

Digital Revolution

New Social Challenges

By

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Foreword: A personal note

"The achievements of science outrun our capacity to manage the power they give us."

J.M. Roberts, 1993

We are told that for an objective analysis, we must be impartial, with no personal interest. Indeed, I have no commercial interest in how I present the arguments in this essay, but I am not disinterested. Indignation at injustice, at the cruelty we see in the world, at the environmental catastrophe, at the incompetence with which governments or corporations manage our resources has always driven me. To be objective, Gunnar Myrdal explained, is not to be indifferent, but to make clear to the reader one's motivations. I found it interesting that the first sentence of Tom Malleon in his book *Against Inequality* is so explicit: "Elon Musk, CEO of Tesla and the world's richest person, currently holds \$270 billion. The average American worker would need to work seven and a half million years to earn that." Every 14 minutes Musk earns what the typical American earns in 40 years of work. This is not capitalism, a system that supposedly ensured basic balances through market mechanisms, the "invisible hand," and rewarded efforts deservedly. Because in reality, the ways in which a tiny minority – we are talking about 0.01% of adults on the planet – appropriates resources while hindering development and destroying the environment are not invisible. But today they are only more complex and consequently less understood.

This book is about making visible and understandable how these mechanisms presently operate. Yes, because things have radically changed in recent decades. For those following the sequence of my research, with books like *Economic Democracy*, *The Age of Unproductive Capital*, *Beyond Capitalism*, *Rescuing the Social Function of the Economy*, or the numerous articles and technical studies, it will be clear that the goal is to explain the economic mechanisms that govern us. Because if we do not have more people understanding how these economic and political

scams (a very moderate term for what actually happens) occur, we will hardly create the strength to correct our course.

This sequence of research has gradually led me to better understand the global, systemic dimension of the changes in the recent decades, which are simultaneously environmental, economic, social, political, and cultural. Reading and discussing so many studies on the various dimensions of change, in Brazil but particularly in the international literature, I have come to the conviction that we need to bring the new trends together and understand the new system they generate. The logic of the whole has changed, a result of the digital revolution, which, in my view, is as profound as the industrial revolution more than two centuries ago. We need to move beyond analyses of how the past is being distorted, and understand the new emerging reality.

In terms of general focus, instead of listing the deformations of capitalism that we knew, adding qualifiers, the idea is to think that a new system is emerging. In the 18th century, with the manufactures, people could think that feudalism was modernizing, but it was more important to understand the new system that was being born. This is the focus of this research. And the changes are more accelerated and profound than the industrial revolution itself was, compared to the feudal era. Agriculture did not disappear, but the transforming axis became industry. Today, agriculture and industry are still important, but the keyboards and the digital control systems are in charge.

We are facing a much more perverse system than industrial capitalism, which was undoubtedly exploitative but also productive. Inequality today deepens more rapidly but with little productive basis: it is essentially extractive. And it occurs at the expense of an increasingly catastrophic environmental destruction. Worse, it generates a system of political control that destroys democracy and, therefore, our ability to reverse the process. Calling this capitalism, however exploitative capitalism may have been, gives it a veneer of legitimacy.

This is not a catalogue of our misfortunes that I present here. The social and environmental dramas that challenge us are obvious enough, as

is the chaotic behavior of the large corporations that generate them. Behind the misfortunes lies the larger problem of our impotence in facing them. At the heart of the discussion is the issue of governance, of how to ensure a decision-making process that allows us to reverse these trends. I do not hesitate to say that we are facing a civilization crisis coupled with institutional helplessness. We need to understand how the new gears work.

Ladislau Dowbor

São Paulo, August 2024

NOTE: Parts of Part III, *Rentierism as an Exploitation System*, were adapted from *The financial drain in Brazil*, 9 July, 2023, by Ladislau Dowbor, published in Meer Magazine.

Introduction

“Neoliberalism has given rise to enormous “rents”, the monopoly profits that are a major source of today’s inequalities... neoliberalism as an economic system is not sustainable.”

Joseph Stiglitz, *The Road to Freedom*, 2024¹

For a long time, we’ve been circling the pot without actually getting to the point. What happened to the capitalism we knew? As the new mechanisms no longer fit in the traditional concepts we used to analyze industrial capitalism, we add qualifiers: Robert Reich analyzes what he calls corporate capitalism, Mariana Mazzucato qualifies it as extractive capitalism, Grzegorz Konat as real capitalism, Joel Kotkin as neo-feudalism, Zygmunt Bauman as parasitic capitalism, Brett Christophers as rentier capitalism, Shoshana Zuboff as surveillance capitalism, Eric Sadin as cognitive capitalism, Jonathan Haskel and Stian Westlake as capitalism without capital – the latter being at least a strange qualifier: is capitalism without capital still capitalism? Nancy Fraser’s concept of cannibal capitalism is also interesting, devouring long-term productive capabilities, the very body of the economy, as well as Marjorie Kelly’s concept of corporate aristocracy, a class that today lives off rents, even if they call themselves investors. Thomas Piketty explained it well: financial investments yield more than investing in production, especially if we can subject productive activities to new dividend extraction mechanisms. Tom Malleon presents the set of measures necessary to tackle what he qualifies as the system of the “superrich.”

The term capitalism emerged relatively recently and gained theoretical and scientific roots with Adam Smith in 1776, and Karl Marx a century later. At the core of the concept lies the mechanism of capital accumulation. That is, it’s not about having wealth, people who are rich, with lots of goods or money; this has always existed, even in the Egypt of the Pharaohs. It’s about being part of the capital reproduction process, which increases in value through investments: it’s not about yachts and planes,

¹ Joseph Stiglitz – *The Road to Freedom: Economics and the Good Society* – Norton, New York, 2024, p. 287

which constitute personal wealth; it's about having a company, for example, producing steel, which will be sold to other companies that will produce houses and cars, providing more goods and services and generating profits that will be reinvested in more productive capacities, more capital. It's precisely the accumulation of capital, an expansive process. This expanding investment capacity is fueled by profits generated from paying workers a salary that is less than the value produced: surplus value. It's therefore exploitation, but an exploitation that transforms into more investments, more jobs, more profits, more capital, and more taxes to ensure public policies. It was a system. Unjust, but productive.

The entire process was and continues to be increasingly fueled by the scientific and technological revolution that gave us the steam engine, locomotive, railways, electricity, combustion engine, creation of new materials through chemistry, and so many innovations that exploded in the 20th century with widespread electrification, the car, airplane, television, computer, fine chemistry, biology, and the first steps in genome manipulation, and so on. This brief enumeration of scientific and technological transformations is necessary because it's the main driver of transformations: people tend to glorify the capitalist who applied scientific advances, but much less the scientists who created them, and the scientific process more generally. James Watt, Benjamin Franklin, Michael Faraday, Albert Einstein, Marie Curie, to name a few researchers, revolutionized so many aspects of our lives, in particular the planet's energy base, placing in industrial machines and in our hands a volume of energy that multiplied our muscle power by a factor of hundreds or thousands and structurally displaced the relationship between man and nature. The scientific transformation was and continues to be the main driver of economic transformations. Industrial capitalism was a passing form of its application.²

Russia left the Middle Ages in 1917 and became an industrial power in few decades; China expanded in an absolutely impressive way using

² Stiglitz sums it up: "Most of the innovation that increased living standards in recent decades rests on foundations of basic science, funded and often conducted by government. But not only is the case that markets on their own won't be insufficiently innovative, they push innovation in the wrong direction." J. Stiglitz, *The Road to Freedom*, 2004, p. 227

different forms of political and social organization. Europe was covered with railways and transportation companies, organized and managed by the state, which functioned efficiently. And capitalist industrial enterprises also undoubtedly contributed to exponentially multiplying our productive capacities. This broader view is important to remember that society is undergoing profound changes, that technologies are advancing even more rapidly today, and that maintaining the idea that our relative prosperity is due to “capitalists” and “markets” simply means freezing how we view the planetary transformations. The main vector of transformations was the scientific basis of humanity, with a transient contribution from industrial capitalists and other forms of organization.

Moreover, the most prosperous phase of capitalism was in the thirty golden years after the war, when there was an innovative balance between the public sector and the business world, within the framework of the Welfare State, which worked only in the group of richest countries, the Global North, about 15% of the world population. Today it has generated a financial aristocracy, communication giants (platforms), and global corporations intermediating commodities (traders), with their enthusiastic algorithm handlers having little to do with the traditional industrial entrepreneur. This profound change in the system fuels so many qualifiers added to “capitalism” simply because the new reality doesn’t fit into old concepts. But adding qualifiers isn’t enough: we need to consider if this is still capitalism. Or understand better how the different changes coalesce into a new format, a new mode of production.

Here we list several mechanisms of appropriation of social surplus within the framework of the evolution from industrial capitalism to digital rentierism. These mechanisms involve platform dominance over traditional companies, particularly the control of the immaterial or intangible, allowing much broader mechanisms of appropriation on a global scale, without the corresponding creation of goods and services, jobs and economic well-being. Financial intermediation systems, financial control of commercial and marketing systems, private appropriation of infrastructure, intermediation of access to natural resources, rentierism based on appropriation of rural and urban real estate, speculative use of social poli-

cies like health and education, the war to hinder access to accumulated knowledge in society with patents and copyrights – these are examples of a set of activities where above the level of effective producers of goods and services, researchers, and countries with natural resources, a class of rentiers has taken over. With high interest on money, tariffs, monopoly-prices and other rent generating unproductive activities, they form a club of the rich who hold immense economic, financial, political, and media power, essentially by controlling rights over third-party activities or assets.

A decade ago, the ETH, the Swiss Federal Institute of Technology, presented a highly significant study, the first global study of the structure of world corporate power, which I used in my book *The Age of Unproductive Capital*.³ Essentially, the research showed that globally 737 groups control 80% of the corporate world, with a core of 147 controlling 40%. The qualification of “club of the rich” is from the authors, and they justify it: at the top, they are people who know each other and have got organized in institutions like the IIF, and discreet annual global events like the Bilderberg Meetings. Yes, we do have wars to see who buys whom, but no competition to provide better services: they essentially manage ‘assets,’ that is, they constitute a superstructure of control and extraction through the digital world. The ETH study (Glattfelder et al.) is undoubtedly helpful, but today we need research on a broader level, since the common denominator of the control pyramid (A controls B, which controls C, D, E, etc.) with cross-shareholding, now extends because digital systems allow dynamics on a much larger scale.⁴

Michael Hudson is right to say that the fate of civilization is at stake.⁵ BlackRock has hands in the most diverse sectors, in health, mining,

³ L. Dowbor – *The Age of Unproductive Capital* – Cambridge Scholars, 2019 – <https://dowbor.org/2019/06/1-dowbor-the-age-of-unproductive-capital-new-architectures-of-power-cambridge-scholars-uk-2019.html>

⁴ The Swiss main research institution, ETH in Zurich, has over 30 scientific Nobel prizes. For the Brazilian structure of corporate control, using a similar methodology, see Eduardo Rodrigues Magalhães, *Quem está no comando: poder econômico entre grupos hegemônicos no Brasil – 2023* – https://dowbor.org/wp-content/uploads/2023/09/Revista-Pesquisa-e-Debate_PUC_SP.pdf

⁵ Michael Hudson – *The Destiny of Civilization* – Islet, 2022 – <https://dowbor.org/2022/09/destiny-of-civilization-finance-capitalism-industrial-capitalism-or-socialism.html>

communication worlds, operating at a planetary level. The productive infrastructure – industry with its machines, owners of means of production, wage workers – is controlled by platforms, computers, algorithms, and artificial intelligence, but the superstructure – the regulatory state and corresponding legal framework – is seeking a new institutional framework. Until a global regulatory system emerges, corporate interests, in their various dimensions as seen above, simply reign. And drain.

The global economy is in the digital age, while public institutions, political structures, the rules of the game, continue in the last century, in the analog age. Without updated instruments of influence or regulation, the world sinks into economic, social, and environmental chaos. The institutional impotence we face leads to a disastrous systemic disorganization, in a time when the science and wealth we produce could allow for a dignified life for all, without destroying the planet. Our problem is not economic, it's governance. Public management is not the problem, it's the way.

As we list the different qualifiers – rentier, extractive, cannibal, parasitic, etc. – that so many researchers found necessary to add to “capitalism,” the basic question is whether continuing to call this system capitalism is appropriate. The suggestion here is that it is scientifically more productive and theoretically more appropriate to gather the different transformations of the capitalist system and consider that we are facing a new mode of production, a new system. The basic fact is that the digital revolution has brought about changes to the capitalist system as profound as the industrial revolution brought to different rural modes of production, particularly the feudal system. In theoretical terms, it's quite coherent to consider that from a certain level of quantitative changes, the system undergoes a qualitative restructuring, which requires a broader conceptual reformulation. The classic image used is that the butterfly evolves from the caterpillar, part of the same components, but has a different nature.

The technical infrastructure has changed radically, with technologies that connect us instantly worldwide, virtual money, virtual access to

information and knowledge. Time and space now belong to another paradigm of organization. More importantly, the main factor of production has become knowledge, with AI, virtual information, technology in general. Machines can be locked in a factory, but knowledge is radically different, as it can be disseminated at no additional cost, leading to the understanding of knowledge as a commons. The dominant mechanism for extracting economic surplus, on the other hand, has shifted from exploitation through low wages but with productive activities to financial, communication, information platforms, and private data appropriation mechanisms. It consists more in extracting rent than accumulating productive capital, in what has also been called financialization, without the corresponding productive contribution.

The concept of mode of production, in this sense, becomes particularly interesting again. It allows us to take a few steps back and focus on the structural change of the system that governs us. The scheme below, although it may seem simplistic, helps rethink the present trends in a systemic way:

Feudal, capitalist, informational modes of production

Agrarian Revolution	Industrial Revolution	Digital Revolution
...1760	1760-1980	1980...
Land	Machinery	Knowledge/information
Fiefs	Factories	Platforms
Serfs/Slaves	Proletariat	Precariat
Aristocrats	Capitalists	Rentierism
Taxes/Tithe	Salaries/ surplus value	Financial/info drain
Provinces	Nations	Global
Cudgel and Inquisition	Cudgel and Liberalism	Cudgel and Neoliberalism

Ten or twelve thousand years ago, when agriculture began to generalize beyond hunting and gathering, this activity became the structuring axis of societies. Until the industrial revolution in the 18th century, the economy's foundation was the land, its control creating fiefdoms, with labor performed by serfs or slaves for the benefit of various types of aristocracy. The appropriation of social surplus occurred through various types of taxes that land workers had to pay. Territories were provinces or fiefdoms, essentially territorial divisions maintained with military force, the cudgel, and the Inquisition. In narrative terms, it was the noble's blue blood and God's will. What people manage to believe in can be amazing.

The industrial revolution made the machine the principal structuring axis of society. Agriculture did not disappear but became secondary. Where the economic power core was the feudal system with serfs, hence land ownership, now we have factories and workers. Those who appropriate social surplus are capitalists through low wages and surplus value. Workers are free to seek employment; it is liberalism. In the case of broader strikes, there is always the cudgel. Nations were formed in the expanded space, a recent phenomenon, including in Germany and Italy, not to speak of former colonies.

The concept of the digital revolution allows us to think of the current age not as a "deformation" of industrial capitalism but as a new mode of production, informational. Industry does not disappear, nor does agriculture, but the structuring axis now becomes information, knowledge, technology, finance, and the immaterial economy in general. In the scheme above, we place knowledge and information as the main basis for building the economy, platforms as the form of organization, the emergence of the precariat where workers are called upon as needed, and the primary form of appropriation of social surplus becomes rentierism, whose current formats we will see below. Great fortunes and economic and political power no longer depend on captains of industry like Henry Ford but on platform owners, the GAFAM, ABCD, SIFIs, managers of magnetic signals at the planetary level.⁶ Here too, within

⁶ GAFAM: Google, Apple, Facebook, Amazon, Microsoft; ABCD: ADM, Bunge, Cargill, Dreyfus; SIFIs: Systemically Important Financial Institutions.

the framework of neoliberalism, which justifies inequality and environmental destruction with its narratives and keeps us glued to screens, we have the cudgel in case of non-acceptance of narratives. Violence is spreading.

What we have in common in the different eras is that there are always elites ready to live off the work of others, using various economic mechanisms for the appropriation of the surplus that the population produces, but also narratives to justify the appropriation, and the cudgel for those who do not believe in the narratives. Mechanism, narrative, and cudgel. It is time for us to get civilized. Also, because knowledge, being immaterial, with the potential for multiplication without additional costs, can be the basis of a planetary collaborative society.

It is important to note that while the control of new technologies and forms of rentier organization is already in the digital age, politics and regulation, what we call democracy, still wander lost in laws from the analog age, from the times of material production dominance. Politically and institutionally, we are witnessing attempts to catch up with the profound technological transformations caused by the digital revolution: our laws and regulations are for the material economy of the past century. Finance and other platforms operate on a global scale, while regulation is basically managed at the national level, leading to catastrophic institutional vacuums, tax havens, among others, but also to the impotence of international institutions dating from Bretton Woods, from other times. Just look at the fragility of UN resolutions.

I would suggest that it would be much more productive to identify the main challenges – environment, inequality, poverty, unemployment, the main causes of human suffering and despair – and work on the indispensable institutional changes. This means that we must reconcile institutions with modernity, with the new gears and power structure of the digital revolution. It is not a matter of excessive ambition but a clear understanding of how dramatic our challenges are on a global scale. Institutional change has become vital, in the original sense of the word. Understanding that we face a new set of challenges, with the digital

revolution as the basis of a new system, will help us build solutions without carrying the burden of so many simplifications and ideological polarizations regarding what we knew as capitalism. Keyu Jin, in presenting China's governance innovations in her book *The New China Playbook*, suggests that we are beyond socialism and capitalism. Whatever the name, it is a new system.⁷

If we emphasize the importance here of changing the paradigm of analysis – from simple alterations of capitalism to the establishment of another mode of production, not the past deforming but the future emerging – it is because it is scientifically more appropriate. When manufacturing emerged in the 18th century, we could consider that feudalism was modernizing, but what was significant was what was emerging. A second important point that shifts the basis of society's analysis is that with new technologies today, we produce enough for everyone to live in a dignified and comfortable manner. The \$110 trillion in goods and services we produce today, the world's GDP, represents the equivalent of \$4,600 per month for a family of four: the challenge is not to produce more but to reorganize what we produce, for whom, and with what environmental impacts. More than economic in the sense of lack of resources, our challenge is social and political organization.⁸

The third point, the transformation of the planet's technological foundations opens perspectives for a radical reorganization of the system, from a war of all against all in the framework of profit maximization, to a collaborative process: when the main factor of production becomes knowledge, it can be shared at no additional cost. Unlike physical goods,

⁷ Keyu Jin – *The New China Playbook: beyond socialism and capitalism* – Viking, New York, 2023 – It is useful to remember that in purchasing power parity (PPP) China overtook the US economy in 2017. Stiglitz reminds us that in 2023 China GDP is almost 25% higher than the American one. (Stiglitz, 2024, p.25) For details, see the *World Economic Outlook Database April 2022*, IMF, 2022. The projected GDP by the IMF is 35trn dollars for China, and 27trn for the United States. <https://www.imf.org/en/Publications/WEO/weo-database/2022/April/weo-report?c=924,532,546,111,&s=PPPGDP,&sy=2020&ey=2027&ssm=0&scsm=1&sc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1>

⁸ Olivier de Schutter presents a set of measures in a short and very direct study – *Eradicating Poverty Beyond Growth* – UN Rapporteur, June/July 2024 – A/HRC/56/61

the knowledge I share stays with me. It is not a rival good; access can be generalized. And knowledge is the main transformative force. We have not only a vital challenge but an immense opportunity.

If the focus I present here may seem overly ambitious or even dreamy, we must take into account that humanity is indeed facing a transformative moment. Only the unconscious do not realize the catastrophe represented by the convergence of environmental disaster, explosive inequality, financial chaos, and generalized violence. It is indeed time to consider in a systemic way the new social architectures that are emerging and advancing rapidly, driven by new technologies, by the knowledge society.

Part I

A new mode of production

“Never across the entire expanse of human history has such a level inequality been seen before...In 2015, the top 0,01% had an average income of \$31.6 million, nearly 2,100 time more than a minimum-wage worker’s average income. The top 1% of Americans own 40% of the country’s wealth, whereas the bottom 40% own virtually nothing.”

Tom Malleson, *Against Inequality*, 2023, p.1

1. Social fracture: A new scale of exploitation

Not being capitalism does not mean there is no appropriation of social surplus by minorities, as there was in different modes of production. The slave system appropriated the product of others through ownership of people, the feudal mode of production through land ownership and control of serfs. It was not necessary to wait for industrial capitalism to have exploitation, with minorities appropriating social product. But while industrial capitalism generated both surplus appropriation and increased productive capacities, rentierism appropriates surplus without corresponding productive contribution. As Gar Alperovitz and Lew Daly write, what we have is “unjust deserts”.¹ The financialized system inherited from the last four decades is incomparably more unjust in economic terms and destructive in environmental terms than industrial capitalism.

At the heart of the new process is financialization. It is essential to understand the impact of money no longer being material, in the form of paper printed by governments, carried in wallets, and stored in bank

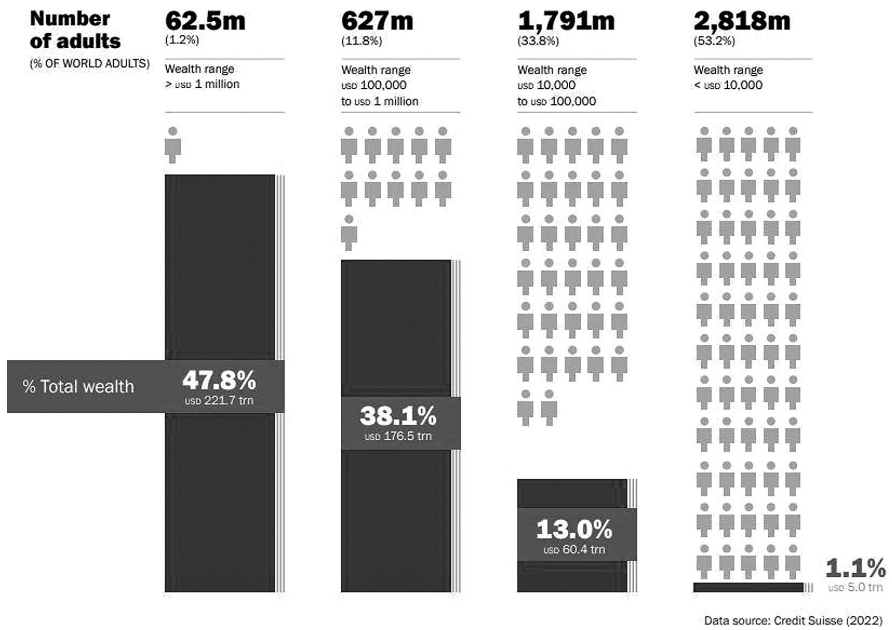
¹ Gar Alperovitz e Lew Daly – *Unjust Desert: how the rich are taking our common inheritance* – The New Press, New York, 2008 – <https://dowbor.org/2010/11/apropriacao-indebita-como-os-ricos-estao-tomando-a-nossa-heranca-comum.html>

vaults. According to *How Money Works*, 92% of global liquidity is digital: what we have in our pockets is a credit card, computers in banks manage the rest, all governed by algorithms. And because it consists only of magnetic signals, the financial space has become global, revolving within the framework of High Frequency Trading, with volumes radically disconnected from the real economy. BlackRock, an asset management firm, manages \$10 trillion, while the US federal budget is around \$6 trillion. The derivatives market reached \$630 trillion in 2022, compared to a global GDP of \$110 trillion, which also includes financial profits as if they were ‘product.’

While appropriation of surplus through low wages is quite clear in people’s minds today, leading to the legalization of unions and periodic wage fights, financial exploitation mechanisms have been well described in numerous works, including those mentioned above, yet remain a nebulous reality for almost the entire population. They do not know how much the bank takes when making a card payment, are astonished to find themselves mired in debt – needing financial education, as bankers comment – and for whom the concept of a tax haven, where today large corporations place more than 60% of their profits, evokes images of islands with coconut trees, not the State of Delaware, Wall Street, or the City of London.

A key point is that the scale of surplus appropriation by minorities has changed radically. The data below are from Crédit Suisse (now UBS), included in the UN report:²

² Unrisd – *Crises of Inequality* – 2022 – p.1 – <https://cdn.unrisd.org/assets/library/reports/2022/full-report-crises-of-inequality-2022.pdf>



Fonte: UNRISD – *Crises of Inequality* – October 2022 – p. 5

In the left column, we see that 62.5 million people, 1.2% of the adult population, hold 47.8% of the accumulated wealth, totaling \$221.7 trillion. In the next column, 627 million adults, 11.8% of the total, possess 38.1% of the wealth, amounting to \$176.5 trillion. What we might classify as the lower middle class, in the third column, with accumulated wealth between \$10,000 and \$100,000, holds 13.0% of the wealth, or \$60.4 trillion. And 2.818 billion adults, 53.2% of the total, possess merely \$5.0 trillion, which is 1.1% of the total wealth. Essentially, we can say that around two-thirds of humanity are excluded or precariously inserted into the system, comprising the 53.2% in the last column and a portion of the third. It is interesting to note that if we were to remove 2.2% of the fortune from the wealthiest group—a portion they would scarcely notice—we could double the wealth of the poorest 53.2%. For the poor, this would mean a tremendous improvement in quality of life. In terms of well-being generated, money at the base is incomparably more productive. You can use the percentage of the improvement in money terms as economic wellbeing improvement, just for comparison.

These data come from the analysis conducted by UBS on the distribution of global household wealth, estimated at \$463.6 trillion in the hands of

5.3 billion adults worldwide. The world's accumulated personal wealth amounts to about \$87,000 per adult. In a family with two adults, this would represent \$174,000. For the first time in human history, we have enough for everyone, even not considering the value of accumulated infrastructure.

But what truly interests us here is the profound structural fracture in the appropriation of society's wealth, with an unprecedented scale of exploitation within capitalism itself. Not visible in this graph is the profound gap within the richest 1.2%, as the bulk of the fortunes in this column lie in the hands of the top 0.1% and particularly the top 0.01%. The UN report presenting the table above comments that "current extreme inequalities, environmental destruction, and vulnerability to crises are not a flaw of the system but its characteristic." Today, detailed data can be found in Thomas Piketty's works, in the World Inequality Database (WID), Oxfam reports, particularly *Survival of the Richest* (2023) and *Inequality Inc.* (2024), and analyzed in numerous outraged texts like *The Triumph of Injustice* or *Against Inequality*.³

In addition to wealth—which includes the value of our homes, other properties, money in the bank (minus debts), generating what is termed net household wealth—income inequality is also accounted for. Here, too, the situation is catastrophic, with billions of people stuck in poverty. The relationship with accumulated wealth is direct, as while a billionaire, for example, investing his money to yield a modest 5% annually, increases his wealth at a rate of \$137,000 per day, the vast majority of the population—roughly two-thirds, as an approximation—can barely make ends meet each month, let alone become "investors" to accumulate wealth. They are caught in what the World Bank and other institutions call the "poverty trap."⁴

³ Oxfam – *Survival of the richest* – Jan 2023 – *Inequality Inc.* – Jan. 2024 <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/621477/bp-survival-of-the-richest-160123-en.pdf> ; Emmanuel Saez and Gabriel Zucman – *The Triumph of Injustice* – Norton, New York, 2019 ; Tom Malleson – *Against Inequality* – Oxford University Press, New York, 2023 – <https://dowbor.org/2024/06/against-inequality-the-practical-and-ethical-case-for-abolishing-the-superrich.html>

⁴ Productive investment, which generates expanded production capacity, must be distinguished from financial investment, generating dividends. In French it

Africa faces a particularly disastrous situation, but in Latin America, two-thirds of adults have accumulated negligible wealth, below \$10,000. According to the Credit Suisse Global Wealth Databook (2022), “wealth distribution in both Latin America and the Asia-Pacific region resembles the global pattern, with Latin America showing 65% and the Asia-Pacific region 63% having wealth of less than \$10,000.” (133) We are talking about two-thirds of the population living hand-to-mouth.

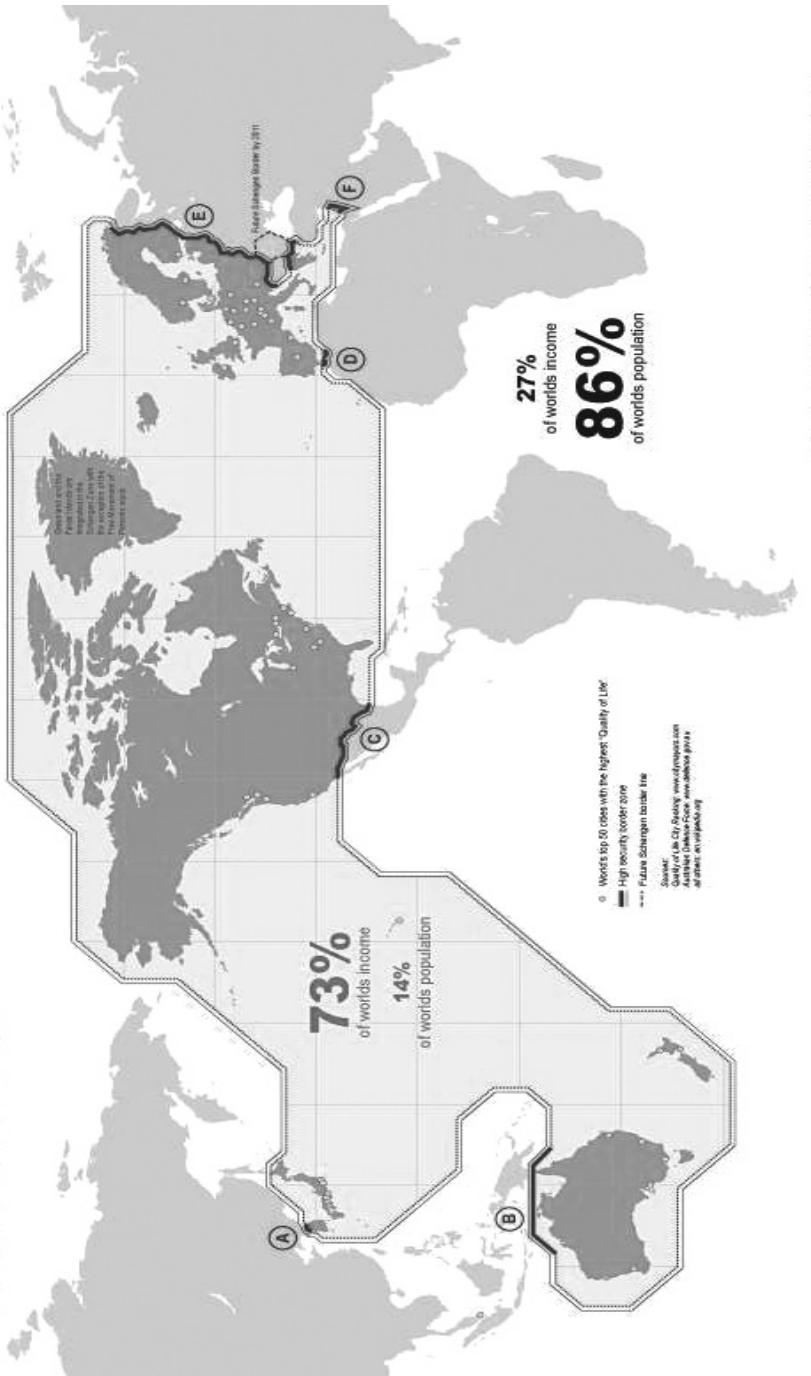
But resources are not lacking. The same report details the lifestyle and wealth sources of those with over one million dollars (HNW) and those with over fifty million (UHNW): “HNW and UHNW individuals are heavily concentrated in specific regions and countries, and tend to share similar lifestyles, participating in the same global luxury goods markets, even when residing on different continents. The wealth composition (wealth portfolios) of these individuals also tends to be similar, with a greater focus on financial assets and, in particular, holdings in publicly traded companies on international markets... UHNW individuals with wealth above \$50 million currently number 264,180 worldwide, according to our calculations. Among countries, the United States leads with 53% of UHNW adults. China is a distant second with 12% of the total UHNW members.”⁵ (118) They are few, they are very rich, concentrated in the United States, and their fortunes derive not from production but from financial investments. They do not have factories, they have portfolios, and they represent the new financial aristocracy. Hugh Grosvenor, Duke of Westminster, inherited \$11.4 billion in 2016 at the age of 25.⁶ Productive?

is clear as they distinguish *investissements* from *placements financiers*. In Brazil we use *aplicações financeiras* for finance, but the banks and speculators prefer to call themselves *investidores*. Petrobrás is a good example of the internal fight between those who seek to reinvest profits in the productive capacity, and the shareholders who pressure for the maximization of extracted dividends.

⁵ Crédit Suisse – *Global Wealth Databook 2022* – pages 118 e 133 <https://br.search.yahoo.com/search?fr=mcafee&type=E211BR0G0&p=global+wealth+databook+2022>

⁶ Tom Malleon – *Against Inequality* – Oxford University Press, 2023 – p. 86 – <https://dowbor.org/2024/06/against-inequality-the-practical-and-ethical-case-for-abolishing-the-superrich.html>

Walled World



Source: BIG THINK – Strange maps – October 12, 2019

Another scale of this structural fracture within society, on the map above, can be understood as we move from analyzing population strata to inequality between countries.⁷ As a rough estimate, developed capitalism, often referred to as the “Global North” or the “West,” comprises only 14% of the world’s population but controls 73% of the income. The rest of the world, accounting for 86% of the population, controls only 27% of the income. Without China, these numbers would be even more critical. It’s interesting that this graph portrays developed capitalism as a “gated community,” a kind of global condominium with increasingly guarded gates. Social and territorial fractures intersect and reinforce each other.⁸

The wealthy from poor countries can obtain “golden passports” in places like Malta and travel the world as “Europeans.” Capitalism, in fact, has never worked for everyone. As Ha-Joon Chang aptly puts it, those at the top have taken away the ladder.⁹ The planetary social fracture, both between and within countries, contrasts sharply with the fact that, thanks to the scientific and technological revolution, we have achieved a level of prosperity that could ensure a dignified life for everyone, without the perpetual warfare we currently endure. To reiterate and emphasize, if we divide the world’s GDP, \$110 trillion, by a population of 8 billion, we find that what we produce in goods and services today amounts to over \$4,600 per month per family of four. With a moderate reduction in inequality, we could ensure a dignified and comfortable life for all.

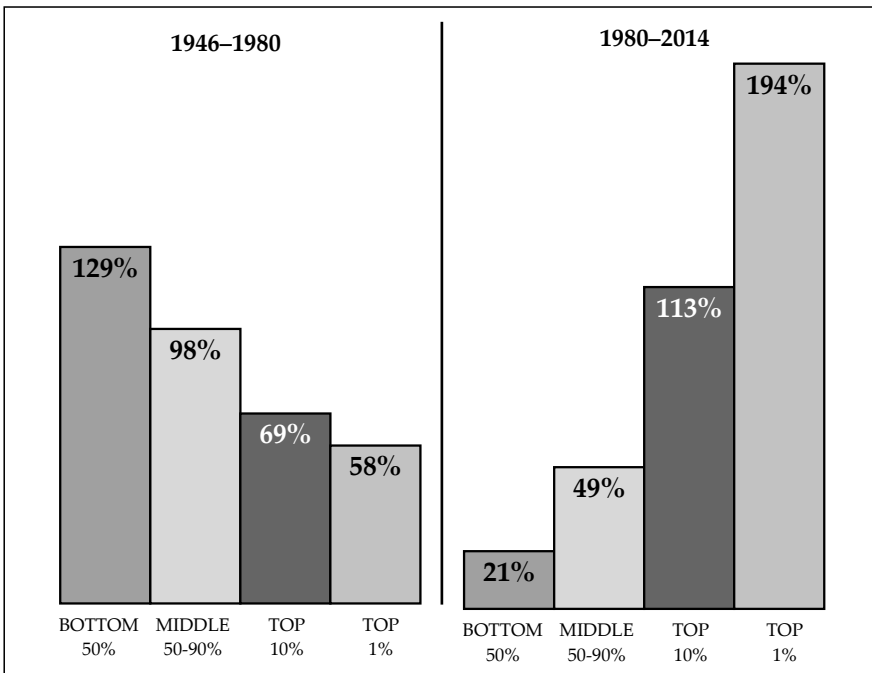
Tom Malleeson sums it up: “In purely material terms, our societies are already wealthy enough to ensure good and flourishing living conditions for everyone. In strong contrast to the long historical times when people’s deprivation was the inevitable result of scarcity, the depri-

⁷ Big Think – *‘The West’ is in fact the world’s biggest gated community* – Big Think, October 12, 2019 – https://bigthink.com/strange-maps/walled-world/?utm_medium=Social&utm_source=Facebook&fbclid=IwAR3WF9_e_YVIDAstRyyaT-wHgBs_SqwwXV3y11DbT-nwDtwAgzlpq65cy9vM#Echobox=1648785756-1

⁸ A similar map is presented by UBS, *Global Wealth Report 2023*, p. 15 – <https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html>

⁹ Ha-Joon Chang – *Kicking away the ladder* – Anthem Press, London, 2002 <https://dowbor.org/2005/04/chutando-a-escada-estrategia-de-desenvolvimento-numa-perspectiva-historica-2.html>

vation that exists today is fundamentally different because it exists side by side with abundance. Deprivation today is neither natural nor inevitable; it is manufactured, ultimately the result of political choice.” (Malleeson, p.5) It’s not a question of lacking resources but rather a question of governance, of decision-making processes. Today, it is essential to understand how the mechanisms that generate and deepen these fractures have changed. It is a structurally flawed decision process concerning the use of society’s resources.



This graph helps to understand the scale of displacement, even though it refers only to the United States. The period from 1946 to 1980 corresponds to post-war industrial capitalism, during which the income of the bottom 50% grew by 129%, while the top 1% grew less than half of that. It was a phase of productive capitalism with inclusive growth. In the post-1980 phase, the trend reverses towards financial capitalism, where inequality explodes due to the widespread rent-seeking. (Malleeson, p. 54)

Joseph Stiglitz raises doubts about the legitimacy of calling this capitalism. “I use the term ‘capitalism’ simply to mean that large parts of the economy will be in the hands of profit-oriented companies; but what

I call progressive capitalism involves not only a set of institutions, but also an important role for collective action.”¹⁰ How many institutional changes constitute another system? Stiglitz is very clear about his rejection of the current system: “We have had 40 years of the neoliberal experiment that began under Reagan and Thatcher. Its rosy promises of faster growth and higher living standards that would be broadly shared have not materialized. Growth has slowed, opportunities have diminished, and the gains from whatever growth occurred have overwhelmingly gone to those at the top. The results have arguably been worst in the United States, where heavy reliance on markets and extreme financial liberalization have been taken to extremes.” (Stiglitz, 2024, p.32)

Social fracture is becoming increasingly explosive, particularly because more people on the planet are becoming aware of its absurdity. In the poorest regions of Africa, where I worked for seven years, there is a growing sense of revolt over not being able to access a decent school for their children or a clinic for family illnesses. And even for many better off people, indignation arises when they see how large fortunes are acquired and expanded.

2. The new forms of appropriation of social surplus: Rentierism

One thing is the appropriation of surplus by the wealthiest groups in society, creating economic, political, and social inequalities that cause immense suffering at the societal base. Another thing is recognizing that this is unproductive rentierism, a drain on social wealth, no longer about the “accumulation of productive capital” as traditionally analyzed, which modern rentiers try to use as proof of their legitimacy. When there is a breakdown in the proportions between how much people contribute productively and how much they enrich themselves, the system shifts: it’s no longer capital accumulation but unproductive rentierism.¹¹

¹⁰ Joseph Stiglitz – *The Road to Freedom: economics and the good society* – W.W. Norton & Company, 2024, p. 18

¹¹ In French the difference between *revenu*, income for example from a job, and *rente*, income without productive counterpart, is clear. In English we have *income* and

Brett Christophers, in his book *Rentier Capitalism*, which focuses particularly on the UK dynamics but with a global view, categorizes unproductive forms of wealth accumulation (the main varieties of rentierism) into seven main sources:¹²

Financial: generating income from interest, dividends, and capital gains

Natural resource rents: appropriating and selling natural resource reserves

Intellectual property: generating rent from patents, royalties, trademarks

Digital platforms: commissions, marketing

Service contracts: generating fees from outsourced services

Infrastructure: privatizing state-owned enterprises, government licenses

Land: land acquisition, privatization of public lands, generating ground rent

According to the author, this “summarizes how private-sector rentiers generally come to control such assets, and the types of rent that such controls enable them to earn in each case.” (Christophers, p.xxx) The book details how each of these mechanisms allows rentiers to appropriate wealth. Importantly, these various forms of rentierism are accessible only to the minority that profits from them; the majority of the population, two-thirds of it, struggles to make ends meet each month and thus cannot enter the system that profits from money itself, monopolies, control of natural resources, and fees on various transactions—profits from intermediation, the so-called toll-booth economy. Rentiers profit

rent, with similar meanings. In Portuguese few people distinguish *investimento* and *aplicações financeiras*, and speculators, as seen, prefer to call themselves investors, *investidores*. The expression ‘financial aristocracy’ is very adequate: modern technologies serving economic parasitism of other ages. Thomas Piketty, in his *Capital in the 21st Century* brings excellent examples of the French financial aristocracy.

¹² Brett Christophers – *Rentier Capitalism* – Vero, London, 2020 – p. xxxi – <https://dowbor.org/2023/09/rentier-capitalism-who-owns-the-economy-and-who-pays-for-it.html>

not so much from the services they provide but from everyone's need to pass through their turnstiles. Many services are useful or even necessary but generate disproportionate profits relative to their contribution, such as in the case of communication oligopolies.

This phenomenon has always existed, as seen in the case of commercial middlemen exploiting small farmers, the usurer portrayed so well in Shakespeare's "Merchant of Venice," or the Robber Barons of finance and oil in the early 20th century United States. However, the shift in the planet's scientific and technological base has altered the weight and power dynamics of various sectors. At its center is clearly the digital revolution, which has boosted productivity in industrial and agricultural sectors but above all revolutionized intermediation processes: where they once "served" productive activities, for example with credit, today they serve themselves, and in the war over who extracts the most, they even weaken productive economy. Nancy Fraser's concept of Cannibal Capitalism is fitting in this sense.¹³

The corporate giants that now control the planet do not own tangible companies but rather papers—now magnetic signals—that give them rights over these companies. They are what are called absentee owners. Sweezy and Magdoff already analyzed the fracture: "The difference between owning real assets and owning a bundle of legal rights may at first seem unimportant, but emphatically, this is not the case. In reality, this is the root of the division of the economy into the productive and financial sectors."¹⁴ Papers, securities, stocks, debt instruments, derivative options, even money—now just a magnetic signal—are intangible, circulate at the speed of the internet around the planet, managed by algorithms, creating a parallel economic universe that has led many to now refer separately to the real economy and the financial economy in the broad sense. The main logic of the system is that owning "papers",

¹³ Nancy Fraser – *Cannibal Capitalism* – Verso, London, 2023

¹⁴ Paul Sweezy e Harry Magdoff – *Stagnation and the Financial Explosion* – Monthly Review Press, New York, 1987, p. 101; on the fracture between productive activities and financialization, see Marjorie Kelly, *Wealth Supremacy*, Berrett-Koehler, 2023 – <https://dowbor.org/2023/10/wealth-supremacy-how-the-extractive-economy-and-the-biased-rules-of-capitalism-drive-todays-crises.html>

that is, rights over products and real producers, allows for the generation of fortunes on a radically different scale from those resulting from the production of goods and services, which in turn is the origin of the radically worsening of inequality.

Agriculture and industry continue to exist, but the logic of their development, paralysis, or deformation follows the interests of the owners of magnetic signals. The owner of a shoe factory could exploit his workers but needed to buy machines and raw materials, create jobs, and produce good shoes, which generated comfort for buyers and public revenue for the state to finance infrastructure and social policies. Today's rentier owns "rights" that allow him to drain producers, wage earners, or anyone with a credit card in their pocket, needing to buy a gas cylinder or fill up their car tank. With the partial privatization of Petrobras in 2022, \$43 billion were transferred to national and international shareholders in dividends from a product that belongs to the earth, produced by nature over millions of years, and whose value could have been reinvested in the company or used by the government to finance development in the real economy.

Another essential factor of the fracture, beyond the financial mechanisms of exploitation, is that the rentier system does not depend on offering jobs to generate income, or only marginally, which keeps a large part of the population in poverty and insecurity, multiplying precarious labor relations through so-called "flexibilization." It's not just the replacement of workers by technology; it's the fact that financial intermediation giants don't deal with production, computers and algorithms suffice. A third important factor is that producers of consumer goods and services need mass consumption, that is, the ability of the population to purchase: this becomes secondary for various types of rentiers. Thus, a process of marginalization is generated, strongly felt in the United States, Britain, and other "Northern" countries, but particularly in the vast mass of so-called "developing" countries. The fracture is reinforced and crystallizes to some extent. The informal sector in Brazil represents 40 million people.

Knowledge, in its broad sense including our scientific and technological transformations, is part of this systemic shift. It is impressive how quickly the concept of platform, where we used to talk about companies or corporations, has taken root. At its core is the convergence of a set of activities that André Gorz qualified as “the immaterial.” Gorz clearly adopts the view that shifts in productive processes generally lead to a change in economics itself: “The broad admission of knowledge as the main productive force has prompted a shift that undermines the validity of key economic categories and indicates the need to establish another economy” (Gorz, p.9).¹⁵

Creating an economy that takes into account the generalization of the knowledge dimension as a key element of productive processes points to two basic transformations. First, technological innovation represents a cost in its creation, but its reproduction and dissemination in this information age can generally be done at zero cost. That is, whereas in the industrial era the producer had to produce large quantities to earn more money, with innovation, once a certain technology is identified, profit is made by minimizing access to generate a monopoly effect. If technology becomes widespread, profit diminishes.

By patenting “one-click,” Amazon tried to prevent thousands of companies worldwide from streamlining sales. This strips ideas of their greatest strength: their ability to fertilize the creativity of various social actors throughout the world. Monsanto’s seed was equipped with a “terminator” gene to prevent farmers from reproducing it. Unlike a material product, an immaterial improvement is indefinitely reproducible. That is, for the corporation, access must be restricted. Gorz further states:

¹⁵ André Gorz – *O Imaterial: conhecimento, valor e capital* – Ed. Anna Blume, 2005 – <https://dowbor.org/2005/11/o-imaterial.html> – Jayati Ghosh, 20 years later, makes explicit the shift in economics: “The mainstream discipline is sorely in need of greater humility, a better sense of history and recognition of unequal power, and active encouragement of diversity. Clearly, much has to change if economics is really to become relevant and useful enough to confront the major challenges of our times.”
– Jayati Ghosh, *Why and how Economics must Change* – IMF – Finance and development, March 2024 – <https://www.imf.org/en/Publications/fandd/issues/2024/03/Symposium-Why-and-how-economics-must-change-Jayati-Ghosh>