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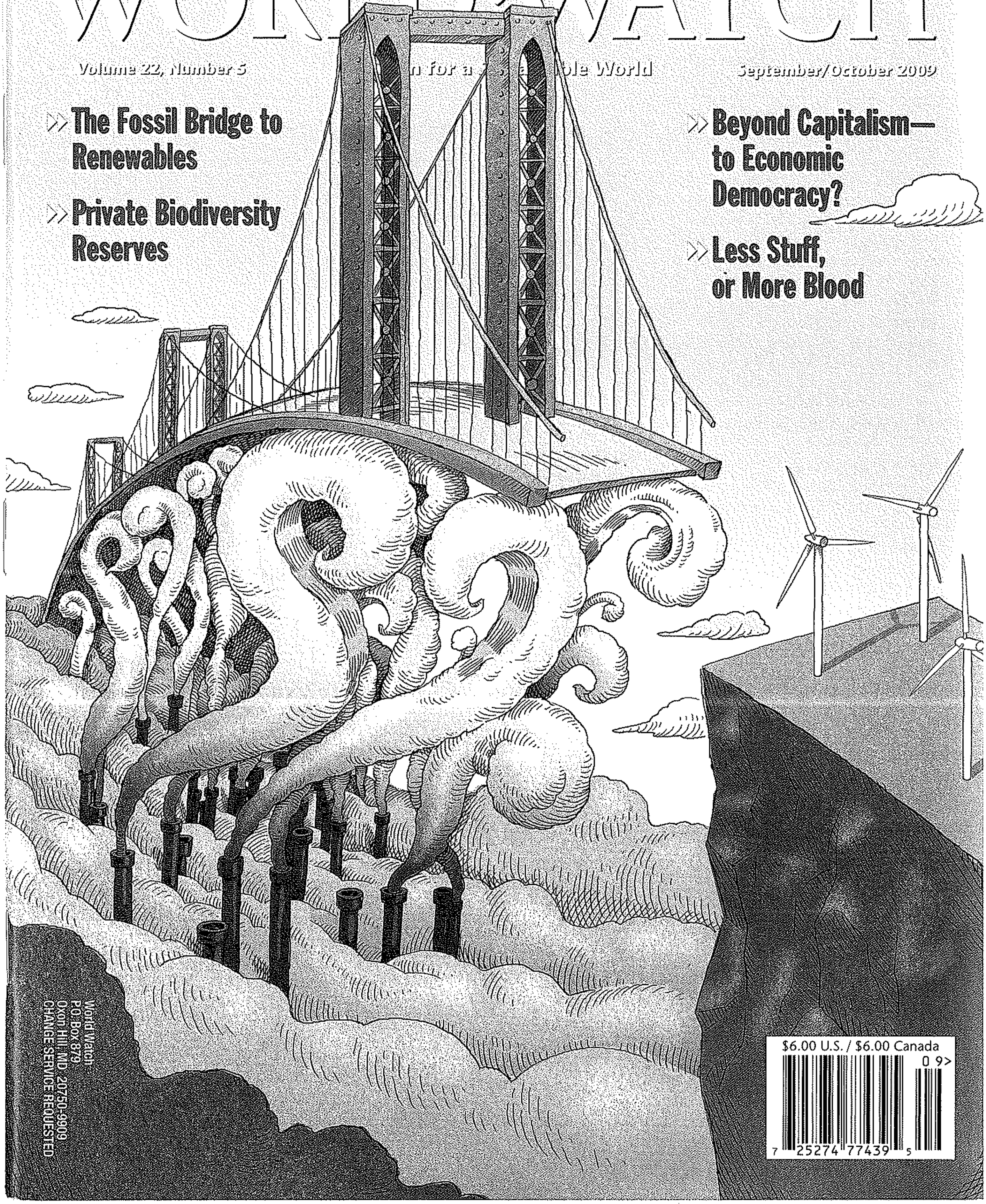

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A New Capitalism—or a New World?

Here's a non-Communist, market-based economic system that's both more democratic and more sustainable than capitalism.

by David Schweickart
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Marx says that revolutions are the locomotives of world history. But the situation may be quite different. Perhaps revolutions are not the train ride, but the human race grabbing for the emergency brake.
—Walter Benjamin

The subtitle of Joel Kovel's *The Enemy of Nature* (2007) states his thesis bluntly: *The End of Capitalism or the End of the World?* Kovel thinks we need a revolution—although he is fully cognizant as to how remote that prospect seems:

> Growing numbers of people are beginning to realize that capitalism is the uncontrollable force driving our ecological crisis, only to become frozen in their tracks by the awesome implications of this insight.

Paul Hawken, Amory Lovins, and Hunter Lovins also think we need a revolution, but of a different sort than the one envisaged by Kovel. Their book, *Natural Capitalism* (1999), is subtitled *Creating the Next Industrial Revolution*. Then-President Clinton is reported to have called it one of the five most important books in the world today.

Hawken and the Lovinses agree with Kovel that the current model of capitalism is problematic. "Capitalism, as practiced, is a financially profitable, non-sustainable aberration in human development," they argue. But they do not see the problem as residing in capitalism itself. They distinguish among four kinds of capital, all necessary for production: human capital, financial capital, manufactured capital, and natural capital. The problem with the current form of capitalism, they say, is its radical mispricing of these factors. Current market prices woefully undervalue—and often do not value at all—the fourth factor: the natural resources and ecological systems "that make life possible and worth living on this planet."

All economists recognize that market transactions can involve "externalities," costs (or benefits) that are not paid for by the transacting parties. All agree that there is a role for governments to play in rectifying these defects. The standard remedies involve taxation (for negative externalities) and subsidies (for positive externalities).

Hawken and the Lovinses argue that these remedies—properly applied—can work. The first step is to eliminate the perverse incentives now in place. They document the massive subsidies that governments currently provide for ecologically destructive behavior, e.g., highway construction and repair that encourage suburban sprawl, agricultural subsidies that encourage soil degradation and wasteful use of water, subsidies to mining, oil, fishing, and forest industries, etc.

The second step is to impose resource and pollution taxes so as to reflect the true costs of natural capital. The point is to level the playing field so that more sustainable energy technologies and more energy efficient processes can compete fairly with the destructive practices of industrial capitalism. We might even want to go further, and subsidize (at least initially) the technologies that reduce the negative environmental impact of our production and consumption choices.

If we take these steps, Hawken and the Lovinses envisage a bright future:

> Imagine for a moment a world where cities have become peaceful and serene because cars and buses are whisper quiet, vehicles exhaust only water vapor, and parks and greenways have replaced unneeded urban freeways. OPEC has ceased to function because the

> price of oil has fallen to five dollars a barrel, but there are few buyers for it because cheaper and better ways now exist to get the services people once turned to oil to provide. Living standards for all people have dramatically improved, particularly for the poor and those in developing countries. Involuntary unemployment no longer exists, and income taxes have been largely eliminated. Houses, even low-income housing units, can pay part of their mortgage costs by the energy they *produce*....

Such a future will come about, they say, if we harness the creative energy of capitalism and let the markets work.

In essence there are two fundamental differences between the "ecosocialism" of Kovel and the "natural capitalism" of Hawken-Lovins.

- Kovel is deeply distrustful of the profit motive. He does not think greed can serve the good. Hawken and the Lovinses think that the profit motive can be harnessed so as to provide powerful incentives to develop sustainable sources of energy and to eliminate the energy waste so rampant today.
- Kovel is convinced that "grow or die" is an imperative of capitalism that renders sustainable capitalism impossible. Hawken and the Lovinses do not confront this argument directly, but appear to believe either a) capitalism *is* compatible with a steady-state, non-growing economy, or b) an economy can grow indefinitely without consuming more energy and natural resources than it can sustainably produce.

Let us focus on the second issue. The first will be addressed implicitly as we proceed.

Capitalism: Grow or Die?

Anti-capitalist ecologists always say this. In Kovel's words, "Capital must expand without end in order to exist." But is this true? It would seem not to be. Capitalism has survived prolonged depressions; the Great Depression of 1929 lasted a decade. Periods of stagnation have been even more common—witness Japan throughout the 1990s. To be sure, capitalism incentivizes growth, but thwarted growth does not appear to lead to death. We can point to lots of counterexamples.

It is not true either that the various ecological crises we are facing will bring about "the end of the world." Consider the Stern Review, commissioned by the British government, which has been applauded by most environmentalists for its strong recommendation that urgent action be taken on climate change. If nothing is done, we risk "major disruption to economic and social activity, later in this century and the next, on a scale similar to those associated with the great wars and economic depression of the first half of the 20th century."

This is serious. Some 60 million people died in World War Two. The Stern Review estimates that as many as 200 million people could be permanently displaced by rising sea levels and drought. But this is *not* the end of the world. Even if the effects are far worse, resulting in billions of deaths, there would still be lots of us left. If three-quarters of the present population perished, that would still leave us with 1.6 billion people—the population of the planet in 1900.

I say this not to minimize the potentially horrific impact of relentless environmental destruction, but to caution against exaggeration. We are not talking about thermonuclear war—which *could have* extinguished us as a species. (It still might.) And we shouldn't lose sight of the fact that millions of people on the planet right now, caught up in the savage wars raging in Iraq, Afghanistan, Pakistan, Somalia, Sudan, and elsewhere, are faced with conditions more terrible than anyone reading this article is likely to face in his or her lifetime due to environmental degradation. Nor will readers suffer more than most of the 3 billion people alive now who struggle to survive on less than US$2/day.

We may not be facing the end of the world—but still, Kovel has a point. He may have overstated the case, but from an ecological point of view there is something, at least prima facie, *crazy* about capitalism. An ecological worldview tends to emphasize harmony, sustainability, moderation—rather like that of the ancient Greeks, for whom a constant striving for more was regarded as a mark of an unbalanced, deranged soul. Yet every capitalist enterprise is motivated to grow without limit.

There is no mystery here. We all know how it works. Expanding sales increases profits, making the owners richer. There is also a fear factor. Failure to take the steps that will, if successful, "grow the company" puts the company at risk. Big fish tend to eat the little fish. Capitalist market competition is cut-throat competition.

There is also a deeper structural issue that we must consider. It may well be the case that all capitalist firms want to grow, but wanting doesn't make it so. Obviously many firms do not get what they want. Many firms fail. The root problem with capitalism is not that *individual firms* are incentivized to grow, but that *the economy as a whole* must grow—not to survive, but to remain *healthy*. As we have noted, there have been significant periods in which capitalist economies have failed to grow but did not collapse. However, none of those periods—recession, stagnation, depression—have been happy times.

Why must a capitalist economy grow to be healthy? The answer to this question is rather peculiar. A capitalist economy must grow to be healthy because *capitalism relies on private investors* for its investment funds. These investors are free to invest, or not, as they see fit. But this makes economic health dependent on "investor confidence," on what famed economist John Maynard Keynes called "the animal spirits" of the investors. If investors do not foresee a healthy return on their investments, then they won't invest, or they'll invest abroad.

But if investors don't invest domestically, their pessimism becomes self-fulfilling. Lack of investment translates into layoffs, first in the capital-goods industries, then, since layoffs provoke a decline in consumer demand, in other sectors as well. Aggregate demand drops further; the economy slides into recession.

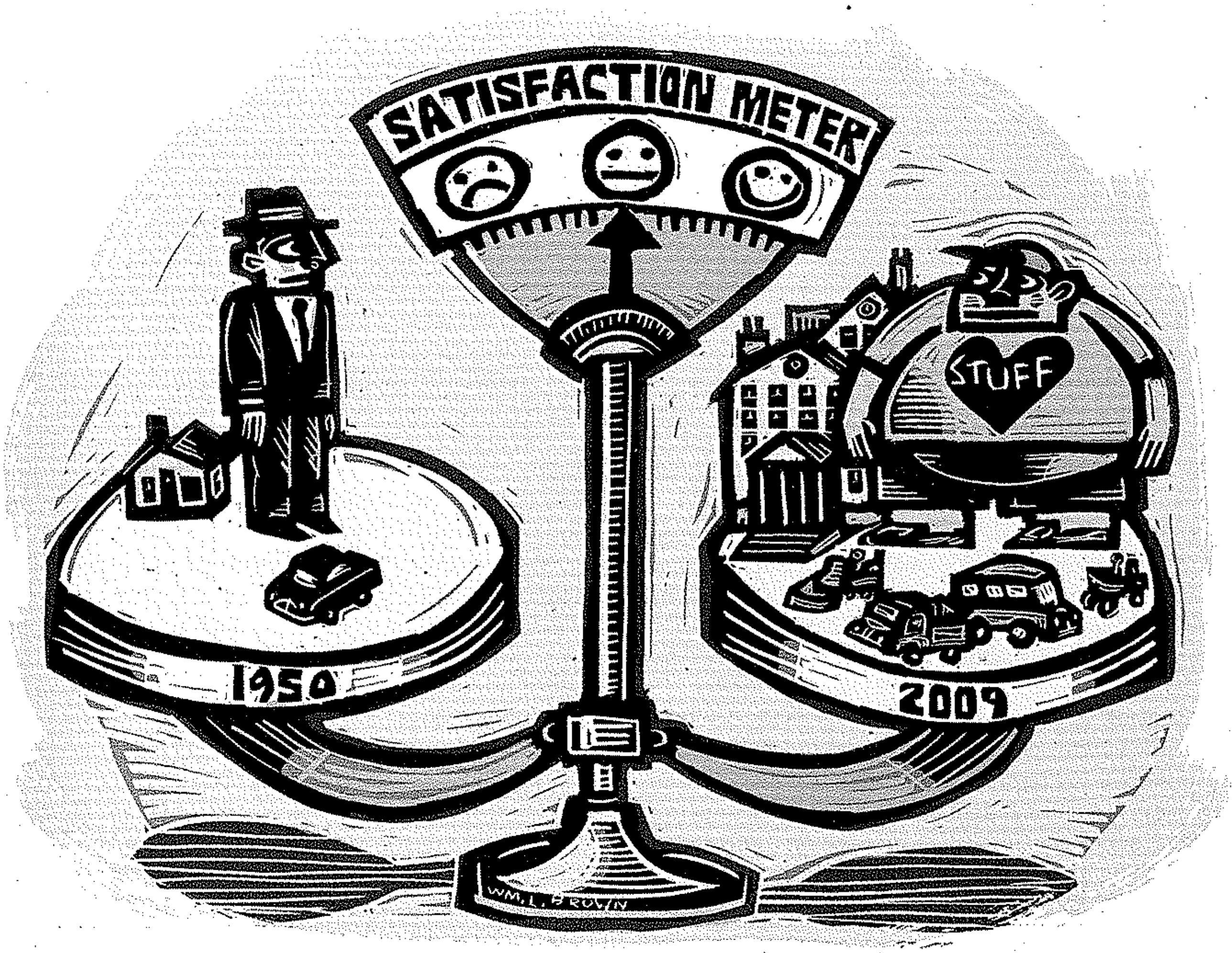
As we all know, from both the historical record and present experience, a slumping economy is not just bad for capitalist investors; it is bad for almost everyone. Unemployment rises, which adds stress to almost all workers, even those who retain their jobs. Government revenues fall, adding pressure to cut both government employment and government services. Indeed, public funds for environmental programs are jeopardized—as mainstream economists are quick to point out, impatient as they are with "anti-growth" ecologists. (Growth is necessary, they insist, to give us the means to clean up the messes we have made.)

A healthy capitalism requires a steady expansion of consumption. If sales decline, investors lose confidence—as well they should. (A recent cover of *Newsweek* features Uncle Sam pointing to the reader, saying "I Want You to Start Spending: Invest in America Before It Is Too Late.") Environmentalists often point out that GDP growth is not an indicator of human happiness or human development—which is true—but these critics seem not to notice that GDP growth is precisely what is important to *investors*, who must, at all costs, be kept happy.

The problem is not simply growth. A healthy capitalism depends, not simply on ever-increasing consumption, but on a steady *rate* of growth. When the growth rate declines, investors pull back. But a steady rate of growth, so essential to healthy capitalism, implies *exponential* growth, and exponential growth, to anyone with mathematical sensibilities, is deeply disturbing. If an economy grows 3 percent per year (the U.S. average growth rate during the 20th century), consumption doubles every 24 years, which translates into a *16-fold* increase over the course of a century. That is to say, if we continue to grow as we have in the past, we will be consuming *16 times* more in 2100 than we did in 2000. (If China's 10 percent per year growth rate were to hold for a century, the Chinese would be consuming 16 *thousand* times more by century's end than they are now.) As Kenneth Boulding (himself an economist) has noted, "Only a madman or an economist thinks exponential growth can go on forever in a finite world."

There is an important rejoinder to this argument that we must consider. Growth *need not* add to resource depletion or pollution. GDP is a quantitative figure that doesn't pretend to correlate with general wellbeing. An oil spill that puts lots of people to work cleaning it up enhances GDP; when harried couples eat out more often, no longer having time to cook at home, GDP goes up. By the same logic, if unemployed people are put to work planting trees, GDP goes up. If there is a shift from capital-intensive factory farming to labor-intensive organic farming, and the market value of the latter exceeds the market value of the former, GDP goes up. So growth—the right kind of growth—need not stress the environment or add to resource depletion or pollution.

From the perspective of strict logic, this is true. A sustainable capitalism *is* possible. But it should be noted that we



are no longer talking economic science anymore. We're talking about faith—the economists' faith that exponential growth *can* go on forever in a finite world.

Is this a rational faith? One is reminded of Pascal's Wager. Blaise Pascal (1623–1662) was a mathematician and a philosopher. His argument is simple. Does God exist? Maybe yes, maybe no. What is the rational response to this hugely important, highly contentious question? Pascal's answer: do what any good mathematician would do: calculate expected gains and losses. If you bet yes, that God exists, and are right, and live your life accordingly, the rewards are infinite—an eternity in heaven. If you bet yes, and are wrong—how much will you lose? In fact very little. The time you will have spent going to church or in prayer. Feelings of guilt from time to time. If you bet no and are right, how much will you gain? Again, not much. But if you bet no and are wrong? An eternity of hellfire. An open and shut case, no? The possibility of infinite happiness set against a life that may or may not prove to be a bit happier, then horror for an eternity.

Can exponential growth go on forever (or at least for a long, long time)? If we decide to stick with capitalism, betting that it can—well, here's the Pascalian kicker: we can be almost certain it won't make us happier, at least not those of us who are doing most of the consuming and polluting right now. There is a large literature on happiness. We know that increased consumption, once we get beyond a certain point, does not translate into increased happiness. Bill McKibben cites some of the evidence:

> Compared to 1950, the average American family now owns twice as many cars, uses 21 times as much plastic, and travels 25 times farther by air. Gross domestic product has tripled since 1950 in the U.S. We obviously eat more calories. And yet—the satisfaction meter seems not to have budged. More Americans say their marriages are unhappy, their jobs are hideous, and they don't like the place where they live. The number who, all things considered, say they are "very happy" with their lives has slid steadily over that period.... In the United Kingdom per capita gross domestic product grew 66 percent between 1973 and 2001, and yet people's satisfaction with their lives changed not a whit. Nor did it budge in Japan, despite a fivefold increase in income in the postwar years.

Thus, if we put our trust in a regulated capitalism, and it delivers the wise governance and technological innovation that keep the economy growing steadily without inducing environmental havoc, the expected gain is slight at best. But if we place our faith in capitalism and are wrong? Not hellfire or the end of the world—but massive planetary misery.

An Alternative?

There is a deep assumption built into this Pascalian argument. Pascal's wager is not just about belief. It is about restructuring one's life. Our Pascalian wager is also about restructuring. But if there is no viable alternative to capitalism, then what? We might as well assume that growth can go on forever in a finite world. A belief that allows for hope is surely better than one that counsels despair.

Can we conceive of an economic alternative to capitalism that is a) economically viable and b) not dependent on growth for its stability, yet c) conducive to the entrepreneurial innovation we will need to get though the current crisis? It may come as a surprise to most readers, but the answer is clearly yes. In my view theoretical analysis, backed by empirical evidence, strongly supports the thesis that a truly *democratic economy* could satisfy the above criteria.

Let me sketch the basic institutions of a democratic economy. We will retain competitive markets, but extend democracy to both the workplace and to the financial system. (Needless to say, I will have to paint with a broad brush. In practice a democratic economy would be more complex than what I present here.)

Democratized labor. Imagine a technologically developed economy in which each workplace is run democratically. Suppose businesses are regarded as communities, not legal entities that can be bought and sold. Management is appointed by a worker council elected by the workforce on a one-person, one-vote basis. These enterprises compete with one another in the market.

Such enterprises can be expected to be efficient. Workers do not receive wages, but specified shares (not necessarily equal) of the firm's profit. Hence everyone has a tangible stake in the company's performing well. Everyone is motivated, not only to work efficiently, but to monitor co-workers, thus reducing the need for external supervision. It is not surprising, then, that empirical studies comparing democratic firms to comparable capitalist firms consistently find the former performing at least as well as the latter, and often better.

But here is something interesting. Although democratic and capitalist firms are both motivated to produce efficiently and to satisfy consumer desires, they are strikingly different in their orientation toward growth. Under conditions of constant returns to scale, capitalist firms expand, whereas democratic firms do not. For capitalist firms aim at maximizing total profits, whereas democratic firms aim (roughly) at maximizing profit-per-worker. That is to say, the owners of a capitalist firm can double their profits by doubling the size of their operation, but if a democratic firm doubles its size, it doubles its workforce, leaving its per-capita income unchanged.

This is an enormously important structural difference, with implications that go well beyond environmental concerns. Let us focus on two that bear on the question at hand.

One implication: democratic competition is less intense than capitalist competition. Firms compete for market *share*, but not for market *dominance*. Hence, democratic firms—when competing with other democratic firms—do not face the same "grow or die" imperative that capitalist firms face. Workers cannot increase their incomes by expanding the size of their enterprise, unless economies of scale are significant. At the same time, they don't have to worry about being driven out of business by a more innovative or efficient rival. They have time to adjust, to copy, or to compensate for, whatever successful innovation their rival has introduced.

A second implication: When innovation brings about a productivity gain, workers can choose leisure over increased consumption. This option is non-existent in a capitalist firm. Owners do not increase their profits by allowing their workforce to work less. To the contrary, increases in productivity often lead to workers working more or harder than before, since productivity-enhancing innovations often put their jobs at risk.

If ever-increasing consumption is a serious environmental threat, and if market competition is essential to an efficiently functioning economy, then it is vital to have a system that offers *non-consumption incentives* to its businesses. Increased leisure is a readily available option in a democratic firm—but not in a capitalist firm. Of course this choice is not *guaranteed* by the democratic structure. An environmental consciousness—or at least a consciousness as to what actually makes people happy—matters. But such a consciousness does not conflict with the structural imperatives of a democratic economy, as it does with the imperatives of a healthy capitalism.

Democratized capital. Capitalist financial institutions, for all their ever-increasing, mind-boggling complexity, exist for one fundamental purpose: to mobilize the private savings of individuals and make them available to individuals wanting to start new businesses or to existing enterprises wanting to expand production, upgrade their technologies, introduce new products, etc.

Suppose we decide not to rely on the private savings of private individuals for investment. Suppose we don't want to be hostage to the "animal spirits" of investors. A substitute mechanism for generating investment capital is readily available: taxation. For technical reasons the most appropriate tax is a flat-rate tax on the value of each enterprise's capital assets. (This tax is a surrogate interest rate, the charge enterprises pay for their use of capital. It can also be thought of as a "leasing fee," the charge workers in a democratic enterprise must pay for the capital assets they employ.)

These tax revenues will fund the bulk of the new investment our society decides to undertake, both private and public. How will they be allocated? There are various possibilities. The most transparent, and in many ways the fairest, is to allocate these revenues to regions and communities on a per-capita basis. That is, if a region contains X percent of the nation's population, it gets X percent of the investment funds. These funds are then distributed to regional and local investment banks—public banks—charged with loaning them out to individuals and enterprises needing funds to start up, upgrade, or expand business operations. Loan applications are judged in terms of projected profitability, employment creation, and, if the community so desires, environment enhance-

ment. Since loan officers are public officials charged with allocating effectively the funds entrusted to them, and since all records are open to public inspection, the task of monitoring performance is not unduly difficult.

This democratization of investment has two consequences of importance to environmental sustainability. First, and most importantly, the health of the economy no longer depends on economic growth, since investment no longer depends on investors' animal spirits. Every year funds flow into each region. If there is insufficient demand for these funds, they can be rebated to the taxpayers, thus keeping up effective demand. If low demand persists, the capital-assets tax rate can be cut. There is no longer any danger of investors deciding not to invest or to move their funds abroad. The investment fund is tax-generated. All of it stays in-country.

A second important consequence: Every year regions receive funds that can be used as they see fit, so long as they involve capital expenditure. This means that every year funds are available that can be used for environmental experimentation—for the construction of local mass transit or bike paths or community gardens, whatever. Communities can learn from the experiences of other communities what works and what doesn't. Innovation is decentralized and local creativity is enhanced.

"Natural capitalists" might object at this point. They are eager to harness the capitalist entrepreneurial spirit to ecological ends. They like to point out the many opportunities that currently exist to do well by doing good—more energy efficient manufacturing, green buildings, leasing rather than selling (to promote recycling), efficient water management, organic agriculture—the list goes on. We don't want to lose the entrepreneurial initiative that can seize on such opportunities, they say.

They have a point. We should have an entrepreneurial capitalist sector in our democratic economy. Workplaces in the capitalist sector will not (by definition) be democratic, but given the fact that these capitalist enterprises must compete with democratic enterprises for qualified workers, abuses are unlikely. Indeed, most capitalist firms will likely set up some participatory structures and profit sharing to keep morale high (though they are not required to do so.)

Where would private entrepreneurs get their capital? From private sources, if they want, but also from the public banks. There is no reason to restrict the loans these banks make to democratic firms only. However, to prevent an entrepreneurial firm from becoming a permanent, eternal capitalist firm, paying dividends forever to passive owners, a simple provision can be enacted. When the entrepreneur decides to leave the company, the enterprise must be sold to the state and turned over to its workers to be run democratically. Capitalist entrepreneurs thus serve a double function: suppliers of new ideas and creators of new democratic firms.

I have argued at length in both *Against Capitalism* (1993) and *After Capitalism* (2002) that such an economic democracy as I have described would be economically viable, and would be more ecologically sustainable than even best-case forms of capitalism. It would also be far more egalitarian than capitalism and far more democratic. It could also be a full-employment economy with the government serving as an employer of last resort. It could, therefore, be a society without domestic poverty.

The Mondragón Experiment

Although no national economy has yet restructured itself as a democratic economy, one of the most striking pieces of evidence that such an economy would be viable is to be found in the Basque region of Spain.

What I believe will one day come to be regarded as a world-historic experiment began modestly enough. In 1943, a school for working-class boys was established in the small town of Mondragón by Don José Maria Arizmendiarrieta, a local priest who had barely escaped execution by Franco's forces during the Civil War. The "red priest," as he was called in conservative circles, was a man with a large vision. Believing that God gives almost all people equal potential and dismayed that not a single working class youth from Mondragón had ever attended university, Fr. Arizmendiarrieta structured his school to promote technical expertise as well as "social and spiritual values." Eleven members of his first class (of 20) went on to become professional engineers. In 1956 five of these and 18 other workers set up, at the priest's urging, a cooperative factory to make small cookers and stoves. In 1958 a second cooperative was established, to make machine tools. In 1959, again at Arizmendiarrieta's instigation, a cooperative bank was established to provide funding for other cooperatives

The initial experiment, a worker-owned factory making kerosene cookers, has developed since 1956 into a network of cooperative enterprises, including industrial cooperatives making home appliances, agricultural equipment, automobile components, machine tools, industrial robots, generators, numerical control systems, thermoplastics, medical equipment, home and office equipment, and much more. In 1991 (15 years after Arizmendiarrieta's death) these cooperatives, always linked, combined to form the Mondragón Corporación Cooperativa (MCC). MCC includes not only producer cooperatives and a bank (Caja Laboral), but also two research centers (Ikerlan and Ideko), a social security service, a huge network of retail stores (the Eroski group), and several educational institutions, among them Mondragón University (widely regarded as one of the best technical universities in Spain).

Today MCC is the dominant economic power in the Basque region and is the seventh largest corporation in Spain. MCC's capital goods division is the country's market leader in metal cutting tools, as is its division that makes refrigerators, washing machines, and dishwashers. MCC engineers have built "turnkey" factories in China, North Africa, the Middle East, and Latin America. The Eroski group is now the third largest retail food chain in Spain (the only Spanish-owned one of the top three). Caja Laboral has been rated a being among the top 100 most efficient financial institution in the world in terms of its profit/assets ratio. Ikerlan is the only Spanish research firm to have met NASA technical specifications and hence to have been permitted a project on the Space Shuttle Columbia in 1993. Recently MCC has opened a "Microsoft Innovation Center" to research "embedded technologies" with applications to mobile phones, GPS systems, TV decoders, portable medical equipment, wind-powered generators, and many other devices.

All in all, MCC now has a workforce of 103,000, with 3 percent employed in the Basque region, 47 percent employed in other parts of Spain, and 16 percent employed abroad in 6 plants (including eight in China). It has annual sales of $20 billion and assets of nearly $42 billion.

In short, we have here a corporation comparable in size and technological sophistication to a large, dynamic, capitalist multinational that has an internal structure radically different from a capitalist corporation. In essence, MCC is a democratic federation of democratic enterprises. (Individual cooperatives are free at any time to leave.)

MCC has grown rapidly since its inception, but not for reasons of profit maximization. One of its central missions is job creation, which it takes very seriously. (Its setting up of subsidiaries abroad is never at the expense of domestic workers.) A principle of solidarity operates among member coops. As the *Financial Times* reported recently:

> Those cooperatives hit hardest by the present crisis will be thrown a lifeline by associate companies that are weathering the tough conditions better. According to MCC statutes, solidarity funds are available to companies with problems if other measures—such as wage cuts, longer hours, and the transfer of workers to related producers—fail to produce results.

It should be noted that MCC seems to be weathering the global economic storm rather well. Profits were up 6 percent in 2008, as was job creation. Profits are expected to fall in 2009, but overall the company remains strong.

It should also be noted that not all parts of MCC are cooperatives. Most of the businesses set up outside the Basque region and all the enterprises set up abroad are non-cooperative subsidiaries of MCC. However, in January of this year Eroski's General Assembly approved a plan to turn all of its retail stores into cooperatives. (When Spain joined the European Union, MCC—to be able to compete with the European retail giants—bought up supermarkets throughout Spain. It was decided at the time that it would be impractical to turn these into cooperatives. But now democratic rights are being extended to all Eroski workers, some 52,000 in all.)

Whatever its deviations from democratic perfection, MCC has demonstrated beyond all reasonable doubt that worker-run enterprises, properly structured, can be as efficient and dynamic as the largest and most efficient capitalist companies, while remaining far more egalitarian and democratic.

Beyond Capitalism

I have argued that Joel Kovel, although excessively apocalyptic and too dismissive of market competition, is essentially right. We must move beyond capitalism if humanity is to flourish. I have also argued that Paul Hawken and the Lovinses, while proposing creative solutions to concrete problems, have not confronted two fundamental questions: Does a healthy capitalism require a steady rate of growth? Can exponential growth go on forever in a finite world? I have argued that the answer to the first question is "yes," and that it is foolish to the point of irrational to base one's hope for the future on a positive answer to the latter. I've argued that there exists an alternative economic model that would not need to grow to remain healthy, and would, in addition, be preferable to capitalism on many other grounds as well.

I am inclined to say that too many environmentalists aren't "ecological" enough. An ecological consciousness entails an awareness of the interconnectedness of things. The fact of the matter is, the massive environmental problems we face are not unrelated to other social problems: financial instability, national and global unemployment, national and global poverty, political dominance by an immensely wealthy capitalist class that undercuts genuinely democratic governance, an increasingly harried and increasingly insecure middle class that finds its opportunities for self-, family-, and community-enhancing leisure time ever more restricted.

We need to recognize that institutional reforms are possible that address, simultaneously, all of these problems, including the environmental ones—and that these reforms must take us beyond capitalism. Of course I'm not the only one who believes this. All the "watermelons" do (the derisive term the anti-environmental right applies to those who are "green on the outside, red in the middle"). But so does at least one Nobel laureate in economics. Amartya Sen, writing in the *New York Review of Books* last March about the European conference on "A New Capitalism," hosted by Nicolas Sarkozy and Tony Blair, asked, "Should we search for a new capitalism or for a 'new world'...that would take a different form?" This question—which is a rhetorical question—recalls a little-noted passage in Sen's 1999 treatise, *Development as Freedom:*

> The solutions to these problems—inequality (especially that of grinding poverty in a world of unprecedented prosperity) and of public goods (that is, goods people share together, such as the environment)—will almost certainly call for institutions *that take us beyond the capitalist market economy.*

I think we are in position now to see what those institutions might be.

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For more information about issues raised in this story, visit **www.worldwatch.org/ww/capitalism**.