rights advocates and anti-racist organizations have been calling on the platforms to silence Donald Trump and his supremacist friends, without success. As time went by, these calls have been joined by platform workers who are beginning to organize and demand the right to participate in decisions that affect the operations of the companies they work for.

At the same time, states and supranational organizations such as the European Union are coming out of their passivity that has lasted more than twenty years and are beginning to take up the question of regulating the digital economy. There is thus a generalized awareness of the exorbitant power of oligopolistic Internet actors and an increasingly strong social demand for their accountability. This demand has pushed certain platforms to gradually form a corpus of regulations that are increasingly political, in the sense that they are led to defend the values that underpin liberal democracies.

Unless we claim public control of the web giants, which is a viable option, it is up to society and its mediators - politicians, researchers, journalists, associations, trade unionists – to go further by imposing a framework of democratic regulation of online political expression on the private companies that are its vectors.

The puzzle of western social science

By Asad Zaman, https://asadzaman.net

1 GENERALIZATIONS FROM EUROPEAN HISTORICAL EXPERIENCE?

Introduction: Briefly, we can state the puzzle as: “Why does Social Science claim to be UNIVERSAL, when it is based on analysis of European historical experience?”. Many authors have recognized this problem, which manifests itself in many ways. For example, Timothy Mitchell (2002) writes: “*The possibility of social science is based upon taking certain historical experiences of the West as the template for a universal knowledge*.” Many other authors have recognized that Western Social Sciences is founded on European historical experience and requires radical reconstruction. Our goal in this note is mainly to articulate this puzzle. Some suggestions on possible solutions are sketched in the concluding remarks.

Restatement of the Puzzle: Social Science is study of human experience. CAN we generalize from the European experience to universal laws about mankind? Can the tragic European experience of brutal religious warfare between Protestants and Catholics be generalized to all humanity and all religions? Does it hold for the Amish, Buddhists, Confucians? What were the patterns of war and peace within the Islamic Civilization, The Chinese, African, and South American Empires? Without any study or discussion, can we assume that lessons from European experiences will be valid for these societies?

Evolution of Property Rights: We have strong reasons to believe otherwise. Universal Laws are blind to diversity & evolution. As an extremely specific example, consider the evolution in notions of property, as it was shaped by historical circumstances in Europe. In 16th Century England, property was held to be a TRUST, subject to rights of public; see Tawney (1998). The owner could not destroy or damage it, nor withhold rights of access or passage to others, when it served the public interest. However, frequent battles for power among landed nobility, often led to expropriation of properties of losers. This led to the emergence of the notion of property as inviolable right, not subject to authority of current ruling powers. This notion of absolute rights to private property is built into modern economic theory, without any recognition of its specificity to European historical context. To see this more clearly, note that other societies have, in accordance with their own historical and geographical contexts, evolved other conceptions of property. For example: The Cherokee Constitution of 1839 states: “The lands of the Cherokee Nation shall remain common property”.

2 THE HUMAN EXPERIENCE AND OUR PERSONAL LIVES

Rational Decisions Based on Past Experiences? To understand this issue better, let us transpose this question to a smaller scale. Let us look at my personal life. Suppose I am choosing a career, choosing who to marry, or making other major life-decisions. Are there universal laws – based on past human experience which can guide me? Can I rely on past experiences of myself or others, to help me decide whether I should be an artist, engineer, mountain-climber, or philosopher? This seems unlikely, given that many career options open now did not exist in the past. During the space-race with Russia, NASA was hiring physicists in huge numbers in an all-out effort to win. The market responded by producing large numbers of physicists. After the lunar landing, NASA declared victory and dramatically downscaled the space program. As a result, physics Ph.D.'s could be found driving taxicabs in the streets of New York. Past experience did not serve well as a guide to the future.

The Binary Opposite of Universal Laws: Even though truth often lies in the middle, focusing on the polar extremes in a binary opposition helps to clarify thought. Accordingly, let us MEDITATE on Uniqueness as the polar opposite of laws based on patterns of past experience.

Meditation on Uniqueness: I am unique: there has never been any person like me in the past, or among my contemporaries. My current position, geographical and historical context are unique. My network of social relationships is unique. Any LAW based on past experience can only provide general guidance – to be taken with a large grain of salt. What if past experience is misleading? This moment of time never occurred in the past. The opportunities, threats, choices of this moment which I am living in never existed in the past. Use of experience would BLIND me to these!!

The First Time: Questions which face those in touch with their uniqueness are rather different from those who would rely on general human experience, or rational decision theory. How to act when past experiences, and laws based on them are a handicap? How can revolutionaries acquire the courage to think thoughts which have never been thought before? Reach of human Intuition – the EUREKA moment! – is outside the realm of past experience.

3 SECULAR MORAL FOUNDATIONS OF SOCIAL SCIENCE

Uniqueness of European Historical Experience: We can translate these lessons from our meditation on uniqueness back to the Western Social Sciences. What if lessons of European experience do not apply to the Islamic Civilization? What if European experience is unique and distinct, and the rest of world cannot use it? As a simple example, no one can embark on a program of global conquest and colonization as a path to progress today. Some specifics of the European historical experience are neither possible nor desirable as models to replicate for all humanity. Gutting & Oksala (2003) express the central message of Foucault as: "*modern human sciences (biological, psychological, social) purport to offer universal scientific truths about human nature that are, in fact, mere expressions of ethical and political commitments of a society*".

Hedging Grand Claims: I have laid out a grand thesis impugning all of modern social sciences as merely an ideological commitment, a religion of secular modernity, which replaced Christianity in the European intellectual tradition. It is worth noting that several authors have formulated and defended this radical thesis, on different grounds. See, for example, Manicas (1987), Winch (1990), Epstein (2015), Wallerstein (2001), and many others. Articulating such a polar extreme is useful in achieving clarity, before hedging these claims. My own expertise lies in economics, which provides a perfect model for my thesis. In Zaman (2012), I have spelled out how the apparently objective foundations of "scarcity" conceal three different normative commitments. However, awareness of the problematic foundations of the social sciences exists to varying degrees in different disciplines within the social sciences. Anthropologists have rejected the racist origins of their discipline, and re-built it on new foundations. Economists are at the other polar extreme, and remain passionately committed to the scientific objectivity of their theories, denying the possibility of value-laden economic theory. Other disciplines within the social sciences lie between these poles. At the heart of the battle of methodologies (Methodenstreit) in the late 19th century, was the problem of historical specificity: "how can we extract universal lessons from specific historical experiences?". Hodgson (2001) discusses this in detail, showing how this problem was never resolved, even though the scientific and mathematical approach to methodology prevailed in this battle.

4 COLLAPSE OF THE FACT/VALUE DICHOTOMY

Max Weber & Value-Free Social Science: At the risk of over-simplification, we may attribute current methodology to Max Weber's (1949) call for value-free social science [*Ed. Note: originally written between 1903 and 1917*]. This led to a scramble to rebuild the foundations on scientific, value-free grounds in the early 20th Century. The impact of this transformation on university education has been traced by Reuben (1996). She writes that: "*In the late nineteenth century intellectuals assumed that truth had spiritual, moral, and cognitive dimensions. By 1930, however, intellectuals had abandoned this broad conception of truth. They embraced, instead, a view of knowledge that drew a sharp distinction between "facts" and "values." They associated cognitive truth with empirically verified knowledge and maintained that, by this standard, moral values could not be validated as "true." In the nomenclature of the twentieth century, only "science" constituted true knowledge. … The term truth no longer comfortably encompassed factual knowledge and moral values*".

The Entanglement of Facts and Values: The idea that facts and values are sharply separated, and scientific knowledge is based on facts alone, dominated the creation of modern social sciences. As Putnam (2002) writes in "The Collapse of the Fact/Value Dichotomy", facts and values are "inextricably entangled" in most of our social science discourse. It is not possible to separate the two. Social science aims to extract lessons relevant to the life-experiences of the 7 billion people living on the planet today. Any comprehensible summary of this experience will involve massive reduction, which will necessarily utilize values to prioritize and pattern these facts. Focusing on the European experience would lead to radically different lessons from those of the African or Chinese experience. Given that it is impossible to construct value-free social science as per Weberian ideals, it is essential to rebuild the social sciences on explicit values rather than concealed ones.

5 CONCLUDING REMARKS

The Way Forward: Hausman and McPherson (2006) have a book length exposition of how values are embodied within apparently objective and ethically neutral economic theories. In particular "rational" behaviour is the Trojan horse used to smuggle values into the citadel of economics. Given that values are inevitably involved in the study of human societies, it seems essential to create a methodology which explicitly acknowledges a guiding moral framework, instead of concealing it. One possible three-dimensional framework is given in Zaman (2019). Social sciences should explicitly specify:

Normative: An ideal society.

Positive: Description of existing society, in terms of shortcomings from ideal.

Transformative: Effective policies to remove such shortcomings.

In fact, current social sciences use such frameworks, without explicit recognition or acknowledgment. Making the moral foundations explicit would add substantial clarity, and permit progress.

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Taking the Dasgupta Review seriously (with an interview with Professor Partha Dasgupta)

By Mitja Stefancic

Commissioned by the UK Treasury in 2019, **The Economics of Biodiversity: The Dasgupta Review** was published in February this year, ahead of the Convention on Biological Diversity COP15. It is a 610-pages long review focusing on the economics of biodiversity, led by Professor Sir Partha Dasgupta, Professor Emeritus at the University of Cambridge, who has been supported by an Advisory Panel drawn from public policy, science, economics, finance and business.

The Dasgupta Review is an independent global review which has been prompted by a significant amount of evidence showing that in recent decades humanity has been degrading the most precious of all assets, Nature, at rates far greater than ever before. In fact, as it is noted in the Review, the last few decades of human prosperity have taken a "devastating" ecological toll: the demands of the global society far exceed Nature's capacity to supply the "goods and services" we all rely on.

In the Review, the terms Nature, natural capital, the natural environment, the biosphere, and the natural world are used interchangeably. This is explained by the fact that the Dasgupta Review builds on six previous publications of Professor Partha Dasgupta (Dasgupta and Heal 1979; Dasgupta 1982, 1993, 2004, 2007 and 2019), each directed at a particular class of problems that belong to the economics of biodiversity.

The purpose of the Dasgupta Review

The Review convincingly shows that in order to decide whether the path of economic development nations choose to follow is really sustainable, they need to adopt "*a system of economic accounts that records an inclusive measure of their wealth*" (p. 5). As it is mentioned in the Review, the qualifier 'inclusive' means that wealth shall include Nature as an asset. Dasgupta draws on such assumptions as well as on previous documents (such as the so-called Bruntland Report) to set the following definition of sustainable development, used throughout the Review: the development that meets the needs of the present without compromising the ability of future generations to meet their own needs i.e. by bequeathing to its successor at least as large a productive base as it had inherited from its predecessor.

Arguably, a major goal of the Review is to have an impact on the diverse levels of communication and analysis that shape our understanding of how the economy works as well as the definition of sustainable development, for instance:

- on a methodological and analytical level of related scientific research;
- on the level of communication so to improve policy-making;
- on a social level, namely, on how individual citizens, households, politicians, professionals and entrepreneurs understand Nature.

In fact, the Review was published with an aim to construct "*a grammar for understanding our engagements with Nature – what we take from it, how we transform what we take from it and return to it, why and how in recent decades we have disrupted Nature's processes to the detriment of our own and our descendants' lives, and what we can do to change direction*" (p. 5).

The Review provides convincing arguments for economic progress to be interpreted to mean growth in inclusive wealth, which is defined as the social value (based on accounting prices) of an economy's total stock of natural, produced and human capital assets. This, in turn, brings the Review back full circle to where it begins, which is the argument that just as the private investor manages her/his portfolio with an eye on its market value, the citizen investor appraises the portfolio of global assets with an eye on their social worth. According to the review, wealth maximisation in its various guises unites microeconomic reasoning with its macroeconomic counterpart.

Measures such as GDP are misleading when it comes to assessing sustainable growth

The Dasgupta Review suggests that the Gross Domestic Product (GDP) or multifactor / total factor productivity are no longer fit for purpose when it comes to assessing both the economic well-being and the economic wealth of nations. For instance, Dasgupta contends that GDP is "based on a faulty application of economics" that does not include "depreciation of assets" such as the degradation of the biosphere. From this point of view, the Review is reminiscent of the message contained in Robert F. Kennedy's famous 1968 speech at the University of Kansas in which he was very critical of the application and use of the GNP as a measure of well-being in the United States: "*too much and for too long, we seemed to have surrendered personal excellence and community values in the mere accumulation of material things. Our Gross National Product, now, is over $800 billion dollars a year, but that Gross National Product - if we judge the United States of America by that - that Gross National Product counts air pollution* [Actually it does not count air pollution (an externality), but it does count activities which generate air pollution] *and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them. It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl*".

Similarly, to quote from the Dasgupta Review: "*erosion of natural capital usually goes unrecorded in official economic statistics because Gross Domestic Product (GDP) does not record depreciation of capital assets. Destroy biodiversity so as to build a shopping mall, and the national accounts will record the increase in produced capital (the shopping mall is an investment), but not the disinvestment in natural capital unless it commanded a market price*" (pp. 109-110). One could here further suggest that depreciation is considered in the transition from Gross to Net Product and with reference to Income figures in the national accounts, but currently the focus appears to be almost exclusively on GDP, whereas GNP is hardly ever referred to or even mentioned in contemporary economic analysis.

The Review goes then on to argue that a focus on GDP leads to a focus on immediate consumption and immediate gross investment, with no attention to the multifaceted impacts on the biosphere. It concludes that inclusive wealth (that is, the social value of an economy's total stock of natural, produced and human capital assets) should be taken as the right measure of sustainable prosperity, not GDP growth.

Recognising both market and institutional failures is paramount to changing path

The Economics of Biodiversity recognizes the fact that humanity faces an unprecedented need for radical change: continuing down the current path – where the global society's demands on Nature by far exceed its capacity to supply – presents substantial risks and high levels of uncertainty for contemporary economies worldwide. According to Dasgupta, pricing distortions have led us to underinvest in natural assets and, instead, invest relatively much more in other assets such as, for instance, produced capital. According to Dasgupta, this is not simply a market failure, but should also be considered as a broader institutional failure: on the one hand, many of our institutions have proved unfit to manage the resulting externalities; on the other hand, governments almost everywhere tend to exacerbate the problem by paying people more to exploit Nature than to protect it, thereby incentivising unsustainable economic activities and the depletion of natural resources.

Recognising the above-mentioned failures is prerequisite to set new models for the global economic development (and perhaps one should add, for the survival of life on Earth). In this sense, an important and much needed contribution could come precisely from economics. As Dasgupta observes in the Preface of the Economics of Biodiversity, "*nature entered* **macroeconomic** *models of growth and development in the 1970s, but in an inessential form. The thought was that human ingenuity could overcome Nature's scarcity over time, and ultimately (formally, in the limit) allow humanity to be free of Nature's constraints*" (p. 3). Now the time has come to change all this and assign the correct value to Nature.

Among other things, sustainable economic development requires nations to take a different path, where the engagements with Nature not only would become truly sustainable, but would also enhance the collective wealth and well-being and that of future generations. The Review develops the economics of biodiversity on the understanding that we – and our economies – are 'embedded' within Nature. One should expect this change of perspective to have a significant impact on economic theory, economic research and related policy-making processes in the years to come.

Additional key messages contained in the Dasgupta Review

The Review is a complex yet extremely informative reading. It is expected to have a major impact on the global policy-making processes in the future. Some of the key messages contained in it can be summarised as follows:

biodiversity is declining faster than at any time in human history: the current type of engagement with Nature is globally endangering the prosperity of current and future generations;

our economies are embedded within Nature, not external to it: the impact of our interactions with Nature should be thus fully accounted for, and our demand should be significantly rebalanced with Nature's capacity to supply them;

the process of choosing a truly sustainable path of

development is related to transformative change, underpinned by levels of ambition, coordination and political will akin to, or even greater than, those of the Marshall Plan.

Q&A with Professor Sir Partha Dasgupta, March 2021

Q1 Professor Dasgupta, is there any risk that the Review may oversimplify the concept of 'Nature' by presenting a standardised or even 'commodified' image of it?

A1 I know of no society – contemporary, traditional or indigenous – that does not regard most ecosystems as 'commodities'. People in all societies, by the very fact that we are embedded in nature, are obliged to make tradeoffs between what they take from their surroundings and what they let alone. Simple survival requires we do that, and to deny that is an affectation that only well-fed intellectuals can afford to luxuriate in. To be sure, societies leave aside some particular objects of nature as sacred (not to be touched), just as modern societies protect ecosystems by creating 'public parks' not just for amenity but also for protecting 'endangered species'. I think critics confuse 'commodification' with 'markets'. But the Review goes to great lengths to dispel the notion that markets are the right institutions for nature's goods and services. So I don't know where that particular complaint comes from!

Q2 You question the real usefulness of economic measures such as the GDP. How could policy-makers and global political leaders really get the message this time, and thereby start shaping policies accordingly?

A2 Governments in various countries are already making a move away from the practice of regarding GDP growth as the sole measure of economics progress, but only in varying degrees. Some, like New Zealand, China, and the UK, are moving relatively fast, whereas others are sluggish. The Review does not only criticise the use of GDP for assessing long run economic performance, it also constructs the right measure, namely inclusive wealth, and proves why the latter is the right measure. The Review sketches ways in which countries could move away from GDP and construct measures that reflect aspects of inclusive wealth. It recommends that governments ought to build a multiplicity of measures, but with discipline, that is, the measures ought to reflect various aspects of inclusive wealth - for example the UK's 'natural capital accounts'.

Q3 In Chapter 20 you focus on finances and investments, suggesting that an effort shall be made to direct investments towards sustainable projects, conservation, restoration, and in general in activities adopting a more sustainable engagement with the biosphere…

A3 The overarching idea is to bring actions motivated by private aspirations to align themselves with actions that promote the common good. Economic theory has long shown that under ideal circumstances that would be achieved by a system of perfect markets for all goods and services and a system of wealth transfers to correct for inequality. The Review shows why that ideal cannot ever be reached. It then tries to find ways to bring the real world nearer to the ideal. Today firms base their investment decisions on current prices, forecasts of future prices, and government regulations. Forecasts of what the future holds are based on forecasts on consumer behaviour and government regulations. Firms face increasing uncertainty about the future in part because the biosphere is under increasing pressure (e.g. there could be tipping points at the source of supply chains – e.g. the tropics) and partly because of uncertainty in consumer concerns about the biosphere, and hence firms' shareholders' views. Furthermore, reputation matters to firms. The Review suggests that one way to create a greater alignment between company incentives and the common good is for consumers to insist that firms disclose the character at each stage of their entire supply chains. Government insistance that they do so would make that happen, as it happens today over personal health (food products come with labels on nutrinent content). The Review recommends 'disclosure' as a substitute for 'forward markets'. Firms that anticipate consumer insistance in the future and take the plunge to behave in a green manner and disclose that will enjoy an early reputation advantage over rivals.

Q4 Finally, the Dasgupta Review puts a lot of emphasis on education by arguing that every person and in particular "every child in every country is owed the teaching of natural history, to be introduced to the awe and wonder of the natural world, and to appreciate how it contributes to our lives" (p. 498). How far are we, in this respect, with the design of environmental education programmes which can indeed help children and young persons to become the responsible citizens of tomorrow?

A4 Not at all far. The UK will probably introduce an exam on nature studies at the GCSE level. The danger in making it an optional course is that to do so would place the subject in a ghetto. The Review instead recommends that nature studies should be compulsory at both the secondary and the tertiary stages.

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A New Book on the Economics of Gift
Stuart Birks interviews Ioana Negru

Ioana Negru is a Reader in Economics with Lucian Blaga University of Sibiu (Romania) and she has extensive experience in teaching economics within United Kingdom (Nottingham Trent University, University of Derby, Anglia Ruskin University, Cambridge and School of Oriental and African Studies, University of London) and Romania.

1. Why a book on gift?

The interest in understanding the multifaceted nature of gifts in modern societies emerged from my own experience growing up in Romania; many Eastern European economies and societies gravitated around various forms of gift-giving including bribes and this was fascinating to grasp. When I first joined the academic system in Romania as an Assistant professor, I collaborated with a colleague, Professor Stefan Ungurean, who was a sociologist, and he has inspired me to read famous works such as Emile Durkheim or Marcel Mauss on the gift, in order to be able to understand and explain the concept of gift with different lenses than that of economists. We developed a few projects around gift and this particular scientific interest continued to include my doctoral thesis pursued in United Kingdom. I was discontented with the mainstream economic approach that portrayed gift within an exchange-type paradigm, where a genuine, authentic gift, motivated by altruism, was not considered possible. My doctoral thesis in UK was centred around institutions such as markets and gifts and how they are explained by economic theory both in mainstream economics and also heterodox economics. My latest book *The Gift in Economy and Society: Perspectives from Institutional Economics and Other Social Sciences* (edited by Stefan Kesting, Ioana Negru, Paolo Silvestri, Dec. 2020, Routledge), continues these ideas from my doctoral thesis and attempts to bring a novel perspective, novel lenses to analyze the role and significance of gift in modern societies. Without an analysis of gift or altruism or solidarity, we would have a poor and incomplete understanding of individual behaviour in economics. As preferences are assumed to be exogenous, we are unable to include any explanation of how the preferences are formed and what the motivations are. Our book brings an interdisciplinary perspective in viewing the gift and a new application of institutional analysis to understanding the gift in the economy and society.

2. What is the role of gift in a modern economy? How has it changed over time, if at all?

Personally, I see the gift as a ubiquitous phenomenon of modern societies and although gift and gift-giving existed also in ancient and primitive societies, the role of gift has remained one of avoiding wars and conflicts, acting like a social glue and creating cohesion and harmony in/within society. The gift has definitely evolved over time; the ancient/primitive gift, although found both in individual and collective forms, was rather dominated by gifts given from a group to another group with a purpose of forming social bonds. Slowly, the gift has become more individual in nature, even anonymously offered, with no expectation of return or reciprocity. In any modern format, the gift has the role of counter-balancing other institutions such as the market or different types of motivations of human behaviour such as self-interest, to showcase compassion and solidarity with other fellow humans' needs such as with charitable donations.

3. Can mainstream economics adequately encompass the issue of gift?

Traditionally, (mainstream) economists have framed the concept of gift and its understandings within a social and economic exchange paradigm, with utilitarian connotations. An individual would offer a gift with the expectation of a return gift and an increase of his/her utility. Such a portrayal of the gift would exclude motivations of human behaviour such as altruism or generosity and it would set the gift in a dualistic and opposing terms with the institution of market. Standard economic models have very limited explanation of the nature of human motivations and do not allow for their explicit analysis of more sophisticated aspects of interpersonal interaction. Gifts have obviously different degrees of purity and different forms of existence, but this complexity of analysis is missing from the mainstream economic analysis and it is rather limited by specific methods of enquiry, e.g. quantitative research techniques.

4. How can pluralist approaches enrich our understanding of gift?

Throughout my academic career as an economist, I have promoted the cause of pluralism for enriching the knowledge base and the understanding that economists have of the world. A pluralist approach to the gift would entail two possibilities: the first possibility is that we can draw on other social sciences such as anthropology, sociology or philosophy to use different lenses in analysing and explaining the gift, gain contextual and cultural understanding of various forms of the gift and also to learn of other methods and methodologies that can be pursued to understand the empirical nature of the gift. The second possibility is that various economic paradigms besides utilitarianism can contribute towards a more holistic and complete portrayal of the gift and here I would like to mention at least two of the perspectives that are useful for a more complete understanding of the gift: feminist economics and institutional economics. My latest book on the gift discusses a few aspects of a potential application of institutional economic lenses to the explanation and understanding of the concept of gift, in particular the usefulness of old institutional economics as a framework for interpreting the gift as a mix of norms, customs, rules, and values that influences in each society, small or large, how people give and donate, why people reciprocate, why people contribute to public goods through taxation or voluntary work and so on.

5. What are some policy implications arising from the consideration of gift?

This question shifts the attention to the role of state, firstly in fostering mechanisms and institutions to incentivize solidarity and gift-giving in various communities and secondly, to complement gift-giving and philanthropic actions practiced by other institutions such as the church or by individuals in different forms and guises. One of the best known policies around the world to incentivize giving and lower the cost of giving is the philanthropic tax or tax philanthropy. The increased emphasis on this type of policy is illustrated by the recent study published by OECD (2020) on Taxation and Philantropy, around the world. This presupposes a form of tax relief or tax incentive to encourage philanthropic giving, but, of course, this raises the question of whether this type of giving represents a pure/selfless gift. In Romania, for instance, there is the option, both for a company and for an individual, to donate a certain percentage from their annual income tax for certain philanthropic causes; one of the side consequences has been that many employees are donating the 2% of their annual income tax to the institutions where they actually work, which should not be allowed legally, by the state. Still, this is an interesting measure that can foster a certain degree of individual and corporate responsibility and involvement in supporting individual and community causes. In my view, any responsible government should create a positive and sustaining framework for the practice of philanthropy, donations or any other form of gift-giving and solidarity within any society.

US Government Spending

By Dean Baker

1. How much is $2 trillion?

Okay, it is more money than even Bill Gates, Elon Musk, and Jeff Bezos have, put together. That probably still doesn't give people too much information, since most people don't have much familiarity with these folks fortunes. But it might be helpful if the media made some effort to put the proposed spending in President Biden's infrastructure package in a context that would make it meaningful.

The spending is supposed to take place over eight years, which means that it would be equal to just over 0.8 percent of projected GDP over this period. At $250 billion a year, it comes to about $750 per person each year over this period. It is less than 40 percent of what we are projected to spend on prescription drugs over this period and less than half of the higher prices that we will be paying as a result of government-granted patent and related monopolies. (For some reason, the money transferred to the drug companies and other beneficiaries of these government-granted monopolies *never* gets called "big government.")

Anyhow, instead of reporting $2 trillion as some big scary number, often not even telling people the time period involved, it would be helpful if news outlets tried to put the number in contexts that would make it meaningful to their readers. We get that reporting big numbers is a cool fraternity ritual among budget reporters, but making these numbers meaningful is actually supposed to be their job.

2. Putting the debt in context

President Joe Biden's recovery and jobs plans have led to considerable alarm over the resulting increases in the deficit and debt. Most of these concerns are misplaced.

The issue of whether a deficit is too large depends entirely on whether it causes us to push the economy too far, leading to inflation. The deficit for last year was $3.1 trillion, which was equal to 15.2% of GDP. This was by far the largest deficit, relative to the size of the economy, since World War II.

Yet, the inflation rate actually slowed in 2020, as the pandemic related shutdowns created an enormous gap in demand in the economy. It would be difficult to find any major sector of the economy that was operating near its capacity last year, and therefore raising prices.

The question going forward is whether President Biden's spending proposals, coupled with his tax increases, are likely to push the economy so far that it will not be able to meet the demand created. That is not impossible, but it does seem unlikely. We have not seen a serious problem with demand generated inflation in more than four decades.

The other side is the burden created by the debt. There is huge confusion on this point, as people often get scared by politicians throwing around "trillions" of dollars. The numbers are huge, but so is our economy.

The latest projections from the nonpartisan Congressional Budget Office, which include the effects of President Biden's recovery plan, but not his investment and jobs proposal, show the interest burden of the debt being 2.4% of GDP in 2031. By comparison, the interest burden was well over 3.0% of GDP in the early and mid-1990s. The idea that this burden will somehow bankrupt our kids is nonsense.

Furthermore, the people who complain about the debt almost never comment on the other ways that we create burdens for future generations. Most obviously, government-granted patent and copyright monopolies are an enormous burden. These monopolies raise the price of prescription drugs, medical equipment, computer software and other protected items by many thousand percent above their free market price. The burden in the case of prescription drugs alone is close to 2.0% of GDP, and rising rapidly.

If we want to talk seriously about burdens facing our children, the government's debt is a tiny part of the picture. We will hand down to them a whole economy and society, including the natural environment. If we paid off the national debt, but left an economy in ruins and a devastated environment, we will not have done our children any favours.

Contact the Association

Journal editors:
RWER: Edward Fullbrook fullbrook@worldeconomicsassociation.org
Economic Thought: ETEditor@worldeconomicsassociation.org
World Economic Review: wereitor@worldeconomicsassociation.org

Conferences: Chair of Conference Organizing Committee:
conferences@worldeconomicsassociation.org

WEA Commentaries editor: Stuart Birks, **Co-editors** Ana Luíza Matos de Oliveira, Mitja Stefancic, Ceyhun Elgin, Sergio Sotelo-Sosa, Hailai Weldeslassie

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