Twitter Thread by pete wolfendale



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I think one way of looking at the economic pathologies of our society, without using words like 'capitalism' and 'rentiership', is to talk about inequities in the distribution of risk. Some have more taste for risk than others, sure, but risk is not distributed on this basis.

In the UK, so much of our political troubles come from the growth in the landlord class, who if nothing else, wield disproportionate power relative to their social worth: at one and the same time claim to be martyrs to the risk of investment, and demand these risks be minimised.

Of course, it's possible to make claims like this: e.g., nurses have every right to claim that they shoulder not merely more risk than most, but far more risk than is strictly necessary. The pandemic has made this brutally obvious to anyone who has been paying attention.

However one chooses to tally up compensation for this social role, be it financial, social, or some other privilege, it's pretty obvious that every last 'essential worker' is shouldering more societal risk than most non-essential workers compensated far better than they.

The way this trade off gets (implicitly) articulated as 'pay vs. purpose' is one of the enduring insights of @davidgraeber's Bullshit Jobs. Yet there are many essential workers who don't even get the illusion of purpose in compensation for personal risk (e.g., warehouse staff).

By now it's a truism that humans are very, very bad at assessing risks, even and especially when we've constructed elaborate mathematical edifices to rationalise them away (cf. the subprime mortgage crisis that nearly blew up the global economy, from which we're still recovering)

Investment is all about relation between resources and risks, and however you choose to describe the current overall system for managing investments (e.g., 'neoliberal capitalism'), it should be clear that it really isn't working and hasn't worked for several decades at least.

Whether you blame public or private management, there has been a systemic under-investment in research and development and infrastructure since the 80s, as accumulated resources have been channelled into assets and ventures whose risk has been kept artificially low.

Nothing interesting can get done, because the money (which is just a way of accounting for distribution of resources by quantifying privileged access to productive output) keeps flowing downhill into deep pools that governments and financial institutions keep on digging.

Every time there is an overflow and this money floods other sectors of the economy, washing away elements of the market infrastructure that keeps the economy working (e.g., housing), the response is to dig deeper, to double down on cushioning the losses of privileged investors.

This is why (h/t @maradydd) the quantitative easing that's become de rigueur after the 2008 crash is a 'pareto-pessimal' compromise between the Keynesian and Monetarist positions that dominated mainstream economic policy for most of the 20th century.

Attempting to stimulate aggregate demand by controlling the money supply, injecting money at the top of the financial system and hoping it'll enable creation amidst the destruction is a terrible idea when that financial system is systematically skewed against creative investment.

This is precisely because what most people in the City and elsewhere think constitutes 'creative investment' are elaborate hacks that game the system within the bounds set by the current rules, rather than anything to do with reconfiguring the industrial basis of society.

Venture capital is supposed to be the exception here, and I don't wish to dismiss it out of hand, but I believe that the sort of experimentation in 'disruptive' industrial innovations it encourages are more linked to distortions of risk enacted by the financial system than not.

The temptation towards what Kant would call 'enthusiasm', or the irrational flow of feeling driving not just speculative bubbles but stupid investment trends (cf. Juicero) is baked into the game: it is *rational* to follow others' irrational assessments of industrial value.

Pseudo-entrepreneurialism trumps disciplined experimentation all over the place, from tech startups to public research funding, a process accelerated by a plague of bad metrics that function as little more than tools for post-hoc rationalisation (cf. management consultancy).

In essence, since the 70s we've experienced a rapid acceleration of the Peter Principle, a sort of Peter cascade in which people who either don't know or don't care about the shape of the relevant economic risks have been put in charge of balancing resources, risks, and rewards.

"Where's my jetpack?" is the cry of at least two generations who viscerally feel the extent to which the cushioning of economic risks has robbed them of economic rewards. And this is before we get to "Where's my polar bears?" and catastrophic negative externalities.

As I've said before, if you've ever had the alienating impulse that there is an idiot at the wheel of whichever organisation is supposed to take your (risky) labour and turn it into (rewarding) goods/services, you're probably right. There are idiots at nearly every wheel.

The evolution of speculative finance has not resulted in us better understanding risks, because it has been bound up in cultural dynamics which discourage our administrative structures from looking at the sources of these risks, i.e., the integrated technics of the real economy.

And crucially, this is not to dismiss the role of finance. Any leftists nodding along and thinking 'destroy finance, markets, and institute locally planned economies' is not getting the message. Risk cannot be eliminated, only administered, and this is risky by definition.

The same goes for any libertarians nodding along and thinking 'cryptocurrency will replace these institutions and markets will work again', because where there's an integrated economy there will emerge *politicised* financial institutions, and the crypto economy is no different.

Just as Keynesians and Monetarists have achieved a terrible synthesis, the libertarians and socialists that oppose them must achieve a more positive synthesis, integrating their critiques and talking seriously about the bootstrapping revised political economy from the bottom up.

This is already happening to some extent. There are fragments of alternative economic structures already in play, and I'm not talking about cryptocurrencies and DAOs, but quasi-markets and cooperative platforms of various kinds, enabling distributed patronage and investment.

The thing that gives me more economic hope than anything else is looking at the ongoing evolution of crowdfunding and personal business platforms. Done right, crowdfunding is anti-capital. It's direct supply/demand negotiation based on product/service rather than business model.

Product oriented investment is a thing to be coveted, because it bypasses schlerotic systems for managing speculative investment in what will improve people's lives. It's not a panacea by any means, but it's a step in the right direction. Investment by desire as much as design.

But this doesn't address bigger issues about the 'essential' labour and infrastructure upon which anything like markets for things we want rather than merely need are premised: the hard economic work that enables disciplined libidinal play. Crowdfunding healthcare doesn't count.

We need better forms of economic solidarity. Basic guarantees that vitiate charity wherever possible. The collective mitigation of those essential individual risks without which more interesting experiments in living are impossible. Here's to controlled uncertainty (destiny). ■