

# **Systemic Challenges in the Digital Age**

*Bringing the Social Puzzle Parts Together*

By

**Ladislau Dowbor**

# Systemic Challenges in the Digital Age: Bringing the Social Puzzle Parts Together

by Ladislau Dowbor

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# Foreword

*By allowing extreme inequality to exist in the world, we deny our  
collective humanity.*

Peter Phillips, *Titans of Capital*, 2024 (224)

*Crisis after crisis unfolds, yet we fail to understand their common  
roots.*

George Monbiot, *Neoliberalism*, 2024(1)

*Mafalda: “Manolito, isn’t it true that there are other values, not  
just money?”*

*Manolito: “Of course there are, we also have checks”.*

When facing systemic challenges, we certainly need an overall view, and I use here the concept of digital revolution. But the systemic transformation results from a number of smaller modifications in how our society works, involving economic, social, political and cultural change. According to researchers’ main interest, they present the sustainability issues, the explosive inequality dramas, the financialization process, the main technological trends, the transformation of families and the social fragmentation, the anxiety that is taking so much space in our lives, the spreading of violence, as well as so many other trends.

These transformations have in turn led to a growing and threatening political chaos, both within countries and on the global scale. This means that we are not only facing vital issues, of our survival as humanity, but losing our already so fragile capacity of intervention. The issue is not so much with the populist demagogues that

have been taking over traditional politics – there will always be plenty of them – but of the forces that have been using them and brought them to power. We are not only facing a new situation, but an accelerated process of dynamic transformation. This generates new challenges at a powerful pace, while politics and overall governance capacity are tragically lagging, stalled in the rigid profit maximizing corporate interests and the unending political wrangles.

This is particularly important, since the rhythm of change has strongly accelerated, and keeping up has been troublesome. An important trait of change is that the rhythm is deeply unequal. The information technology, AI, the communication outreach, the financial manipulation of virtual money, are changing the world, but governments and other social actors are lost in the maze of laws and regulations that belong to another world. Technology is dramatically changing our world, while the institutions and legal frameworks evolve at the slow pace of successive political generations, trying to clear up the different interwoven networks of interests stuck in the past.

For this book I have been patiently observing the different facets of the global change, piecing them together to understand the structural transformation. It may seem overly ambitious, and it certainly demanded a wide scope of reading, but the fact is that we have, in most different countries, a new generation of researchers that are less interested in supporting ideological simplifications, and are bringing a fresh view on how things are changing overall, in the recent decades.

This is not a book for economists: our challenges are much wider. I took the simple path, writing short chapters on the different trends,

publishing them as short papers in different journals, spreading them on the table, so to speak, so that the overall changes can be distinguished. As in the jigsaw puzzle, you need the fragments spread out so you can gradually distinguish how they can fit together. The result is an emerging image, and it does make sense. I would anticipate that the image is not optimistic, but it does help us have an overview of the key challenges.

As in the puzzle, according to dominant colors, you look for the main parts to which a piece may belong. This means that some issues, like environment dramas, inequality, or the erosion of democracy, as well as key technological transformations, may seem repeated, because they belong to major common trends, showing the main overall links.

I have written many books, and I can say this one was written with sentiment, whatever the dramas it shows. I am a natural optimist. A question of psychological survival, if you are a social economist as I am.



# Introduction

## How Do We Feel in This Global Mess?

*An overview of our accomplishments, as humanity, is not a surrealistic exercise. So much technological progress, but so much violence and destruction, so much suffering. And so many narratives as to who are the good and who are the bad guys. On what side are you? The only sure thing, is that I am a Corinthians Paulista fan. The rest has become a mess. To face it, we must go beyond economics, and bring the pieces together.*

*“We’ve exchanged Adam Smith’s invisible hand of the well-functioning market for the invisible fist of monopoly power.”*

Nicholas Shaxson – *The Finance Curse*

*Yet let’s be content, and the times lament,  
You see the world turn’d upside down.*

17<sup>th</sup> Century ballad

I am an economist. My main area of interest is linguistics, I speak many languages, I read the bible in Hebrew, Dostoyevsky in Russian, Dante in Italian, Jorge Amado in Brazilian Portuguese, and so on. Yes, and Keynes in English, of course. I got into economics because I felt the need to understand our mess. This was 1963, in the dramatically unequal Nordeste in Brazil. With so much suffering and misery in the face of opulent sugar cane magnates, I couldn’t help feeling the absurdity. How deep is our capacity to pretend we do not see? It is not because I studied economics that I became indignant: indignation brought me to these studies. Did

I find the answers? What I found is a mixture of justifications, in the name of free markets – you can justify anything with enough math and models – and idealistic constructions. I am still looking. Aren't we all?

I did my homework, I studied with good bankers in Switzerland, with planning specialists in socialist Poland, I assisted countries in different continents, even worked as a consultant for the UN Secretary General. I watched decolonization, the rise of the rights of women, the erosion of the apartheid in South Africa, so many hopes. And I presently grasp the dramatic statistics, the inequality, the hunger, the climate disaster, the loss of biodiversity, and all this violence. But these are not statistics for me, I am 84 and still cannot bear to see a mother with kids sleeping on a sidewalk in São Paulo, the richest city in Latin America, while busy people and cars move back and forth. What kind of animals are we? *Homo Sapiens*?

I watch the horrifying news on the Palestine/Israel calamity. Is this a question of sides? Well, every side tries to bring to the media the most horrifying thing the "other side" did, and we have a choice of babies, children, women, in a show of barbarism on both sides, an evening-news tournament. According to who owns the news, we will have more barbarism on one side or the other. And then we have the commercials, with smiling guys, beautiful lasses and the opportunities we should not miss. Don't look up. What is this all about?

Every one of us has lived his own history, and it weighs. I was born in 1941, on the Spanish border, by birth I would be a Catalan. During this war, in Europe, you did not choose your birth-place, you were born wherever it was possible. My Polish parents, an engineer and a doctor, escaped the German invasion in 1939 through

the southern border, and reached France. They were not Jews, but if they had stayed in Poland my father would have ended, as a mechanical engineer, in forced labor in German factories. But then the Germans invaded France, so my parents fled south to the Spanish border, but it was closed because of another war, the Spanish tragedy the world looked curiously upon, discussing what sides to take, in the late thirties. Thus, I was born on the Spanish border, in France, from Polish parents.

As a family, we were stuck in the Pyrenees, my parents and four kids. I remember I was probably four, when we went to the fields with my mother picking *pissenlit*, a kind of grass you could reasonably eat or make tea with. Many gangs sought survival in the overall mess, my father was caught by some armed militias, tortured, but survived. It is impressive how we produce thousands of films glorifying wars, heroic soldiers, beautiful tanks, bombs. It sells well. We have to make deep search to find a film on what it is for families to live in a war. The misery, the cold, the hunger, the permanent insecurity and anguish. *Angoisse*, in French, is a stronger word. Don't tell me about wars. We moved to Brazil because my parents, having lived through the two World Wars, had lost confidence in Europe and its high-culture barbarism. I thus am presently a Brazilian economist.

We are good at magical thinking. Will the dramas simply go away? In history, we have always let things get rotten to a point where insecurity, frustrations and greed have evolved into the powerful forms of releasing pressure: through hate, violence and war. I have just read a beautiful book, *The Crusades Seen by the Arabs*, by Amin Maalouf. Not anti-Christian, just solid research in the Middle East documents of these times, around the 13<sup>th</sup> Century. The battles, the destruction, the massacres, the rapes, the humiliations. By

god-fearing Christians, by Shiites, by Sunnites, or among themselves. The two centuries of barbarian wars were followed by the Mongolian invasions. More massacres. Burning books was not a Nazi invention, at the time it was already a sport.

Fast-forward to 2025. We just got out of the Afghanistan war, with tragical results for everybody. And the Iraq war, with the mess we presently see. And the Libyan drama. At the moment of writing, we have Ukraine, of course – Zelensky is complaining that the Palestine conflict and Syria are distracting us – but the tragic Yemen war is out of the news, they are not white Europeans dying. And we have the Sudan massacres, of course, Africa is so unstable. How curious the coups in Mali, Niger and Burkina Faso! Why don't they just respect democracy? Well, I have worked in these regions for many years. I've seen thousands die of cholera; don't we have the technologies to ensure safe water? Well, Bezos has to take a trip to space. Is he a moron? Is Zuckerberg? Larry Fink? I would rather consider them high-tech assholes. Yes, I know this is not an economic category. But do they not see what is becoming of the world?

Humans love narratives. You can justify just about anything, and humanity is impressively prone to believe just about anything. If there is a narrative we have to get rid of, it is that if you seek your own prosperity, without bothering with what happens to others, it will result in a contribution to the common good. In a way, individual greed would result in general prosperity. Well, it does not. The stark reality is that we are destroying our world for the power and riches of the happy few. You have to be a moron in Wall Street or the City to believe that 'greed is good'. It is not only a disaster for the environment that sustains us, it is a disaster for humanity, and thus for democracy. Billions of frustrated people around

the world will believe whoever rides on their frustration and their hate. To repeat, the world is not short of demagogues.

How can we believe in the “externality” narrative? You hear it or read it on every corner. Yes, we produce arms, but it is for peoples’ safety, and we don’t pull the trigger. We just produce arms, and respond to legitimate demand. The world is drowning in abuse debt? Well, those who run into debt should be more responsible. Shaxson goes straight to the point: “We need finance, but the measure of its contribution to our economy isn’t whether it creates billionaires and big profits, but whether it provides useful services to us at a reasonable cost.”<sup>1</sup>(p.12) But we are facing financial behemoths, and they fund whatever will make more money for them, whatever the social or environmental dramas. They are secure, too big to fail. Supported by our taxes when necessary. In few years, the externalities will be internal for everybody. Plastic particles, in fact, already are.

Marjorie Kelly, as so many economists nowadays, separates the financial sector (*financial-sector GDP*) from the growth of the rest of the economy (*real-sector GDP*), “which is the real economy of jobs and spending on goods and services. When we separate these two, we see that about one-third of the GDP is being extracted out by finance. And that extraction is vastly larger than in the past.”<sup>2</sup>(p.147) I calculated the corresponding numbers for Brazil, and came roughly to the same figure: over 30% of GDP drained by unproductive financial rentierism.<sup>3</sup> This was supposed to be a

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<sup>1</sup> Nicholas Shaxson – *The Finance Curse: how global finance is making us all poorer* – Grove Press, New York, 2019

<sup>2</sup> Marjorie Kelly – *Wealth Supremacy: how the extractive economy and the biased rules of capitalism drive today’s crises* – Berrett-Koehler Publishers, Oakland, 2023

<sup>3</sup> L. Dowbor – *The Financial Drain in Brazil* – 2023 - <https://dowbor.org>.

world of capitalists striving to make money by serving us better. Oxfam presents the real picture: “On current terms, low- and lower-middle income countries will be forced to pay nearly half a billion dollars every day in interest and debt repayments between now and 2029. Entire countries are facing bankruptcy, with the poorest countries now spending four times more repaying debts to rich creditors than on healthcare.”<sup>4</sup> That’s more than half of the world’s poorest countries, 2.4 billion people.

In case we are slow at gobbling the narratives, we can be helped by think tanks, presently a huge opinion-building network. Shaxson brings us “the most influential ideological organization”, the Atlas Economic Research Foundation, as well as “the Wall Street-funded Templeton Foundation, the networks of the hedge fund tycoon Robert Mercer (a supporter of Steve Bannon and *Breitbart News*), and what some call the “Kochtopus” – the tentacular nexus of political and financial links funded by the billionaire brothers Charles and David Koch. Atlas’s membership includes the American Enterprise Institute, the similarly influential American Legislative Exchange Council (ALEC), the Cato Institute, the Freedom Foundation, the Heritage Foundation, and, at the time of writing, over 180 more. And those are just the funding networks in the United States: Atlas Network has littered the world with 475 partner institutions – and rising.” (p.127)

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[org/2023/07/the-financial-drain-in-brazil.html](https://dowbor.org/2023/07/the-financial-drain-in-brazil.html) - For a reversal of this disastrous trend, see L. Dowbor – *Rescuing the Social Function of the Economy* – Cambridge Scholars, UK, 2023 - <https://dowbor.org/2022/09/rescuing-the-social-function-of-the-economy-a-question-of-human-dignity.html>

<sup>4</sup> Oxfam – *World’s poorest countries to slash public spending by more than 220 billion* – Oxfam, October 9, 2023 - <https://www.oxfam.org/en/press-releases/worlds-poorest-countries-slash-public-spending-more-220-billion-face-crushing-debt>

The system has become dysfunctional. The dominating interests are presently global, whether finance, communication, information, commodity trade, military corporations, or the private information trade. But we have no global regulation capacity, except for the weakened international institutions inherited from the II World War, 80 years ago. We still have authorities checking our luggage in international airports, while the real economic flows are just virtual entries in computers. And so much rogue finance, so many tax havens, booming illegal (and legal) arms sales, so many oligarchs navigating in the global institutional and legal mess.

Yes, we know what should be done, we have it in the SDGs, the ESGs, the Global Green New Deal, the Global compact, you name it. But we are helpless, observing the world drifting down to the rapids and nearing the waterfalls. Just as a reminder, the technologies we master and the financial resources we squander are more than sufficient to ensure we have enough for everyone, without destroying our future. Greed is for morons. And watching how we are drifting down this slow-motion catastrophe is sickening.

## What is This All About?

*Individual success has no meaning if it does not contribute to social well-being.*

Everyone should be allowed a bit of philosophy, even if nowadays you are supposed to have a corresponding degree. But we are all intimate philosophers. A question of survival. At a certain age, you cannot avoid questioning yourself: what is this all about? Where are we all running to? Win Wenders had this moment of lucidity: "Humanity is craving for meaning".

We have all been sold the idea we should run. Get ahead of the others, this is the general purpose. But ahead of the others towards what? Crossing a hurried professor in the corridor in my university, I could not refrain from questioning him: where are we running to? He smiled. And he shrugged: who the hell knows? We just run. Run, man, run! A film I watched in 1962, *The Loneliness of the Long-Distance Runner*, is so present to me after more than fifty years. The hero of the film decides that getting ahead of everyone is just not his business: he quits the race, and calmly walks away into the fields, leaving the fans howling.

Well, if you run faster, you will leave others behind, you are ahead, you are a success. You will have a crown of laurels, a mausoleum, or they will build a huge obelisk in your honor, on the Place de la Concorde, or in any place you can build a huge monument sticking out, higher than others. In Rio de Janeiro we also have an obelisk



in the central part of the city. Whoever remembers in the honor of whom? The important thing is that it sticks out.

A few decades ago, with HIV everywhere, we were battling for an authorization to recommend preservatives, over the shocked protests of religious do-gooders. The environment secretary, Carlos Minc, had this wonderful idea: he had the carnival guys sew a huge condom, and in broad daylight had a rented helicopter place it on the monument, slowly involving the glorious erection. No TV could resist it, and the mood changed in Brazil, nobody thought discussing contraception was off limits anymore. How quickly can social mood change! What a powerful constructive sense of humor! Well, De Gaulle was right, as he visited Brazil in the 1960s: *Ce n'est pas un pays sérieux*, Brazil is not a serious country. And how fast we got back to dark ages in the US!

Frans de Waal, in his keen studies on *Our Inner Ape*, comments on a short notice in an American newspaper, that a woman was arrested for breast-feeding a baby in a supermarket. How can Americans be so shocked at the sight of a breast, asks de Waal, when you can see them in pairs on any beach in Europe? Well, Americans consider owning killing weapons natural, even stimulating, but the sight of a breast would be a social disruption. It is all about norms, often ridiculous or amusing, but we should rather be concerned with human rights.

Norms can change, social moods can change, even if they seem so rigid and even eternal in our short-termed life-span. Slavery was still seen as natural just a few generations ago, as well as colonialism in my father's times and even in my youth, apartheid in South-Africa was yesterday, and in Palestine it is ongoing. We did manage to move ahead on some of these issues, but we should consider

the new challenges, which involve another deep cultural change, a civilized and solidary approach to how we organize as a society.

We know all about our global deadly trends, they fit in a paragraph. We are destroying life on this planet, even though we have all the necessary technology to reverse the trend. We are maintaining more than half the world population in poverty and in humiliating conditions, even though what we produce world-wide, the equivalent to US\$ 5,000 dollars in goods and services per month per four-member family, could ensure a dignified life for everyone, with a very moderate reduction of inequality. In 2024 we have 150.2 million under-five kids stunted, 42.8 million suffering from wasting. We know where they are, we have the food. We will come back to all this.<sup>1</sup>

The financial resources needed to fix both the environment and the inequality dramas are running free in speculative investments, even though we know quite well what productive investment should be. We have the money, we have the technology, we have detailed statistics on every drama in every corner of the earth, we even have step-by-step instructions in the 17 SDGs for 2030. Yet we just look and shake our heads. Our problems are not economic, they are a question of social and political organization. It is a question of cultural change. We feel institutionally helpless. It is amazing that we should be called *homo sapiens*.

Peter Drucker had a deep understanding of the challenge when he wrote that “there will be no healthy business in a sick society”. We can bring this insight into our daily lives: there will be no thriving life on a sick planet. How long will the *homo sapiens* we have within

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<sup>1</sup> UNICEF, WHO, World Bank, *Joint Malnutrition Estimates 2025* - <https://data.unicef.org/resources/jme/>

us repeat in awe that *The Business of Business is Business*, because it seems so deeply simple? Its author earned a Nobel in Economics, a Nobel which by the way is not a Nobel Fund prize, but a prize of the Bank of Sweden. The success of the author was essentially due to the fact that he brought academic luster to what the corporations wanted: grabbing anything at whatever cost became legitimate. We have all seen those adult human beings happily jumping up and down and chanting *Greed is Good* at the closing of the day in Wall Street. We have to build a new normal.

We have been feeding ourselves, and certainly been fed, a cultural simplification: you have to rush ahead to have success. And success is measured in how much money you earn. The money you have is individual wealth, not a wealthy community you could contribute to, or a healthy planet you could restore. I have on my desk the Brazilian edition of Forbes magazine, presenting 240 billionaires we have in the country in 2023. The ones chosen for the cover-picture are smiling: it is such a success for a billionaire to be on the cover of Forbes.

Having success through wealth accumulation usually meant you earned it. The connotation of “earned” is that you deserved it. In an inspiring book Gar Alperovitz and Lew Daly called the modern accumulation of wealth *Unjust Deserts*. They show that what progress we have had resulted basically from technological progress, which itself is a result of social constructions, from electricity to electronics to DNA, modern biology and the internet. Mazzucato brought more muscle to this understanding, in her *The Entrepreneurial State*.

Joseph Stiglitz shows that presently this billionaires’ wealth is essentially built on *rent* generated by speculative activities, debt

and monopolistic organization, rather than profit resulting from productive contribution to society. Marjorie Kelly and Ted Howard call it *extractive capitalism*, conclusively showing that the extracted wealth is way ahead of the productive progress, generating a net extraction result. Thomas Piketty buried what remained of the appearance of capitalism legitimacy, in his style, under heaps of pages, but also very solid reasoning: productive contribution to society and wealth accumulation have become separate wheels. And separate wheels in the economic vehicle do not work. It is not only illegitimate; it simply is not working. World GDP grows at an average pace of 2% to 2.5% a year, yet financial speculation yields around 7% to 9% in the last decades, and frequently much more. Visa shows a profit rate of over 50%. Money has obviously been going to where it pays more.

A key to the new trends lays in the understanding of the main transformation of how economic and social progress works. Nowadays the main productive input, or factor of production as we used to call it, is knowledge and technology incorporated into the production process. Agriculture and land control were the main factors of production centuries ago, then the machine and factory ownership took over, while nowadays the immaterial input, knowledge, has become the driving engine in banks and platforms. The great difference is that if a person has an innovative idea, it could be spread around the world with no additional costs. And money could certainly be honestly spread around.

If you produce a bicycle, producing it for more people involves additional costs. Not the idea. Once you covered the costs of generating it, it is much more productive for society to let it flow, than to multiply patents and generate artificial scarcity. In times of the pandemic, millions died while Big Pharma sat on its prehistori-

cal 20-year patents. Innovation should certainly be rewarded, but in due proportion of inputs, and in respect for the fact that freely accessible knowledge can have an enormous multiplying effect. Hoarding access to ideas results in fortunes for the few, while collaboration generates overall progress. Tim Berners-Lee did not patent the World-Wide-Web, he did not make a fortune individually, but allowed for billions to improve their productivity. We need social and environmental intelligence, not just the capacity to outsmart others.

You can look at it another way. We have a great number of research and studies on human happiness. You might think having money is a good measure: it is not. Or rather, if you are very poor, having a few hundred bucks more adds a lot to your self-feeling of happiness and material comfort. But after you reach a very modest threshold, the money factor continues as an illusion, but the feeling of happiness stagnates: social and cultural enrichment, family relationship, good friends, a variety of aims and accomplishments tend to take over. Put a million more into the hands of a millionaire, it may raise his obelisk, but not make him happier. But the few bucks placed at the bottom of the pyramid generate not only much more happiness, but drastically reduce suffering. The same resources we already have, but better distributed, would raise their social productivity. Making a less unequal planet is not only a question of justice, it is also a question of social and economic intelligence. Money at the bottom generates more demand and a multiplying effect, rather than flows to tax havens.

So, what is this all about? Making a few more and higher obelisks, or generating overall sustainability and well-being? Fighting rivals, breaking competitors down, could eventually make some sense when you competed to produce more and better goods and

services for society. In the age of the digital revolution, when collaboration is much more productive than competition, what remains is the obsession with individual success, showing off more money, sending yourself to space. “S’envoyer en l’air”, the French would call it, with a wiser aim with better results.

The basic lesson is simple: whatever your individual success, if it does not go hand in hand with the success or welfare of society as a whole, as well as with the process of restoring the planet, you are just an opportunist. A successful one, quite possibly, but still an opportunist. The important thing is not to run faster, but to understand where we are going. Not just being smart in term of the means you use, but intelligent in terms of the systemic outcome.

Obelisks? Well, I do have some creative ideas of what these people could do with them.

## Science, Faith and Ethics: A Political Mess

*It is becoming difficult to know whether we are listening to a professor, a preacher or a politician. Our knowledge, beliefs and values get mixed up while governments and corporations surf on very real interests. Instead of a pact for progress, we get narratives, prayers and stern advice, between commercials. How come we believe this junk?*

*"The human race is always all ears for a fairy tale"*

Lucretius, *De rerum natura*, 50 AC, (590)

*"Insistence on a rooted notion regardless of contrary evidence is the source of the self-deception that characterizes folly"*

Barbara Tuchman, *The March of Folly*, (224)

The scientific part is not complicated. We are firmly progressing in what has been called a slow-motion catastrophe. The destruction of this solitary earth, our own habitat, through climate change, biodiversity drastic reduction, soil sterilization, water and air pollution, chemical contamination, deforestation and so many surrealistic dramas such as plastics in the seas, in rivers and in our blood. We have all the numbers, statistics, causality chains, we know what and who is/are responsible. And we have all the information on the social catastrophe, 750 million going hungry, of which some 180 million are children, as well 2.3 billion in food insecurity, and even more with difficult access to safe water. Some 2 billion have

no access to electricity, not to speak of digital inclusion. We are destroying our vital environment, for the profit of the few. Where has our rationality gone? Markets?

We can shrug it off: poverty has always existed. And pretend we do not know: the plastic in the seas is not always visible, the Amazon is burning but far away, and 2050 seems so distant. Omelet and broken eggs and so forth. But the fact is that all this drama is simply not inevitable, and the suffering not necessary. We have all the obvious measures lined out in the 2030 Agenda, 17 goals 169 objectives. And we have all the technology we need, including the basic income system well experimented in Brazil and other countries. And of course, we have the financial means. I cannot cease repeating that the 115 trillion-dollar world GDP we are reaching this year means that what we produce in goods and services is equivalent to 5000 dollars per month per four-member family.

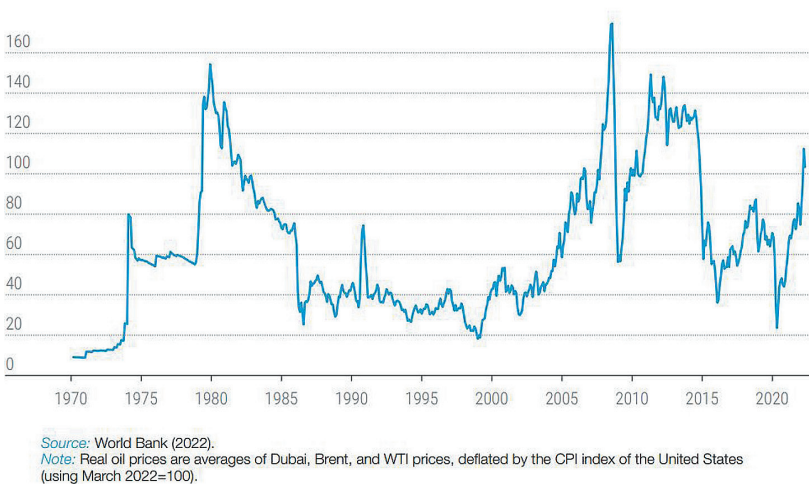
What we presently produce is amply sufficient to ensure everyone has access to basic family needs, comfort and dignity. Of course, we can refer to net national income instead of gross domestic product, or add accumulated capital, but that does not change the basic fact: we are destroying our environment, and generating huge suffering of billions, preparing a bigger catastrophe still for our children, while we have all the necessary means to revert the dramas. Our problems are not economic, in the sense of lack of resources: they are political and social organization issues. Structural stupidity, David Graeber calls it.

A simple example helps us get back to earth. The world is facing inflation, and governments, with strong support of financial interests, are raising the basic interest rates, as if economies were overheating, too dynamic. But take energy. Oil production and



consumption in the world has been around 90 million barrels a day during the last decades, remarkably stable. But its prices have presented a yo-yo behavior. This is attributed to “markets”, but the fact is that the extraction costs, volume of supply and final use have not changed significantly. We did not have to wait for the Ukraine conflict for speculation on oil:<sup>2</sup>

**Figure 1.2** Real oil price, January 1970–April 2022 (adjusted dollars per barrel)



## Figure 1

The obvious reason is that these are not “market prices”, which would reflect supply and demand variations, but political decisions. We are facing market makers, not free markets. Oil is a natural resource, it is extracted, not produced. And it belongs to countries, or humanity, not to corporations. But corporate extractors and traders decide on the prices. It is not an issue of costs, but of power to raise profits. At the end of 2022 “profits at the world’s biggest oil companies have soared to nearly £150bn so far this year

<sup>2</sup> UNCTAD – *Trade and Development Report 2022* - p. 13 - [https://unctad.org/system/files/official-document/tdr2022\\_en.pdf](https://unctad.org/system/files/official-document/tdr2022_en.pdf)

as Russia's war on Ukraine pushed up energy prices, according to estimates from analysts. Britain's Shell and France's TotalEnergies on Thursday reported profits for the first nine months of 2022 of \$59bn (£51bn). US rivals Chevron and ExxonMobil are expected to report year-to-date earnings approaching \$70bn on Friday, while 2022 profits at Britain's BP could break the \$20bn mark on Tuesday. The cumulative takings for the seven biggest private sector oil drillers during the first nine months of 2022 could hit \$173bn (£150bn), according to analyst forecasts collated by S&P Global Market Intelligence and reported earnings."<sup>3</sup> Oil profits at Exxon tripled in 12 months.<sup>4</sup>

As energy use permeates all economic sectors, prices rise throughout the economy. Many governments are subsidizing final users, instead of reducing profits through taxes on windfall profits. The higher prices paid by the population feed these higher profits. Prices do not "go up", they are raised at the origin, with whatever pretext. Inflation is a transfer of money to Big Oil, and to big traders, and leaking to various sectors. Must we give up the control of natural resources by private speculators? The former Bolsonaro government in Brazil privatized in great part the state-owned Petrobrás, in the name of "fighting corruption" - a polyvalent political narrative - almost doubling prices for a gas canister and at gas stations. It was a political decision, and the money households have to pay is transferred to private corporations in the form of dividends. Is there any scientific justification for giant

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<sup>3</sup> The Guardian, October 27, 2022 - <https://www.theguardian.com/business/2022/oct/27/profits-at-worlds-seven-biggest-oil-firms-soar-to-almost-150bn-this-year-windfall-tax>

<sup>4</sup> Sharon Zhang - Truthout, October 28, 2022 - <https://truthout.org/articles/this-is-what-price-gouging-looks-like-exxon-profits-break-all-time-record/?eType=EmailBlastContent&eId=0c9d419c-ca2c-44a4-a9f1-780ebe87c591>

profits from a natural resource? Attributing the chaos to inevitable market mechanisms belongs to what Michael Hudson has called “*Junk Economics*”.

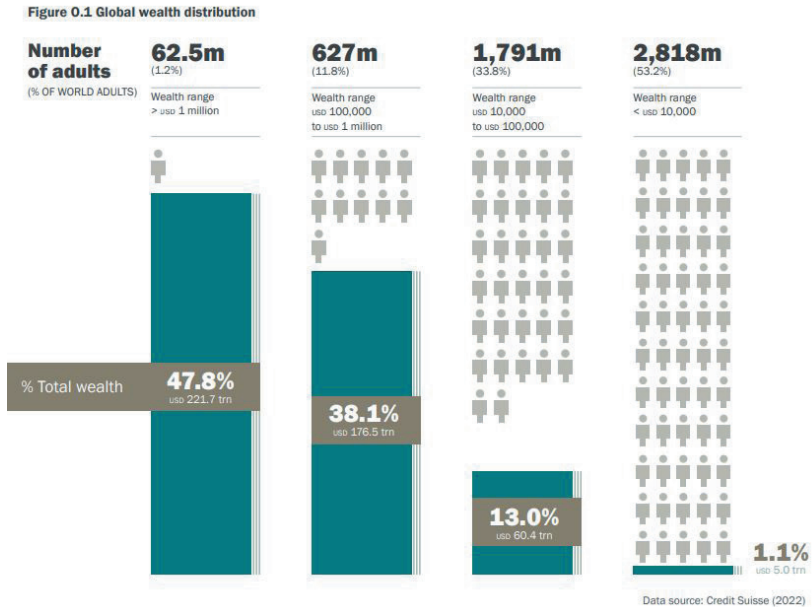
These are political choices. The Economist laments that “every year \$2.6tn worth of food is wasted – enough to end hunger four times over.”<sup>5</sup> Four traders, ADM, Bunge, Cargill and Dreyfus, control 80% of the trade of grain. Markets? Are they competing to better satisfy clients? Brazilian food production is in their hands, we produced 4 kilos of grain alone per capita in the last harvests, but in 2022 had 33 million going hungry and 125 million under-nourished.<sup>6</sup> The government of India simply blocked exports of wheat and rice, to ensure more food supply to the population. A political decision that feeds the population and keeps prices down. The elephant in the room, when considering the environmental disaster and explosive poverty, is that corporate and social interest have broken up, generating an unsustainable situation. Free markets?

The UNRISD (United Nations Research Institute for Social Development) 2022 Report, *Crises of Inequality: shifting power for a new eco-social contract*, presents the Crédit Suisse figures on wealth concentration, a direct result of the overall income and wealth drain by corporate giants:

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<sup>5</sup> The Economist, October 27, 2022

<sup>6</sup> Tereza Campello e Ana Paula Bortoletto (Orgs.) – *Da Fome à Fome* – Ed. Elefante, São Paulo, 2022



**Figure 2**

To make the figures plain, the 1.2% of richest adults in the world have 47.8% of total wealth, \$221.7tn. At the bottom of the pyramid, the more than half of humanity, 53.2%, have only \$5tn, 1.1% of total wealth. To double the wealth of the poorer half of the population, it would suffice to transfer 2.2% from the wealthiest, which they would hardly notice. The numbers are explosive, and getting rapidly worse. The ‘free market’ has become a giant drain for an unproductive elite, generating a universal drama. The UNRISD Report states the obvious: “Today’s extreme inequalities, environmental destruction and vulnerability to crisis are not a flaw in the system, but a feature of it. Only large-scale systemic change can resolve this dire situation.”<sup>7</sup>

<sup>7</sup> UNRISD – *Crises of Inequality: shifting power for a new eco-social contract* – Geneva, 2022 - <https://cdn.unrisd.org/assets/library/reports/preview-unrisd->

As the Report states, “our world is in a state of fracture”. The science is there, we know what is happening, and yet the ‘facts’ basically remain buried in technical reports, and the population is insufficiently informed. But it is not only a question of information. In the recent presidential election in Brazil (end of 2022), which Lula won by 1.8%, roughly half the population not only accepted but fought (and keeps fighting) for arguments such as that Lula is a communist, that his government wants to bring children to homosexuality, that the world wants to take over “our” Amazon forest, and so many completely absurd arguments, meekly accepted by intelligent people, technicians with university degrees, normal people, not just gun-toting extremists. In the political debates, we did not discuss what is necessary to preserve the environment, generate jobs, reduce inequality, expand schooling: basically, the issue was around “Deus, Pátria, Família”. The guts, not the brains.

With the priority of moral judgment and religious arguments, screeching nationalism, gun-toting in the name of Jesus, and the national flag spread on so many shoulders, we are facing people with hate in their eyes, a set of attitudes so well presented by Jonathan Haidt in his *The Righteous Mind*. With what ease people are taken over by fanaticism, becoming unreachable by common-sense arguments, rationality and science. This is not particularly Brazilian, of course, and stimulating the irrational reactions that are so powerful in all of us has become a major political tool. The same Dio, Patria, Famiglia resonated in the election of Meloni in Italy, Erdogan in Turkey, Kaczynski in Poland, Orban in Hungary, Le Pen in France, Duterte in the Philippines, Netanyahu in Israel, Kristersson in Sweden, not to speak of the sickening discourse of Donald Trump or the absurdities of Brexit, as well as so many local

politicians' discourse. We must bring much more effort into rationally understanding our irrational dimensions.

Mark Twain was very taken by these issues, as he saw society "having wars all the time, and raising armies and building navies, and striving after the approval of God every way they could. And wherever there was a savage country that needed civilizing, they went there and took it, and divided it up among the several enlightened monarchs, and civilized it – each monarch in his own way, but generally with Bibles and bullets and taxes. And the way they did whoop-up Morals, and Patriotism, and Religion, and the Brotherhood of Man was noble to see." (182)<sup>8</sup> This is powerful, and it is essential we separate religious feeling, spirituality, that we find in so many civilizations, from its political use in different structures of power, using divinities to justify anything, a trend becoming so generalized with the social media, algorithms and industrial-scale manipulation, spurred by technologies and AI maximizing algorithms. Intelligence?

"Reason can take you anywhere you want to go", writes Haidt. (122)<sup>9</sup> He qualifies the deformed use of rationality as *confirmatory thinking*, *motivated reasoning*, or the *partisan brain*. (81, 88) Barbara Tuchman, in trying to understand *The March of Folly*, refers to *self-hypnosis*, as well as to *self-righteousness*. (269, 271) "Psychologists call the process of screening out discordant information 'cognitive dissonance,' an academic disguise for 'Don't confuse me with the facts'." (322)<sup>10</sup> But what is particularly shocking is

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<sup>8</sup> Mark Twain – *The bible According to Mark Twain* – Touchstone, 1995

<sup>9</sup> Jonathan Haidt – *The Righteous Mind: why good people are divided by politics and religion* – Pantheon Books, New York, 2012

<sup>10</sup> Barbara Tuchman – *The March of Folly: from Troy to Vietnam* – Random House, New York, 2014