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Beyond the Consumerist-Financial Exchange: The Sustainable-Contributory Exchange

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Introduction

This chapter analyses the exchange of material and symbolic resources between society, economy and politics in two historical periods: 1945–1968 and 1989–2008. This analysis aims to identify those elements that can form the basis for a new exchange in Western post-crisis democracies, focusing particularly on the USA given its stable supremacy in the international scene in the last decades and the paradigmatic nature of the US capitalistic model in the contemporary age.

By exchange, we mean a particular composition and crystallisation of the social, political and economic interests within the US community. The kind of social contract that characterises a given historical epoch is thus read as an exchange—here conceived more broadly than political

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exchange[1]—that satisfies social, economic and political interests, at least temporarily and partially. For *social* interests, we mean here the material and symbolic interests of different social groups, considering both up and down the social ladder (groups whose interests, as we will show, often conflict with each other) and as a majority or minority compared to the rest of the population as a whole. We consider *economic* interests as those interests related to the accumulation of capital, in the form of profit and/or income, which find concrete expression in the structural transformations of capitalism. Finally, when we speak of *political* interests we primarily mean the achievement of consent by policy-makers. They act through government policies defining the guidelines of institutional intervention in a given period, for example the levels of public spending or taxation and the recognition of certain rights.

In every phase of history, a different sort of exchange emerges that summarises, at least provisionally, a convergence of some of the social, economic and political interests in the capitalist framework. The engines of exchange are the demands that come from social groups; criticism of the system is a key expression of these demands (Boltanski and Chiapello 1999). Among the factors that push for change the terms of a given exchange, changes in the social demands and in the attempts to answer them (or at least some of them) have a particular importance. Elsewhere we have described these dynamics: 'exchange-crisis-emergence of a new exchange' (Magatti 2009, 2012a; Magatti and Gherardi 2014b).[2] In the current chapter we focus on the intersection between these interests and the resources involved in the exchange, during the period from the end of the Second World War to the present. We distinguish three different phases therein.

[1] In the international political science and sociology debate during the 1980s, the notion of political exchange indicated mainly two types of exchange. The first is the exchange between capital and labour through state mediation, confined to the field of industrial relations. The second is the exchange between voters and elected officials, where the government provides goods in exchange for the social consensus that another party is entitled to give or withdraw (Pizzorno 1993). For the concept of political exchange see also Barry (1976).

[2] The engines of social change are the demands that arise in every historical period, to answer some of which the process of accumulation and government policies change, thus restating the terms of the exchange. For a comparison with the evolution of the spirit of capitalism, whose engine is criticism (Boltanski and Chiapello 1999), see Magatti and Gherardi (2014a).

The first phase, which begins in the post-war period and extends to the symbolic and structural crisis of 1969, is characterised by 'Fordist-welfarist' exchange. In the early 1980s a new exchange emerged, starting the second phase, which is usually called neoliberalism. We propose that that period, beginning in the 1980s is only realised fully after 1989, as a consequence of the fall of the Berlin Wall, although the construction of a global market started earlier. This period ends with the crisis of 2008, which highlighted the unsustainability of this exchange at economic, social, environmental and international levels.

Our reading of this phase visualises two different yet interrelated levels of the exchange: the structural plan, on which the traded goods are tangible, and the symbolic plan, on which the traded goods are predominantly immaterial.[3] The analysis of the structural plan starts from the points of convergence between critical theories of an economic cast—notably Stiglitz (2010, 2013), Krugman (2009, 2013), Reich (2011, 2012)—that re-read the last three decades. The analysis of the symbolic plan begins with the commonalities between some major theories of a social-philosophical mould (Sennett 2003, 2005; Honneth 1995, 2010; Boltanski and Chiapello 1999). The latter have been selected not only for their influence on social theory, but also because they offer a glimpse into the relationships between society, economy and politics, which are our focus. For the sake of linearity of presentation, the nature of exchange on each of the two plans or levels is initially considered separately. Certainly, the exchange model common to Western democracies has had, in the different phases, specific variations in every country.

Starting from the commonalities between the theories mentioned, we will then specify the resources involved in the exchange between social, economic and political interests in both the structural and symbolic plans. We will define the neoliberal exchange as *financial-consumerist* exchange. We choose the term *financial* to emphasise the centrality of the process of financialisation of the economy, or the effects of deregulation and financial engineering. It has paved the way for an equity capitalism

[3] Privileged examples of symbolic goods that we will return to in this chapter are the possibility of individual expression and realisation of the self.

that has massively extended the possibility of access to credit, and thus indebtedness, especially in the USA.

In the last three decades, faced with stagnant median wages, American consumption was supported by a strong erosion of both private and public savings and debt. This exchange, called 'loans for wages' (Barba and Pivetti 2009), promised increased quantitative freedom to the majority of the population, particularly in the choice between different consumer goods, hence the adjective *consumerist*. For the symbolic plan, this exchange offered to the majority of the population of Western democracies the possibility of a progressive emancipation from traditional ties and a form of individualised self-realisation, whose privileged expression is consumption.

Based on our analysis, we propose that from the ashes of the crisis a new exchange can take place. Our suggestion is that a new model can possibly arise: one based on a different idea of growth and consumption. In relation to this new exchange, which reconnects economy and society, we will try to identify both the positive indications that can be glimpsed today of its rise and those that indicate a resistance to its emergence. We call this new exchange '*sustainable-contributory*' exchange, to underscore the distinctive characteristics, respectively, of the economic and the social spheres. To imagine the new exchange means to respond, on the one hand, to what 'growth' means in the advanced economies, in particular through a redefinition of the concept of value and its measurement and, on the other, to the ways that government policies can offer different social groups new forms of participation, contribution and recognition.

The crisis of Fordist-Welfarist Exchange (1945-1968)

Fordist-welfarist exchange is characterised, in Western democracies, on the economic level by a Fordist form of capitalism, correlated with mass (standardised) consumption, and on the institutional level by the creation of the welfare regime. When applied to the USA, 'welfare' means something different from the kind of direct mediation operated by the state in continental Europe and Scandinavia (Esping-Andersen 1990).[4] Moreover, it also means something broader than government spending for medicare, unemployment insurance and social welfare programmes. The US government, after the Second World War, played an active role in ensuring the rights and conditions favourable to the gradual increase in wages of the majority of citizens. This support, though often indirect, expressed a political commitment to the establishment of an abundant supply of opportunities, conceived as a safety net.

A timely and concise description of the period between the end of the Second World War and the crisis of 1968 is provided by Thompson (2006). Collecting much literature on the subject, Thompson shows that in that historical period the policies of Western societies were typified by social democratic consensus: a strong level of redistribution, a strong social state and some economic planning.

This model rested on the stabilisation of democracy, Keynesian regulation, access to education, full employment and the regular growth of average and median wages.[5] Within the state, which coincided with political authority, the public identities of citizens were denoted by their identification with classes and occupational groups—which often influenced alliances with certain parties. The political dialectic revolved around the different weight given, in the economy, on the one hand to the state and on the other to the free market. Paraphrasing Thompson, but with the vocabulary that we use here, the fight for the distribution of resources involving the different social groups, mediated by the political sphere, was experienced against the backdrop of a substantial consensus over the general terms of Fordist-welfarist exchange,[6] whose strength depended on delivering benefits for everyone within the limits of the nation-state. For example, the idea of strong progressivity of taxation was supported by both the left and the right, thanks to the recognised legitimacy of intermediary organisations such as trade unions.

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[4] On the differences between the Anglo-Saxon liberal regime of welfare, characterised by a more marginal role of the state, from the conservative/Catholic/Continental regime and the Scandinavian social democratic regime, see Esping-Andersen (1990).

[5] For a complete description of this model, see Magatti (2009).

[6] This was also thanks to the New Deal, which had created the political conditions for such consent (Krugman 2009, 2013).

To understand Fordist-welfarist exchange, we must consider how tangible and symbolic goods were exchanged in those years between the spheres of society, economy and politics. The relationship between social groups and politics was characterised by a sponsorship of the majority of the population through government policy support, a highly progressive taxation, the spread of an 'individualism of equality' (Schroer 2011) on the cultural plane and new legal freedoms and social rights. Consider, for example, the progress made in those years in the field of the right to work and of civil rights and cultural minorities' rights. The exchange between social groups and the economy was marked, first of all, by access to mass consumption, the protection of unions, and the safety of the workplace—which in the USA is often related to healthcare. Capitalist interests, for their part, were secured by a growing domestic demand as well as a commitment by the state in the form of public investment and military spending.

The roots of the crisis which became evident in the 1970s are to be found in the previous decade. The USA in the 1960s saw the formation of a new left, marked by a criticism of the concept of formal freedom expressed by the institutions of the social democratic consensus, and the formation of a new right, conceiving of social protection as a detriment to economic efficiency (e.g. Lyons 1996; Klatch 1999).[7] On the other hand, in terms of the symbolic plan, the new social movements, including that of feminism, questioned the fundamental axis of social recognition based on the citizen-worker nexus while, hand in hand with this, the widespread nature of greater economic wellbeing weakened the relationship between identity and belonging to a certain social class.

These movements were associated with various new political currents simultaneously. Nationalist, subnationalist, anticolonial and environmental movements contested the equation of a territory equals a state equals a political authority (e.g. Moodod 2005; Parekh 2000). In this climate, the social demands emerging in 1968 were both a desire for greater

[7] According to some critics (e.g. Krugman 2009) the rise of the conservative right in the USA can be explained in part by its exploitation of white revanchism to reduce social spending and progressive taxation. For example, Reagan's speeches often implied that social spending would principally benefit black people.

economic equality and for realisation and self-expression, as opposed to alienation.

We define this latter thrust as subjectivist demand against the pervasiveness of the institutions of Fordist-welfarist capitalism in individual life. It has been thematised as a rejection of all authority and normativity in the name of the centrality of the self and the autonomy of choices and of moral freedom. This demand would materialise, within the relationship between social and political groups, in the struggle for the recognition of differences—in particular the cultural ones—of certain minorities or of 'subaltern groups'.[8] At the heart of the relationship between social groups and the transformations of capitalism, however, the answer to the subjectivist demand was a reorganisation of capitalism under the banner of flexibility in labour relations and modes of production, of personalisation and an increase in consumer goods and of internationalisation.[9] In short, the answer was the constitution of a global market.

Heavy social and economic disorder dominated the 1970s. The explosion of social conflict, the first energy crisis and the saturation of domestic markets made clear that the old equilibrium was no longer tenable. This was especially the case in a situation in which international hierarchies were called into question, while 'stagflation' was a contradictory phenomenon indicating that something was going wrong, both in theory as well as in practice.

As we know, the answer to this crisis came from the neoliberal turn in the early 1980s. The most profound change implied by the new political and economic doctrine was the redefinition of the relationship between economy and society: it was by taking a global instead of a national view of the economy that neoliberalism abandoned the post-war Keynesian vision according to which economic growth is intimately linked to social development. Neoliberal doctrine, by separating the economy from society, holds that social development is a simple by-product of economic growth. It states that if the economy is liberated from all the social and

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[8] Regarding which, however, they have not followed adequate institutional policies (Honneth 2010). Later we will examine the question of this 'perversion' of the demands.

[9] On the plasticity of capitalism, defined as the ability to restructure itself in order to block criticism in every phase of history, see Magatti and Gherardi (2014a).

institutional regulations, then growth can be realised and thus social life improved.

This expansive movement has been enabled and supported by public action. The new global market, based on the central role of the government and the American economy, could not have arisen without the birth of a new political and economic vision, international in nature, which formed within and was pursued by the USA. In short, the quest for autonomy of economic interests, that is to break away from a national territory and its social and economic limitations, has combined with the subjectivist demand.

The response was a profound restructuring of economic policy, in order to allow the revitalisation of the accumulation process, no longer conceived in relation to domestic markets but rather to global markets, by definition unchained from national territory. The features of this new exchange—commonly called neoliberal, due to the incorporation of neoliberal doctrine in its structure—clearly stabilised only at the end of the 1980s, that is, after the fall of the Berlin Wall. It is from that moment, with the disappearance of the antagonist economic model, that market liberalisation accelerates itself into the unique model of reference canonised in the so-called Washington Consensus. In this framework, the process of financialisation of the economy has reached maturity.

The process of dismantling the Keynesian framework—within which Fordist-welfarist exchange was contained—has, however, a longer history. As we know, the Keynesian framework was designed to limit the mobility of capital and stabilise the relationships between currencies. The unilateral abandonment by the US government in 1971 of the fixed ratio of gold to the dollar was the very first step in the destruction of this structure, which was based on a highly codified national and international relationship between money and production. From this decision ensued, to mention just a few steps, the Garn-St Germain Act in 1982,[10] the unification of the telematics stock exchanges of New York and London and, in 1986, the negotiation for China's entry into the World Trade

[10] This act, approved under President Reagan, deregulated the financial system and the newly unregulated banking activities and marked the beginning of lending to customers of doubtful solvency, mostly real estate agents.

Organisation's General Agreement on Tariffs and Trade[11] as well as the abolition of the Glass-Steagall Act in 1999.[12] In the USA, these are the years of the Greenspan Fed, whose monetary policy ensured an almost unlimited supply of money associated with the maintenance of very low levels of primary interest rates. As mentioned, the determinant event that marked this change of paradigm and drove the creation of a global market was the unexpected and sudden collapse of the Soviet empire, because it left the development model of the Washington Consensus[13] free of any oppositional counterpoint. At the death of the historical parable of colonialism,[14] the birth of a global market was the lever to boost economic growth beyond the domestic markets of Western democracies that were no longer able to support it.

Neoliberal Exchange (1982–2008) and Critical Theories

Thanks to the progressive liberalisation of capital movements and trade, therefore, the accumulation process was launched at an international level. To echo Harvey (2011), the renovation of the space–time matrix of social life has allowed the process of accumulation to get moving again and to reopen the field of opportunities. This has re-established, within the Western democracies, a political consensus tied to growth. However, the fruits of that growth have not been equally distributed, despite the increase in consumption that was recorded in the last decades.

We mentioned in the previous paragraph that, in addition to the subjectivist demand, the demand for greater economic equality also emerged

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[11] This led to the entry of China, a reservoir of cheap labour and the main funder of USA debt, into the WTO in 1999.

[12] The Glass-Steagall Act, enacted in 1933, banned commercial banks from using customer deposits to speculate in the stock market and separated banking and insurance activities.

[13] The Washington Consensus is an economic paradigm that synthesises the new vision of economic policy, one that was then spread by the International Monetary Fund, World Bank and the US Treasury Department (institutions based in Washington) to debtor countries. It has as its pillars trade liberalisation, investment and finance, and privatisation and deregulation.

[14] Unlike some authors, we do not speak here of neocolonialism but rather of the replacement of political and military domination by the USA of the colonised countries with economic control.

Fig. 1.1 The "U" curve of inequality in the USA (*Source*: Piketty [2013])

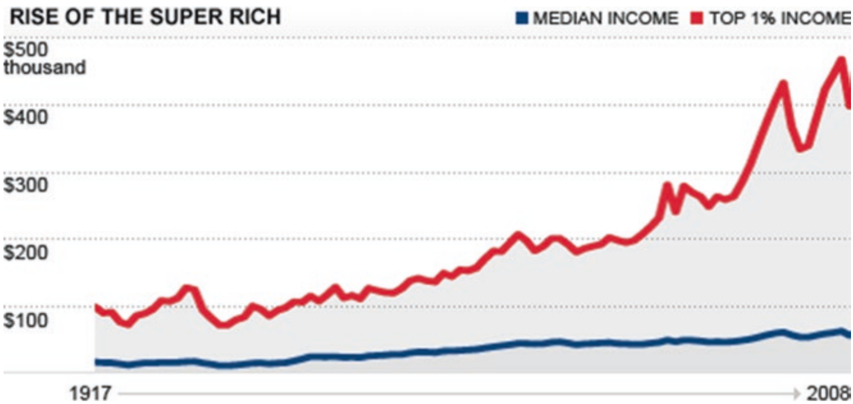

Fig. 1.2 The top 1%'s income as opposed to median income in the USA (*Source*: IRS 2011 on Piketty and Saez [2003])

in 1968, a phenomenon that we will refer to as 'social criticism' (Boltanski and Chiapello 1999). The reply to this criticism has not been a reduction in inequality through higher wages on the basis of gross domestic product (GDP) (see Fig. 1.2), but the granting of the possibility of debt, which has resulted in growing consumption for the majority of the population. The growth in inequality during the neoliberal period, which was particularly strong in the USA, is the pivot of criticism by some economic theorists—Joseph Stiglitz (2010, 2013), Paul Krugman (2009, 2013) and Robert Reich (2011, 2012)—in the re-reading of the neoliberal turn in the USA that they offer. They first converge on the idea that there was a leap in the development model in the 1980s, while recognising its bases in the two previous decades. This idea is based on the observation of the concomitant inversion of fundamental economic trends that began in those years: the first trend was just the increase in inequality, which had decreased over the previous decades. This resulted from the freezing of the growth in median wages, which entered a phase of prolonged stagnation in the face of very strong growth of top wages,[15] which yielded capital income. Figure 1.1, taken from the historical analysis of Piketty (2013), shows the progress of the growth in inequality and its extension in the USA since the '80s.

Other trends that have occurred in the same period are the slowdown in GDP growth, the exponential increase in the indebtedness of households and governments and the growth of consumer spending. On the one hand, in the same period, taxation has become less progressive[16] together with a reduction in government budgets for social spending; on the other, the processes of the relocation of capital and enterprises has become the new norm and the rate of unionisation has diminished.[17] These indicators, which reveal a distribution of material resources far more favourable to the top of the social ladder than in previous decades, are rooted in the US government's policies of external and internal deregulation even more than in the laws of the market.[18] As the three authors mentioned note, in fact, government policies supported the expansive

[15] According to Sennett (2003), neoliberal individualism provides a justification for this extreme gap in the labour market: the recognition of differences between the most talented and the rest. Nonetheless, following this author, the exchange in reality exacerbates the recognition of differences, denying both equality and fulfilment to the majority.

[16] Under President Reagan, the highest marginal tax rate was reduced from 70% to 28%, according to data from the Tax Policy Center (www.taxpolicycentre.org). According to the same source, it reached 40% with Clinton and then back down to 35% with Bush. In addition, from President Clinton on there is simultaneously a reduction in tax rates on capital gains; President Bush lowered the tax to 15% of capital gains.

[17] The rate of union membership fell from over 20% of the workers of the USA in the 1980s to just 11.9% in 2010 (www.bls.gov).

[18] The causes given for this include immigration, the technology driven knowledge divide and the influence of international competition. However, these do not explain the magnitude of this gap.

movement that caused this trickle-up. This course of increasing inequality is seen as the main cause of the crisis of 2008 (because it produced debt by stagnating wages and consumption growth) and also of the current lack of recovery (because it has produced low aggregate demand).[19]

In the post-crisis, after several decades,[20] inequality has returned to the very centre of analysis of the economic plan, through the work of the scientific community and the international press that disseminates the results of research.[21] Institutions such as the IMF[22] and the Organisation for Economic Co-operation and Development (OECD)[23] today renegotiate the trade-off between economic growth and inequality, which was the mantra of the time for justifying those neoliberal policies that favour the wealthy. Contrary to the rhetoric in support of the exchange—that is, that a rising tide would lift all boats *ad infinitum* thanks to trickle-down—there has been a trickle-up (Stiglitz 2010). The promise of a continuous improvement of the material conditions of life of the general population has been disregarded. Even the promise of better living conditions for one's children—a promise that would translate into tangible assets in the future—is a symbolic good that dropped out of the exchange. Economic theories critical of neoliberalism intend to show the unsustainability of the process of granting material resources to those social groups lower down and on the middle of the social ladder. By doing this, these theories denounce as both ineffective and temporary the satisfaction of the mate-

[19] On the link between the shortfall in aggregate demand—and hence in the US economy—and inequality, see in particular Stiglitz (2013).

[20] E.g. Reich reports that after eighty years of remaining off-stage, the theme of inequality has finally returned to the public debate (Reich 2011, 2012) thanks to the diffusion of the press reports stimulating public discussion about the concentration of income, wealth and political power. Consider also, however, that the analysis of the Great Depression of Milton Friedman and Anna Schwartz (1971) and Ben Bernanke (2000) does not contain even a mention of inequality.

[21] For example, in 2012 the *Financial Times* launched a special issue on how the inequality produced by capitalism is a threat to a democracy that is historically rooted in the middle-class majority.

[22] E.g., IMF: 'We find that longer growth spells are robustly associated with more equality in the income distribution …. Over longer horizons, reduced inequality and sustained growth may be two sides of the same coin'. *Inequality and unsustainable growth: two sides of the same coin? IMF staff discussion note* (2011, 1), (www.imf.org); see also IMF *Redistribution, Inequality and Growth, IMF staff discussion note* (2014), (www.imf.org).

[23] E.g., OECD: *Divided We Stand: why inequality keeps rising* (www.oecd.org); OECD: *Growing inequal? Income distribution and poverty in OECD countries* (www.oecd.org).

rial interests of certain social groups that would be provided by neoliberal exchange.

On a symbolic level, the neoliberal expansion led to a weakening of social cohesion, a phenomenon that correlates with growing inequality. Among the critical theories that reconstruct the neoliberal turn on a symbolic level, the lowest common denominator is in fact, to use a Baumanian metaphor, the liquefaction of the social bond. Honneth (2010), Boltanski and Chiapello (1999) and Sennett (2005), among others, understand the dissolution of class and national solidarity as being influenced by the expansive movement discussed above. This has resulted in an extreme individualisation of life stories and in an expansion of choice for individuals, but this expansion of quantitative freedom, which has been a leap in the process of individualisation (Simmel 2013 [1900]), has not, however, translated into a qualitative improvement in people's lives. Because of this, the three authors speak of neoliberal 'ideology': the new organisation of work and production institutes a flexibility that disrupts many lives by bringing about the dark side of uncertainty, the cult of performance (Ehrenberg 1991), mental suffering and the loss of all that endures. The freedom it grants does not sustain life choices, nor does it provide capabilities (Sen 1999): it is, most often, merely a freedom to choose among various consumer products.

Liberal ideology has thus perverted the subjectivist demand that, in the lexicon of these theories, appears as a demand for personal development (Sennett 2003, 2005), for recognition of differences (Honneth 1995; Fraser and Honneth 2003) and for the realisation of the self (Taylor 1992; Boltanski and Chiapello 1999). Although these authors propose a different dynamic as the cause of this perversion,[24] they all define neoliberalism's new model of self-realisation as unsustainable. It is based on a romantic conception of individualism (Campbell 1987), in which a monadic self-developing I gets ever-closer to the original core of one's self thanks to a freedom conceived as being freed from any ties. Elsewhere we have called this 'individualized self-realization' (Magatti and Gherardi

[24] While according to Boltanski and Chiapello these changes in the spirit of capitalism were its response to criticism, Honneth argues that the process of change of capitalism is the result of a concatenation between different processes (e.g. the dissemination of electronic media, structural changes, cultural industry etc.), so that its dynamic can vary every time.

2014a): it substitutes an individualism of equality, such as the ability to develop an individual reflexivity (Schroer 2011), which is characteristic of Fordist-welfarist exchange. In the neoliberal imaginary, grounded on the culture-ideology of consumerism (Sklair 2011), this form of realisation is accomplished in consumer experiences and in relational or professional projects into which the individual enters in succession or in parallel (Boltanski 2005).

The unprecedented rate of social suffering recorded in the advanced Western democracies is for these authors a main indicator of the problematic nature of this model, which offers only a partial answer to the subjectivist demand. They all argue that the non-relational conception of the self—which is modelled on the needs of the accumulation process and which neoliberalism has made the foundation of its anthropology—does not allow for the full realisation of a person. This realisation would require, on the contrary, the recognition of others and of the importance of social ties, because humans are constitutively relational. And so, they emphasise, we need to rethink individuality in a manner compatible with social cohesion—a cohesion for which the reduction of inequality is certainly a fundamental dimension.[25]

In the lexicon of this work, the philosophical and social theories that criticise the neoliberal exchange aim to show that it has not actually bestowed the symbolic resources it promised to social groups at the lower and middle range of the social ladder. Moreover, what few resources it does hand down have actually bound them to conditions that have made their flourishing impossible.

Neoliberal Exchange as the Financial-Consumerist Exchange

The neoliberal exchange coincides with a kind of social contract whose terms are very different from those constituting Fordist-welfarist exchange. What are the main tangible and immaterial resources exchanged between

[25] According to Honneth, the struggles for redistribution are a special case of struggles for recognition, while others (e.g. Fraser 1995; Fraser and Honneth 2003; Phillips 1997; Rorty 2000; Barry 2001) argue that the demand for recognition of cultural differences obscures the need for economic redistribution.

society, economy and politics, as well as the commonalities among the theories we have just been discussing?

Over the past three decades, regarding the relationship between social and economic groups, the security of the workplace, characteristic of Fordist-welfarist exchange, was replaced by flexibility (first of all in terms of contracts, and then time, job and work locations). This change came with the costs and opportunities we have mentioned. Access to consumption transformed into the possibility of personalised and individualised overconsumption, through recourse to savings and (especially) to debt. To compensate for stagnant wages, access to debt was enabled through expansion and through financial innovation (via the overvaluation of diverse assets). Thanks to favourable regulation, the top of the social ladder achieved high profits from capital in this process.

Politics has garnered consensus around this generalised, though uneven and temporary, increase of opportunities, managing the growing social inequality in two ways. That is, first through the introduction of institutional conditions supporting the widespread (public and private) debt and second by exploiting the idea that the necessary and sufficient condition of individual and collective welfare would be an unspecified and undefined economic growth. The 2008 crisis, however, has shown the unsustainability of this model as it has crystallised over the last thirty years.

We call this exchange between politics, economy and society, which assumed a completed form in the late 1980s, financial-consumerist exchange because, within the Western democracies, the consumption necessary for economic growth and for the maintenance of political consensus has been supported by financialisation via debt. While in America the dominant form of this debt is household debt—of which the subprime mortgages are the emblem—in Europe the debt with which they financed consumption and services, directly and indirectly, was mostly public debt.

On a structural level, the basic Fordist-welfarist exchange, or bargain as Reich calls it (Reich 2012),[26] has therefore been replaced by

[26] 'For most of the last century, the basic bargain at the heart of American economy was that employers paid their workers enough to buy what American employers were selling. That basic

the individualist-financial one, which rests on the virtualisation of the economy, on the openness to international trade and, at the same time, on the US international leadership dictating policies favourable to the international expansion of neoliberalism.[27] We have already noted how much these policies, by America in particular, have influenced the transformation of Fordist-welfarist exchange. Internally, not only have many legislative measures weakened organised labour, but policies to reduce taxes on inheritance, on capital income and on the gains of the upper classes have fostered a polarisation of inequality unseen since the first decades of the twentieth century.[28] The relationship between capital and labour is, therefore, biased in favour of capital not only, nor even primarily, because of the economic dynamic.[29]

To explore this exchange on the structural level, we must jointly consider four trends that occurred in the USA over the last three decades: the trend of median wage stagnation together with that of the growth of wealth at the top of the social ladder, and the trend in household debt together with that of consumer spending.

As Fig. 1.2 shows, the salary of the median American worker (male, between 35 and 44 years old) has remained stagnant for the last three decades: in 2008 he received a wage that, when adjusted for inflation, is more or less equivalent to the wage of the early 1970s.[30] At the same time, the gains of the top 1% of the socio-professional ladder have tripled and the growth of large estates and investment income has increased even more radically (see also Salverda and Mayhew 2009). Economic inequalities are measured by the disparity in wages, or employment income, and by the disparity of wealth and income. According to the Economic Policy Institute analysis of Congressional Budget Office data, the 1% has partic-

bargain created a virtuous cycle of higher living standards, more jobs, and better wages. But for the last thirty years that basic bargain has been coming apart' (Reich 2012, 46).

[27] This was achieved primarily thanks to the prominence that the USA held in bodies such as the World Bank and the IMF, which dictated the institutional guidelines of these expansive policies.

[28] See also Piketty and Saez (2003).

[29] Following Stiglitz, much of the current inequality is the result of government policies that have moved the money from the bottom to the top of the social ladder, notably protecting the revenue in all its forms, by means of direct and indirect government subsidies to large corporations and by promoting monetary policies favourable to investment income.

[30] Different estimates range from a few percent up or down (usually from 15% less to 15% more).

ularly benefited since the 1980s, garnering approximately seven-eighths of the increase in income from capital.[31] Government policies, such as low taxation of top earners, have contributed to this growth of inequality.

If we consider household income between 1973 and 2005, the median family income adjusted for inflation grew by just 16%, even despite the entry of women into the labour market. These data reflect the fact that the USA presents today a rate of inequality that has eroded the middle class and its purchasing power (e.g. Krugman 2013),[32] and has become the most unequal OECD country after Turkey and Portugal.[33] The lower and middle classes have not only been denied the fruits of the spectacular productivity gains in the economies of the Western democracies throughout the last decades,[34] they have also been excluded from earnings in the financial markets (See Appendix, Fig. 1.5). Several authors speak of trickle-up or of redistribution of wealth from the bottom to the top of the social ladder: in the last 25 years, 9 percentage points on DPI have moved from 80% of the population in the highest quintile with the bulk of the displacement that benefited the richest 10% (Stockhammer 2012).[35]

Looking now at the trend of debt and consumer spending (PCE) in the same period, the first increases exponentially (Fig. 1.3) as the second rises (Fig. 1.4).

[31] See www.epi.org

[32] The author mentions another important fact: while in the 1970s the percentage of those who receive income near the median (50% more than or 50% less than the median) was more than 50%, but by 2007 it did not reach 43%.

[33] Inequality has been growing in all Western countries, as measured by different standards, since the 1980s. For a comparative analysis see, among others, OECD: *Divided We Stand: Why Inequality Keeps Rising* (www.oecd.org).

[34] From CEA processed data, based on BLS data, it emerges that productivity and costs (current employment statistics), on a log scale relative to the average wage (CPI deflator), remained more or less stationary since the 1970s (or slightly raised when considering output deflator) at around 150 points, while the real output per hour has more than doubled in the same period, reaching in 2013 more than 400 points, 2014 Economic Report of the President (www.whitehouse.gov).

[35] According to the Congressional Budget Office, in 1980 the post-tax income share accruing to the lowest quintile of income distribution was 6.8%; the share of the highest quintile amounted to 42.8%; the second, third and fourth quintiles accounted for the remaining 50%. In 2005, the income share of the poorest quintile fell to 4.8%, the income share appropriated by the richest quintile rose to 51.6%, while the share of the intermediate quintiles dropped to about 44% (www.cbo.gov).

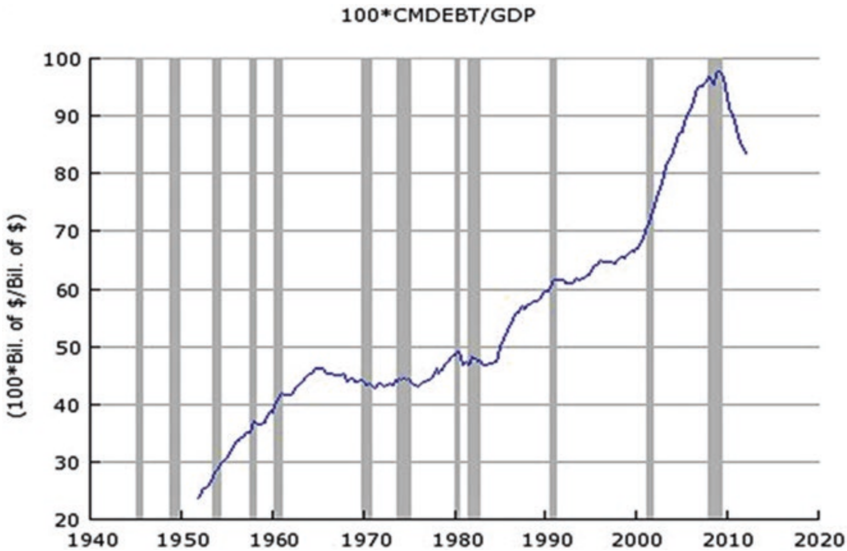

Fig. 1.3 Consumer debt as percentage of GDP (*Source*: St Louis FED [2012], www.stlouisfed.org)

Fig. 1.4 Personal Consumption Expenditures (PCE) as a share of GDP (*Source*: Bureau of Economic Analysis [2011], www.bea.gov)

A further correlation to mention is the one between the rise in household debt in relation to a country's GDP and a weakening economy—considering slowing growth and rising unemployment as key indicators of weakening—at least in the short to medium term (Mian et al. 2015).

The strong growth in household debt began in 1990, when even the entry of women into the labour force stopped generating enough income: from 1990 to 2007 typical household debt increased by one-third, thanks to the growth in property values.[36] The great prosperity of 1945-–1968, the Fordist-welfarist exchange period, has thus given way to the great regression for the period 1981–2007, or the financial-individualistic exchange. Due to wage stagnation, and meanwhile lacking any compensation from capital gains, individuals and households drew down savings and have resorted to debt along the lines of 'loans for wages' (Barba and Pivetti 2009). What happened is that, within that model, finance allowed the temporary disconnection of final demand from the distribution of material resources: 'Finance plays a merely permissive role, unless it is capable of impacting on income distribution, or of "disconnecting" final demand from distribution. The latter case is well represented by the process of the substitution of loans for wages, which, through the easing of households' liquidity constraints and the growth of household debt, characterized the US experience over the three decades up until the outbreak of the financial and economic crisis of 2007' (Barba and Pivetti 2012, 12). The potential stagnation of internal demand led, according to Stockhammer (2012), to two models of compensatory growth: the debt-led model exemplified by the USA and UK, and the export-led approach exemplified by Germany and China.[37] According to this author, in the first model demand was supported by consumer debt and the housing

[36] Consider also that the Americans in the lower 80% had spent about 110% of their income already by the middle of the decade (Delli Gatti et al. 2011). The increase in property value, according to many economists, has helped give families the perception (known in economics as the 'wealth effect') of being wealthy enough to sustain debt, thus pushing consumption.

[37] The rising rate of household spending in the bottom 95% of the income distribution during the Consumer Age rescued the US economy from possible demand stagnation caused by rising inequality (Stockhammer 2012). Consider that the income–debt ratio from 1989 to 2007 almost doubles for the bottom 95%, rising 73 percentage points. The increase for the top 5% was just 20 percentage points (ibid.).

boom; finance therefore temporarily annulled the effect on demand of increasing inequality.[38]

Following this exchange's perspective, the joint interest of the economy and of the policy-makers to support demand—where politics based its approval on the promise of a perpetual-growth economy[39]—met that of a finance system ready to intercept the flow of money from the third world.[40] Financial engineering has created expanded access to credit without credentials via the overvaluation of assets; without this, aggregate demand would be weak, in part because of rising inequality (Stiglitz 2013). We can state this in terms of critical sociology: to ensure a sustainable increase in inequality, which benefitted those at the top of the social ladder, politics and economics have supported the financial expansion with a model of growth based on debt, a model that ultimately proved unsustainable.

A historical precedent—not at the data level, but concerning the dynamics of exchange—is given in the re-reading of the crisis of 1929 offered by Wisman (2012).[41] This author shows how, after the First World War, the dramatic growth of inequality, caused primarily by wage stagnation, prompted households to consume more, reducing their savings and increasing their debts to maintain their relative social status. Maintaining

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[38] Following Barba and Pivetti, finance negatively impacted redistribution, helping 'bring about a change in income distribution unfavorable to the expansion of demand, while providing only a temporary disconnection of demand from the distributive change … From the perspective of capital owners as a class, a process of real wages contraction may seem significantly preferable as a route to the expansion of the mass of profits over time than a process of continuous expansion and renewal of productive capacity. The problem is that the former process is unsustainable, no matter whether it takes place directly, through wage bargaining in situations of decreasing wage earners' strength, or whether it occurs through the "hazier" means of the gradual dismantling of the welfare state—that is, through the contraction of indirect wages' (Barba and Pivetti 2012, 139).

[39] Some indicators like GDP supported the idea of a positive evolution of the economy; for criticism of the GDP—that does not represent the living conditions of the average American and does not include the negative externalities of the growth model—see, among others, the *Report by the Commission on the Measurement of Economic Performance and Social Progress*, www.stiglitz-sen-fitoussi.fr

[40] In 2010, then-Fed Chairman Ben Bernanke told the financial inquiry commission that among the factors triggering the crisis a special place is occupied by the Mortgage Backed Securities, which was built to intercept flows of savings from emerging countries, the raw material of securitisation (www.fed.org). It could, therefore, be argued that the premise of the crisis has been inequality also because of the fact that greater inequality helped to create a greater need for credit and this, in turn, has made it possible to intercept flows from third world countries.

[41] Today's great debate over the drop in US household savings in recent decades, in fact, started in the 1990s; in particular, see Bosworth et al. (1991), Gale and Sabelhaus (1999) and Reinsdorf (2007).

their social status is therefore a primary explanation of why individuals and families spend beyond their means. More specifically, this author takes from Veblen (Veblen 1994 [1899]) the idea that consumption is a means to gain recognition and thereby self-esteem (Varul 2006), or a way to translate material resources (borrowed, in these specific cases) into symbolic resources. In this regard, the economic models of the life cycle, the wealth effect or the supply of cheap credit, seem unsatisfactory to many economists. To explain this phenomenon, they resort most often to sociological concepts such as the influence on consumer choices of reference groups (e.g. Cynnamon and Fazzari 2013) or of the wealthy classes.[42]

To this explanation we add here two hypotheses, less explored in the relevant literature. The first hypothesis is that maintaining the standard of consumption has been very important in recent decades because consumption has replaced religion and labour (Campbell 1987), respectively, as a fundamental site of identity and engagement. The subjectivist demand of the 1970s has been channelled into the choice of consumer goods considered to be an expression of self realisation. Therefore, simultaneous to the disappearance of the symbolic importance of work on the exchange (Beck 1999), overconsumption becomes the answer to subjectivist demand by creating the possibility of recognising some differences in identity (Zakin 2012).

Much of contemporary sociological theory considers this an ideological expression (e.g. Bauman 2007; Sklair 2011) from which the production system uniquely benefits. At the heart of the struggles for recognition in the period of financial–consumerist capitalism, the conflicts over distribution that once centred on the idea of economic inequality have lost importance in favour of the conflict centred on the recognition of differences of identity (Honneth 1995, Fraser and Honneth 2003). However, the latter too has found no effective support from institutional policies, beyond rhetoric (Honneth 2010). The symbolic demand, as an expression of human desire (Magatti 2012a), was reduced to the immediate enjoyment of the act of consumption.

[42] In the latter case, the most common reference is to the well-known theories of Veblen (1994 [1899]) and Duesenberry (1959).

The enjoyment, being ephemeral, and thus different from desire, which is permanent, leads to the compulsion to consume. This is capitalism's power as a dynamic system: in each phase, it directs human desire in favour of the accumulation process.

The second hypothesis moves from the observation that if we disaggregate the consumer spending of Americans, we see that spending on life-risk protection—that is, healthcare, pensions and social security sending —comprises 5% of the total increase in spending over the last three decades. The case of pension funds, then, which in recent decades are among the most powerful institutional investors, shows that even work capital has been channelled to support financial expansion.[43] The 5% increase in spending in risk protection constitutes a share of expense equal to the better-known share in real estate.[44] After 2008, the percentage of increase in spending does not vary.[45] This trend reveals that the gradual reduction of government spending on social protection is a significant cause of the increase in spending by individuals and families, thus contributing to the increase in inequality.

The decline in wages also took place, albeit indirectly, in line with the reduction of government budgets available for spending on public services, such as schools, basic research and transport (from 12% of GDP in 1970 to less than 3% in 2011). Research shows that the real estate debt

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[43] The portion of savings from accumulated work in the portfolio of pension funds in the world, at the end of 2007, was 17.5 trillion dollars, equivalent to about a third of world GDP that year—of which nearly half is in the wallets of those in the USA (Gallino 2009, 2011). In the last two decades, in countries like USA and UK where such funds have experienced maximum development (Clark 2004), they have become the owners of about one third of listed companies(CGFS: *Institutional investors, global savings and asset allocation*, paper 27/2007, www.bis.org).

[44] The data in 'The Consumer Expenditure Survey—30 Years as a Continuous Survey' regards the changes in the relative shares of average annual expenditures in consumer spending patterns from 1984 to 2008. Out-of-pocket healthcare spending rose from 4.8% of the total in 1984 to 5.9% in 2008. The increase in healthcare spending was driven by the increase in *the health insurance subcomponent*, which rose from 1.7% to 3.3% of total spending. The share of total spending represented by pensions and social security increased from 7.3% to 10.5%. Spending on shelter (including spending on owned homes, rental units and vacation properties) rose over the period from 15.9 to 20.2%. To this is added some items are new to the ongoing survey since 1980, primarily new technology goods, accounting for 2% of total spending. The shares allocated to vehicle purchases (net outlay) and to gasoline and motor oil fluctuated over the period, while the expenditure for food and apparel and services declined over the same period (www.bls.gov).

[45] Bureau of Labor Statistics data (www.bls.gov).

of the middle class is partly due to the desire to buy homes near the most prestigious schools, in order to give children the opportunity to attend them in the face of a strong deterioration in the public education system (e.g. Warren and Warren-Tyagi 2004). And so with this we close the circle of relations between social groups, transformations of capitalism and government policies.

Sustainable-Contributory Exchange: Towards a Post-Consumeristic Society?

The crisis that began in 2008 has demonstrated the unsustainability, both on the material and on the symbolic level, of the exchange that characterised recent decades. Specifically in terms of the material plan, the model of 'loans for wages' suffered a setback at the outbreak of the financial crisis, a crisis for which that system was itself a precondition. The majority of the population, impoverished and crushed by strong inequalities, directly suffered in the crisis: domestic demand has become so low as to depress the economy.

According to many analysts, this problem is not accidental: in the near future, the consumer will not be able to power a new phase of growth in the USA due to lower household wealth, stagnant wages, the credit crunch, declining consumer confidence, the projected fall in government stimulus (Emmons 2012) and other issues. The role of the expansion's engine also cannot be delegated only to exports or to any further opening of trade functional only to the USA—which is no longer the unchallenged power of three decades ago, when it led the establishment of a global market society.[46]

The first response to the crisis by the American government has been to try to continue down the road of expansion; faced with the uselessness of the interest rate as a means to continue stimulating the economy, it now does this through unconventional monetary policies (Magatti and

[46] Think of the economic strength of formerly emerging countries now undermining the international supremacy of the USA, which itself made possible the (neoliberal) exchange within them.

Gherardi 2015).[47] And yet, although instrumental to avoid economic and social collapse, quantitative easing is not the right instrument to solve the underlying troubles of the growth model inherited from the last three decades. On the contrary, it is still widening economic inequality and worsening social deprivation, which should be considered the main bottlenecks to the resumption of growth (Stiglitz 2013). As Wolfgang Streeck recently stated, quantitative easing is simply a way to gain time. The question is: time to do what?

The interruption of expansion, first of all of financial expansion, does not necessarily coincide with a decrease; rather, the challenge is to rethink growth according to a new development model. To exit the crisis means abandoning the myth and magical thinking of the idea of an infinite creation of extra profit (Sloterdijk 2013),[48] instead developing a concept of growth as a process that, by focusing on each person (specifically on his or her capabilities) and the social context (its capital and intangibles) advances human and social development with sustainable steps. The real issue raised by the 2008 crisis—like the late 1960s—concerns the idea of growth we want to pursue. Or, more explicitly, the possibility to take a step towards a post-consumeristic society.

Even in a symbolic plan, the imagery of individualised self-realisation in production and consumption, which culturally sustains the increase of quantitative individual freedom,[49] is called into question by new social issues. These include the demands for greater equality and for contextual realisation of oneself arising in the post-crisis era (Magatti and Gherardi

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[47] The use of these new policies reveals the inadequacy of economic theories in understanding what is happening in the economy. If in the 1970s we had stagnation and inflation together, today we have ultra-expansionary monetary policies (with a money supply growth) in the absence of inflation (and even deflation in Europe). As we had in the 1970s for stagflation, we have several explanations for this paradox, but the fact remains that our tools of analysis have to be updated.

[48] 'Speaking of growth, the economic intelligentsia hardly ever thinks about economic growth to be like the care of the vegetable farming, but rather as something fundamentally anti-agricultural and unnatural. In the mouth of man economicus, the word growth implies a hoped-for extra profit, better now or tomorrow morning … in modern times to speak of growth means doubling, tripling, quadrupling. In these expressions, economics and chemistry are fuzzy. They do not think about the crop and the farm, but of a magical extra-profit obtained thanks to the particular use of the money in the form of capital' (Sloterdijk 2013, 16).

[49] The keystone is a reinterpretation of individualism so that it is compatible with the foundational importance of social ties. Inequality and social cohesion are in fact interrelated notions, just like the two levels of the exchange.

2014a). They have found expression in forms of consumption that actually help to enhance the social and environmental dimensions (e.g. Botsman and Rogers 2010; Rifkin 2013) and/or in the latent social conflict crossing advanced democracies, without a concomitant new public discourse yet. In a rudimentary as well as contradictory way, such demands express the need to take a step upwards on Maslow's scale, in which the realisation of the subject gains awareness to be linked to the sustainable contribution he or she gives to his or her own different meaningful social contexts. In Erik Erikson's terms, the 2008 crisis may be the prelude for the emergence of a post-adolescent society (Magatti and Giaccardi 2014). This transformation is evoked not just by cultural demands, but also by the digital infrastructure of contemporary life. These demands, although still fragmented and incoherent, are directed towards overcoming the individualistic model of self-realisation and consumption.

If social demands are the engine of capitalism's transformations, it is by examining these demands that it becomes possible to outline the terms of a new social exchange. Since such an exchange has not yet been systematised (we detect only its earliest traces, in theory and in practice), we can relate its features together only by abandoning the terrain of pure analysis to enter that of the 'sociological imagination', as Wright Mills put it. It is as if to say that, today, one can just glimpse a new exchange—one that is not pre-determined to come into being, because its implementation requires a clear political will to support it.

This new exchange hinges on the idea of shared or contextual value, or rather of the production of a linked economic and social value. Interestingly, it is theorised, from very different perspectives within the economic sphere, by Porter and Kramer (2011) and, from the social sphere, through the idea of contribution, by Stiegler (2010 [2009]), and social generativity by Magatti and Giaccardi (2014). Already there are entrepreneurial, political and social subjects—involved in developing the human, social and environmental resources so depleted in the neoliberal phase—who are today creating this type of value.

In the economic sphere, a revised notion of sustainability is gaining attention. This notion is conceived, in the post-crisis, as a strategy that redefines the role of business and the value it produces as jointly economic and social. Michael Porter, the prophet of the long value chain in the 1980s, is now convinced that 'in key areas, the value chain of an enterprise inevitable influences—and is influenced by—many social issues, such as the use of natural resources and water uses, health and safety, working conditions and equal treatment in the workplace … many so called externalities inflict internal costs of the firm even in the absence of a regulatory or resources taxes … the new thinking reveals that the congruence between societal progress and productivity is far greater than traditionally believed' (Porter and Kramer 2011, 71). Within the international economic and managerial literature, this shift from the production of a mere financial value to the production of shared or contextual value is most often defined as a transition from shareholder value to stakeholder value. Different analyses indicate the existence of new business models, characteristic of the post-crisis (Magatti 2012a; Mayer and Kirby 2007), which focus on resource regeneration. Also, thanks to the success of the capability approach (Sen 1999), the notions of sustainability and shared value, which initially emerged in relation to the exploitation of environmental resources, have now been extended to include the enhancement of human and social resources. All around the world, the new business orthodoxy is responding to the demand for a contextual realisation of oneself, and this reformulates the exchange between social and economic groups within the framework of a sustainable economy. Along these lines, a new model of development—one in which economic value and social value are reunited in the long term and which, therefore, includes the interests of future generations[50]—may find its own way.

From a very different perspective, convergent orientations are now observed outside the firm, at a grassroots level. According to Stiegler (2010 [2009]), the possibilities created by the web foster the emergence of 'networks of contributors' whose main ambition is to be actively part of the construction of shared meaning and value, beyond the strict distinction between producers and consumers. The cultural presupposition of this new cultural orientation is, as Stiegler suggests, the notion of 'contribution', defined as a new system of subjective and collective psychic

[50] These future generations, a subject which not surprisingly has emerged in recent years as a reference within the international economic and social literature, could be considered the fourth pole of interest in the new exchange. The vocabulary of the latter emerges in the international discourse on sustainability and development in democratic contexts.

identification: ‘The economy of contribution is the stimulation of desire through the reconstitution of systems of care founded on contemporary pharmaka and constituting a new commerce of subsistence in the service of a new existence’ (Stiegler 2010 [2009], 121). The economy of contribution can also be defined as a new relationship between the social system and the technical system, in which the first appropriates the possibilities offered by the second: it is based on the development of different forms of knowledge—that is life skills (*savoir vivre*), know-how (*savoir faire*), and theoretical knowledge (*savoir théoriser*).

The economy of contribution indicates an emerging model of co-production and co-consumption, of which the open source is the best-known example. It has three distinctive elements that hold interest for us. The first element is the central figure of the contributor—who is neither the consumer nor the taxpayer nor the donor—who embodies conscious participation in activities that create value beyond any immediate translatability into money. The relationship between businesses and consumers changes when it is conceived not only as customer relations, but also as a relationship with contributors, according to cooperative arrangements—which remain to be defined, but are fundamentally guided by the idea of care. The second element of the economy of contribution is that, by reversing the trend inaugurated by neoliberalism, it aims far beyond being only an economy of subsistence, aiming instead to be more broadly an economy of existence, in which individuals and communities may reconstruct anew their own capabilities. The third element relates to the inability to fully monetise the value produced by the contributors, a value which exceeds the merely financial. To ensure that all positive externalities are valued, it is necessary to retrieve the idea of recreational activity, understanding it as free from the market (which also can have economic effects), and to overcome the tyranny of the measurement of any social action aimed to render it calculable. ‘The externalities must be economically cultivated and valorized even though, like values, they cannot be reduced to the calculability of the economic indicators of a market economy. They require a new conception of economic value and its measurement, such that it is reducible to calculation. This culture is a libidinal as well as a commercial economy which requires new mutualization mechanisms, a new form of government power and new objects of public property' (Stiegler 2010 [2009], 51).

The contribution function is, therefore, like that of production in neoclassical economics: the way in which resources are allocated among different possible uses among various activities and participants. It combines commercial and non-commercial activity and, above all, it does not value only that which has a price. This is because it is not only concerned with the monetary conversion of demand and work, but also includes social development. On a micro level, this can, for example, be connected to the mode of action of the participants in an organisation; at the macro level, it translates as a principle of political economy oriented towards collective co-creation and social value.

For this reason, the economy of contribution allies itself with innovations that jointly enhance the capabilities of both individuals and society. In the symbolic plan, this possibility of contextual self-fulfilment is also an element of exchange between social groups and the economy, and certainly influences the tenor of industrial relations. On the economic and political level, it deals with the capabilities of people and leaves room for their own creation of value, and for those bottom-up innovations and positive externalities that new technologies make possible today. Michael Porter's shared value and Bernard Stiegler's economy of contribution have opposite cultural backgrounds and it would be misleading to try to combine them, but surprisingly they converge on some crucial points. As we have noted, a growing number of firms may be interested—under specific conditions—in moving towards a more sustainable way of doing business. At the same time, there are new cultural and technical conditions that may support a 'contributory turn' in mature democracies. Above all, the growing risk of what Larry Summers has recently called a 'secular stagnation' could urge the search for new solutions. This may call for a new equilibrium between economic, social and political interests.

In the spread of the sustainable-contributory exchange, politics must play a primary role. In a moment when the illusion of an unlimited expansion has been unmasked, politics is back in the forefront of the public arena. Indeed, the easiest solution is to recreate conditions for a new wave of financialisation. Alternatively, it might be tempting to impose the severe doctrine of austerity: to navigate the stormy seas of post-2008 globalisation an adequately equipped boat is needed. But except for a few cases—such as Germany—you cannot compress the wealth of the middle classes for years and heighten inequality just for the sake of efficiency which produces benefits only for a few.

A solution may be to build infrastructure and stabilise shared value. This means, first of all, to support people's capabilities and contributions—considering this as an investment and not as a mere cost—and to create contextual conditions which simultaneous improve both economic opportunities and citizens' wellbeing. It also means offering economic actors the opportunity to operate in challenging environments of greater dynamism and integration, where better human resources are formed and attracted and where you can count on constant investments in education, research and development as well as physical and administrative infrastructure. Also, incentivising businesses that develop diverse resources, including new public–private partnerships, can help to legitimise these firms as institutions.

Along these lines, politics can promote the flowering of places—through public investment and investments in community—and enable the production of a plural and distinctive value that grants a relationship with the rest of the world. To sustain the competitive advantage of the value of places, which allows them to enter and remain within global networks, value in open economies must not only be produced but also stabilised. This requires policy to address a binding—between the social and economic, meaning and function—that heads in the opposite direction from the purely expansive movement that characterised the financial–individualistic exchange. To produce value means to respond in a very practical way to the challenge each specific human community has to cope with in order to relate to all the others. By orienting and supporting the approach towards such a challenge, politics may actually contribute to a new kind of reconciliation between economy and society, strengthening personal freedom beyond mere consumerism, that is creating the institutional conditions suitable for significant contributions by individuals, social groups, associations and firms to the production of contextual value.

Using a metaphor, the main argument for a sustainable-contributory exchange is the growing need to raise 'human earth' within the 'sea' of the globally integrated technical and economic system. This need, fundamentally political in nature, may be implemented at different levels: by a single organisation (a goal a number of new firms all around the world aim to pursue), by a local community and/or a community of practices, by a nation. The Schmitian category of 'land' (Schmit 2006) is redefined here as a place containing value, a place not of dispersing but of depositing. It exists only where it performs a work of cultivation—the investment in its own citizens and contributors—that allows the creation and sedimentation of value. Only the cared for, loved, worked 'land' can become 'place'—human earth—that produces sustainable value and diversity, and thus competitive advantage as well as social expression.

The economy of contextual values—which a sustainable-contributory exchange relies upon—is based jointly on the principles of efficiency, as a condition of existence, and of personal and social creativity, as a condition of possibility. It considers social integration as a precondition for system integration in which the joint interest is determined by priorities that define the shared options for development. The economy of contextual value is therefore composed of plural freely chosen orders of priorities, adopted and shared by social groups (network of individuals, families, businesses, associations, communities) whose borders are both porous and dynamic. At its centre, the exchange between politics, economy and social interests takes the form of alliances—in this, the economy of contribution makes possible a new form of win-win relationship—to produce shared value. The goal is to allow territories/communities/groups to enter into relations with the surrounding world without losing internal consistency.

The shift towards a sustainable-contributory exchange—under the condition of a less unequal income distribution—can lead Western countries to a new prosperity. The sustainable-contributory exchange, in fact, is liable to reverse the process of proletarianisation that neoliberalism has produced in advanced societies. That is, in the material plan, the strong domestic economic inequalities which in 2008 equalled those of 1929 and, in the symbolic plan, the exacerbation of individualisation, the loss of skills and the assimilation to consumerist culture.[51] The new exchange

[51] The Gini index in the USA marked a value in 2008 that was similar to that recorded in 1929 (www.gini-research.org). Such inequalities, as shown in Fig. 1.4, have even expanded in the post-crisis.

inverts the logic of financialisation, which considers consumption as the only economic fuel. Such a move may be considered the first step towards the emergence of a post-consumerist society, where consumption, though remaining essential to prosperity, becomes a by-product of economic growth rather than its prime engine because it is supported and guaranteed through widespread participation in the production of shared value, in a framework that maximises not just the quality of production, but also the quality of life, not only systemic efficiency, but also social integration, social generativity and the enhancement of personal capabilities (rather than work exploitation).

The sustainable-contributory exchange may be able to intercept and rearticulate the interests of social, economic and political groups. But it requires a number of social, economic and institutional conditions which are simply not available right now. And yet, as the historical experience suggests, the loss of the equilibrium upon which capitalist societies have been organised between 1989 and 2008 calls for new solutions. The years to come will determine if advanced democracies will be able to take a step forward, by opening a season of innovation in the way of doing business,

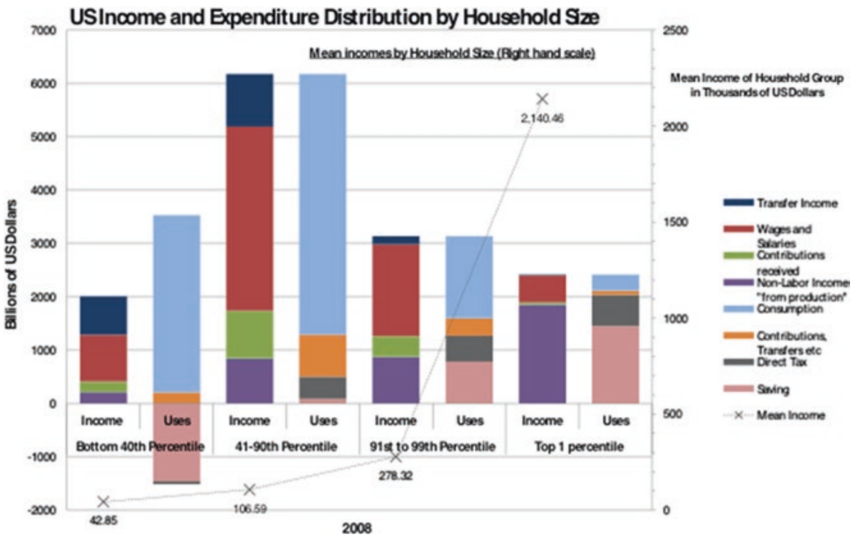

Fig. 1.5 US income and expenditure distribution by household size (*Source*: Taylor et al. [2004])

Fig. 1.6 Wage and salary as a share of GDP—grey bars indicate recessions (*Source*: Federal Reserve Bank of St Louis [2014], www.stlouisfed.org))

Fig. 1.7 Households saving rate and after tax income distribution (*Source*: NIPA and Congressional Budget Office on Barba and Pivetti [2009])

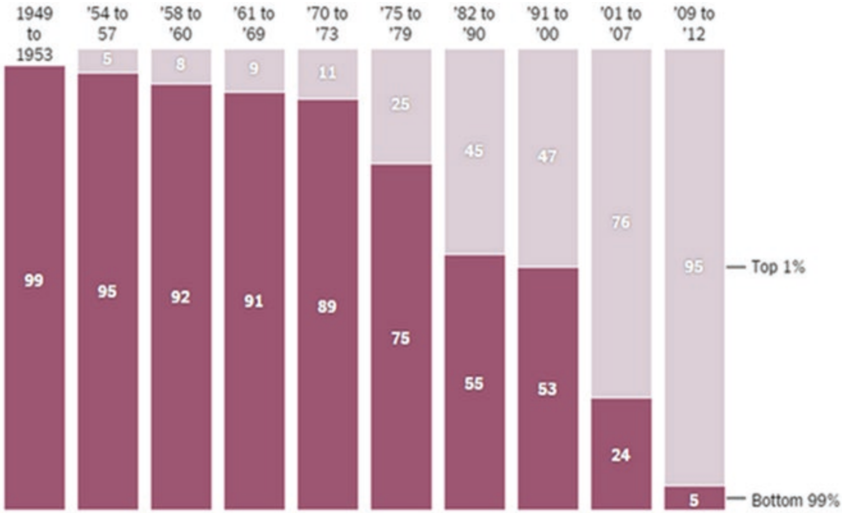

Fig. 1.8 Percentage share of income gains in USA (1949–2012) (*Source*: Pavlina R. Tcherneva calculations based on data from Thomas Piketty and Emmanuel Saez and N.B.E.R. www.pavlina-tcherneva.net)

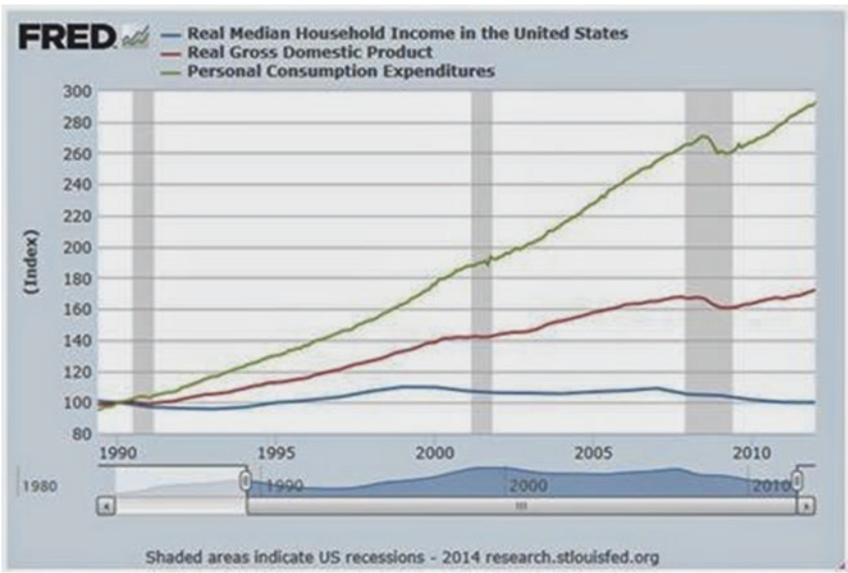

Fig. 1.9 Median household income and personal consumption expenditures (USA) (*Source*: Federal Reserve Bank of St. Louis [2014], www.stlouisfed.org)

in social and cultural attitudes and in institutional logics and architecture. If not, the next deeper crisis might force the changes we need.

Appendix

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