

Towards a Theory of Sustainable Development:
Drawing on Insights from Developments in Modern Legal Theory

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Abstract

This presentation is divided into two parts. The first part is meant to contribute to the development of a global theory of sustainable development. The second part of this paper deals with a specific problem of global importance, the rise of radical inequality. The paper explores the implications of the rise of radical inequality as a critical factor that expropriates human capital and diminishes the full potentials of evolving social capital central to the challenges of sustainable development. Here the article draws attention to the implications of radical inequality and the emergence of plutocratic political culture.

The article seeks to place a theory of sustainable development in the context of an earlier contribution made by the authors in seeking to develop a comprehensive global, decision-focused theory of political economy. These views are inspired by work within the World Academy of Art & Science in seeking to develop a new paradigm of global public order, sensitive to the promotion and defense of the most comprehensive framework of values necessary for the future of human well being. Here the paper presents the crucial concepts developed by the Academy for the new paradigm and essential to a paradigm of sustainable development. The article then borrows from advanced legal theory (pioneered by former President of the Academy, Harold Lasswell, and Fellows, Myres McDougal and Michael Reisman), to facilitate the development of a defensible theory of sustainable development. The article seeks to clarify the appropriate focus of inquiry and the intellectual tools necessary for solving the problems of sustainable development. The article then proceeds to examine the problems of deploying comprehensive value institutional analysis for the development of a theory of sustainable development that is capable of embracing all the fundamental values identified with the fundamentals of human rights. The last part of the article as earlier indicated deals with a specific problem of radical inequality and how radical inequality undermines the realization of policies and practices of sustainable political economy.

Topic Summary from the paper

Introduction- The introduction indicates that the authors will use ideas developed from their global comprehensive theory of political economy in order to develop a global and comprehensive theory of sustainable political and economic development. The paper begins with an emphasis on the salience of human capital and the value of bringing legal perspectives into the analysis. The authors point out that in the history of the law the human capital necessarily precedes the development of property, contract, and market.

I. Theoretical Concepts Drawn from Legal Theory and WAAS theoreticians- The paper summarizes the high points of the WAAS perspective and critical issues to be included in a theory about sustainable development.

II. This section brings in new ideas from advanced legal theory and especially clarifies an appropriate focus of inquiry and the development of intellectual tools for problem solving in this context.

III. This section revisits Market Fundamentalism and its threshold consequences in promoting radical inequality.

IV. This section introduces the background to professional thinking with regard to sustainable development. Specific references made to the Brundtland report and the 17 sustainable development goals of the UN. This section seeks to place these 17 goals within the context of the fundamental values around which global society is organized and explores the salience of a value-based analysis.

V. This section introduces the reader to a method of analysis in which we can distill the diverse problems that affect inequality and sustainable development using a system of analytical markers. These markers would clarify the problem of a narrow distribution of values.

VI. This section focuses on the development of radical inequality in the U.S.

VII. This section provides the statistics to give specificity to the above analysis.

VII. Here, the article stresses the role of decision in the formulation of economic policies that strengthen inequality.

VIII. This section provides the statistics of wealth expenditures by the financial elite.

IX. This section summarizes the Oxfam report on the global aspect of inequality.

X. This is simply a statistical profile, amplified with a picture of the looming problem of crony capitalism.

XI. The conclusion suggests that radical inequality is a critical expropriation of human capital. It notes that human capital is exercised by decision-making and that radical inequality diminishes the capacity of the human being to energize human capital via the critical processes of decision making in its development.

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INTRODUCTION

In our presentation in Brasilia, we tried to provide what we called a global comprehensive theory and method of political economy. In this presentation, we shall use some of the insights generated in that article, which

we hope will influence the theory and development of a sustainable political economy of development. In this presentation, we shall also use ideas from advanced legal theory to develop a defensible theory of sustainable development. It seems to us that the search for a sustainable theory of development parallels the challenges of the search for a new paradigm that speaks realistically to the crisis political economy and in global public order that humanity confronts.

It would be useful initially to explore some dimensions of legal theory and legal culture and its connection to the fundamentals of economic theory. The dominant economic theory today is the theory of neo-liberalism. Its foundations are rooted in market fundamentalism. The market in the neo-liberal view functions largely as a self-generating autonomous institution. Its mechanistics are machine-like and this is a machine that controls and regulates the freedom of contract and the nature of value in terms of property. The machine functions as it does because concepts of liberty and property are sustained by higher law, often by a juridical gloss on natural law. To some extent the market, the liberty contract and the dimensions of value encased in property have become somewhat reified. It would therefore be of some value to take a deeper look at the issues of law, contract, property in social and economic organization.

In the history of the law, a great deal of legal culture rests with the contributions of the Roman jurists. From the earliest periods, the Romans had developed a law of contracts and property. The development of this law was not sustained by an ideology of freedom or the free market. It was sustained largely by the practices of Roman society and Roman culture. For example, the Romans developed a formal contract: the *Stipulatio*. This contract worked as follows: “Dare spondes? Spondeo.” This means “do you promise?” “Yes, I promise.” Using these words, simple as they are, an undertaking between two citizens would be enforceable by the authority of a Roman official, the *Judex*. In short, the idea of creating an enforceable contract was reduced to a radically simple form of communication. The other form of contract, the contract of sale, was a matter worked out by legal officials and stakeholders in actual market exchanges. The Roman law of contract of sale still forms the basis of the law of sales in general, and the International Sale of Goods treaty. Now

contracts deal essentially with exchanges of goods and services. These are forms of property. Hence, the law of contract and the law of property were developed without the institutionalization of a market. The development was driven by the needs of human participators who represent human capital in its dynamic form. In short, human capital precedes the market.

During the latter phases of feudalism there emerged on the margins of society, the merchant class. This class, able to separate themselves from the limits of feudal order, was essentially using mercantile human capital to establish the idea that the maximal development of human capital required freedom and particularly, the freedom of contract. Thus, Henry Maine stated that the movement of a progressive society was from status to contract. In the status society, human capital was suppressed and expropriated.

The ideological importance of the freedom of contract and the right to exchange and acquire property thus became an organizing principle of the pre-capitalist world. The evolution of this ideology reflected the importance of the freedom of contract and the right to own and exchange property in terms of supply and demand mediated by the market as an intermediary between the supplier and the demander. However, market fundamentalism has tended to obscure the role of human capital and the importance of the decision making aspect of human capital in the production and distribution of desired goods and services. In short, market fundamentalism has tended to obscure salience of human choice as the critical factor in energizing human capital in the evolution of political economy and sustainable development. As President Roosevelt put it during the Depression, the economic crisis was not a creature of an autonomous market machine; it was a product of human choice and could be corrected by human choice. This was a powerful insight because human choice is an indispensable component of how human capital expresses itself in social, political, and economic interaction.

Theoretical Concepts Drawn from Legal Theory to Facilitate the Development of the Theory of Evolution of Sustainable Development

In this paper, we draw on our earlier study of a decision-focused, choice-informed approach to political economy from a global comprehensive

perspective. It has become clear to us now that the notion of global political economy is coterminous with the idea of a global sustainable political economy and a new paradigm of sustainable economy should include what colleagues in the World Academy have underscored as the crucial precepts for a new paradigm for sustainable development.

1. They all transcend narrow disciplinary boundaries.
2. They are interrelated and interdependent and defy solution by partial, sectoral approaches.
3. They are all global in nature and cannot be fully address without coordinated actions by the international community.
4. Approaches to resolving these challenges are subject to conflicting claims, priorities and interests.

Essentially, a great deal is called for from a sustainable development paradigm, if it is to be comprehensive, global, and effective. The following six issues would be clearly implicated in the development of such a theory:

1. *Economy & Employment*: How can global food security, full employment, and abolition of poverty be achieved within a decade?
2. *Energy & Ecology*: How can global living standards be raised to middle class levels without depleting or destroying the environment or depriving future generations of the capacity to sustain these achievements?
3. *Human Capital – Education, Health and Welfare*: How can global levels of education and public health be raised to OECD level?
4. *Money & Finance*: How can the necessary financial resources be generated and mobilized to achieve the goals described in the first three questions?
5. *Security*: How can we permanently eliminate war and WMD that threaten to destroy all other development achievements?
6. *Global Governance*: How can we design and implement systems of global governance capable of implementing necessary measures to achieve the other five goals for the welfare and wellbeing of all?

To this we may add a seventh category which overlaps with 1, 2, and 3 above. That is the global crisis of inequality, a crisis that severely limits efforts to rid the world globally of extreme poverty. The focus on this paper will be on the problem of extreme global inequality.

What are the necessary elements of a new paradigm of sustainable development. The points summarized below are drawn from advanced legal theory and may facilitate the development of a new paradigm. They are as follows:

1. It must be contextual, i.e., it must perceive all features of the social process of immediate concern in relation to the manifold of events comprising the relevant whole.
2. It must be problem-oriented.
3. It must be multi-method.
4. It must be interdisciplinary with a focus on the dynamics of global interdependence and global inter-determination.

As a background to the evolving international norms of sustainable development, it is useful to consider the crisis of the great depression of the early 1930s. One of the great myths of the period was that the market was completely autonomous self-regulating entity. The great challenge to this form of economic orthodoxy was that the Great Depression was caused by human choices and could be resolved by human choices. The role of the New Deal in regulating the legal foundations of its economic emphasis permitted government intervention to restrain the unlimited power of the private sector often validated by fundamental law. Two of the most important consequences of the victory of the New Deal were reflected first in the Atlantic Charter, which articulated the war aims of the allies. Included in the war aims of the allies was a future in which there would be freedom from want. These ideas found expression in post war efforts to give direction to global economic development. The economic foundations of international human rights were expressed in the Universal Declaration as well as several important UN documents culminating in the Declaration on the Right to Development. These developments confronted the emergence of neo-liberal political economy, with a claimed global reach.

An important gloss that advanced legal theory gives to a consideration of sustainable development is that it insists that sustainable development should be problem-oriented. Developed legal theory has generated a series of intellectual tasks that are problem-oriented and solution- directed. These intellectual tasks require a creative, observational focus of inquiry. These are as follows:

- Identification and Description of Sustainable Development and Policy Perspectives (*sustainable development 'on the books'*)
- Identification and Descriptions of Sustainable Development and Policy in Actual Operation (*the 'operational code of sustainable development'*)
- Clear Emphasis on Decision Making and Qualities of Authority and Control Relevant to the Sustainable Development of the Global Social Process
- Clear Emphasis on Authoritative Decision from Global to Local Arenas Relating to Sustainable Development at Every Level of Social Organization
- Clear Focus on Society and the Human Agents Who Generate Problems of Sustainable Development and its Social Consequences, explicit identification of the human capital resources
- Impact of Public and Private Policy Interventions implicating human capital in Sustainable Development with Local to Global Impacts and Results

Sustainable Development: The Intellectual Tasks of Problem –Solving

- Careful description and appraisal of normative conflicts and overriding community goals of normative guidance (normative or goal thinking) with a view to grounding values in the social process of sustainable development in particular instances of policy application; this requires the clarification , specification and understanding of values and value-institutional processes

- Description of past trends in developing policy perspectives and practices (trend or historic thinking). Relevance of past trends to goal values and actual value distribution; In short, the historic trend in the perspectives and operations of sustainable development and policy;
- Conditions influencing trends in specific decision and perspective (scientific thinking). This includes identification and articulation of variables that shape the actual allocation of goal values; In short, this is a focus on the conditions that have influenced the trends in sustainable development and the policy process;
- Disciplined predictive forecasting (use of developmental constructs—predictive thinking) of future possibilities in existing decision trend). Appraisal of future probabilities according to approximation to desired value objectives and the distribution of those values; Predictive thinking requires a projection into the future of a possibly negative and a possibility of an optimistic future development construct for sustainable development;
- Creative thinking: creation and appraisal of political economy and policy modifications, changes or alternatives for the construction of a more rational value dispensation. This involves invention, evaluation and application of alternative possibilities in problem solving directed at approximation to desired goals for the economic improvement of all stakeholders in sustainable development.

Sustainable Development, Radical Inequality and the Search for a New Global, Context- Sensitive Decision-Focused Theory of Sustainable Development

In this part of the paper, we provide an overview of factors, which have influenced economic development in global society. It is widely acknowledged that our global economic process is on the threshold of a crisis. It is this crisis that challenges scholars and intellectuals to develop a durable theory of sustainable development for humanity. The crisis that inspires a search for a

theory and method of sustainable development is in part a response to a particular mutation in the form of evolving capitalism. This particular form comes under the label “neo-liberal political economy.” It is sometimes expressed as an approach committed to Market Fundamentalism. By this phrase is meant that fundamentally, the market is an autonomous mechanism that functions mechanistically in managing the relationships between productivity, distribution, and efficiency. The emergence and sustaining of this form of capitalism is largely owed to a private institution of intellectuals, the Mont Pellerin Society. What moved the members of the society was the concern for the consequences of the USSR being one of the victors in the Second World War and that the emerging political economy influenced by the USSR would be one of state control and the destruction of private property. The response to Soviet totalitarianism it was thought would be rooted in the idea of confronting claims to state control with claims to radical privatization of the political economy of states after World War II. Many initiatives generated to improve the overall position of development in global society initially floundered on the problem of excessive state control and regulation. As a juridical matter, important legal battles were fought over the issue of protecting private property from expropriation by newly minted state sovereigns in the aftermath of decolonization. The ascendance of neo-liberalism as the dominant ideological force in global economic regulation had now to confront the problems of a largely unregulated global economic system. Among the most notorious problems was the recognition that unrestrained, free enterprise tended to exclude a consideration that the resources it was exploiting might be exhaustible. Additionally, the unlimited exploitation of certain resources could have consequences for the survivability of humanity if it had consequences that dramatically affected the ecological conditions of climate change. Additionally, the neo-liberal political economy had significant political consequences about the distribution of the products of economic enterprise. In short, neo-liberalism is incapable of solving the problem of the fair distribution of resources. As a global matter, it promotes a radical form of inequality. The consequences of inequality are that the most important resource in a nation’s economic profile, its human capital lies now under-utilized and largely discarded.

A part of the problem of radical inequality is the wasting of human capital; it should be noted that the potentials of human capital are one of the

most important bases for the development of social capital value. In short, conventional neo-economic policy may look at excess human populations as expendable. However, they are only expendable within the narrow boundaries of the shortsighted view of real value in the real economy involving real human beings. Implicit then, in the theory of sustainable development, is a very different theory of political economy and a critical challenge to the limiting perspectives incised in the boundaries of neo-liberal economy.

The Emergence of Sustainable Development Thinking

Among the challenges that are emphasized in a theory of sustainable development are the insistence that depletable resources may be used only modestly and that renewable resources may be more abundantly used. Additionally, the sustainable development approach will not seek to limit the distribution of new knowledge on the basis that a private right invariably trumps the public good. Thus, there is an emphasis on open access to new knowledge about new technologies that are critical to energy for human uses, water and food for human uses and, indeed, new technology critical to life supporting systems.

In 1987, the Brundtland Report¹ connected sustainability to development by maintaining that development should promote the human development of people today without compromising the integral human development of people tomorrow. The most obvious objective of the theory of sustainable development is that human development must create sustainable conditions of living for all human beings on the planet. Among the critical challenges to conventional economic theory is that its focus of inquiry must integrate economic principles of sustainability. In this paper, we are particularly interested in the problem of radical inequality.

Notwithstanding the Brundtland report, the concept of sustainable development is still a highly contested notion. A multitude of interest groups have latched on to the idea of sustainable development giving it a priority gloss that suits their particular interest orientation. Some interests groups may focus on human development others may focus on environmental protection. In short, the integration of environmental, social and matters of political economy are matters that cannot be usefully described, analyzed and evaluated without a

recognition that all of these issues reflect matters of interdependence and inter-determination.² They require holistic thinking. This paper, while focusing on radical inequality and its effects on social process, must be seen in the context of the larger eco-social universe and the complex policy processes that it implicates.

It would be useful to outline the more conventional UN approach to sustainable development that has been recently made public. The development of the goals of sustainable development is largely seen in the creation of the development of sustainable development inside the UN Department of Economic and Social Affairs. In addition, the World Bank has a vice president for environmental and socially sustainable development. Additionally, there is the UN declaration for a decade of education for sustainable development.

The current instrument of importance to the current state of sustainable development is the proposed sustainable development goals that have emerged from the UN. It represents a position that is meant to move to the next step beyond the UN's millennium goals. There are seventeen isolatable goals that form the basis of the current state of UN thinking:³

- 1) *End poverty in all forms everywhere*
- 2) *End hunger, achieve food security and improved nutrition, and promote sustainable agriculture*
- 3) *Ensure healthy lives and promote well-being for all at all ages*
- 4) *Ensure inclusive and equitable quality education and promote life-long learning opportunities for all*
- 5) *Achieve gender equality and empower all women and girls*
- 6) *Ensure availability and sustainable management of water and sanitation for all*
- 7) *Ensure access to affordable, reliable, sustainable, and modern energy for all*
- 8) *Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all*
- 9) *Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation*
- 10) *Reduce inequality within and among countries*
- 11) *Make cities and human settlements inclusive, safe, resilient, and sustainable*
- 12) *Ensure sustainable consumption and production patterns*

- 13) Take urgent action to address climate change and its impacts*
- 14) Conserve and sustainably use the oceans, seas, and marine resources for sustainable development*
- 15) Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss*
- 16) Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels*
- 17) Strengthen the means of implementation and revitalize the global partnership for sustainable development*

This seventeen-point checklist effectually is meant to encapsulate the fundamental values implicated in the agenda of sustainable development. However, this checklist is not formed in such a way as to generate an elegant and smooth theory of sustainable development. Clearly, sustainable development implicates basic human values of global salience. The values themselves are matters whose values from an economic point of view remain under-appreciated. In short, conventional economics has a narrower indication of what is valued economically in terms of the commodities that it identifies and to which it describes value. This is a matter that should be clarified. We can do this by using a simple illustration drawn from the work of Judge Posner. Judge Posner sees economics as a matter concerned with wealth and wealth generation. Indeed, he believes that wealth is a justifiable economic objective.

Professor/Judge Posner provides a model of economic social process based on wealth. The model runs as follows: Human beings pursue wealth through institutions based on wealth to achieve more wealth. In this model, wealth is a desired goal and wealth at the same time is a base of power to acquire more wealth. The problem with this model is that there are either other social values universally identifiable based on human needs or basic human claims. This model would limit the focus of the economic inquirer. Thus, a conventional model of economic inquiry would tend to exclude the critical values that are important to a sustainable political economy for the future. The values accounted for in this model are vastly removed from its foundations in human and social capital.

Here again, we think that the introduction of some elements of advanced legal theory can provide us with a more integrated and comprehensive understandings of the values that count in a theory of sustainable development. The values that we outline below are values drawn from anthropological research as well as from human rights scholarship. There are nine identifiable values and these values come with institutional mechanisms in some measure specialized to their realization in social practice.

1. Power
2. Wealth
3. Respect
4. Enlightenment
5. Skill
6. Health and well-being
7. Affection
8. Rectitude
9. Aesthetics

We would submit that the foundations of human and social capital, critical to a theory of sustainable development, must encompass all these values. Let us start with the value of power. Power, can be seen as a scope value. That is to say power is desired as a value for its own sake. From the standpoint of human capital the importance of the value of power is that in social process it is exercised as a form of decision-making. In short, the development of human capital is blocked when the human being is bereft of any decision -making capacity to act. Hence, the importance of power and participation in the social institutions that have power implications. Power may also serve as a base value to acquire more power as well as to leverage access to all values other than power. Power can be used to obtain wealth, respect, etc. Now let us take the value of wealth. Wealth can be sought for its own sake as a scope value and wealth can be used to make more wealth. Wealth can also serve as a base of power to acquire more power or access to the enjoyment of all other values. All the other values mentioned in the list above can be sought for their own sake and can be used as a base of power to acquire any other value. Hence we can say that a comprehensive account of the value – institutional processes implicated in a social process that aspires to sustainable development must understand the contextual breadth of interaction between

human beings as representatives of human capital and the implications of their interaction for social capital and for a proper and realistic theory of sustainable development.

Sustainable Development and Radical Inequality

In the colloquium held in Brasilia last year, I used the model of social process developed by Lasswell, McDougal and associates to develop an inclusive global theory of political economy. In that model, we distilled the values and institutions upon which the global social process is based. Using a value institutional emphasis, we may map all value institutional processes in terms of the problems generated and the value challenges that these problems present. For example, if we examined the power or any other value institutional process of interaction, we can isolate a series of markers, each of which points to problems characteristic of that particular aspect of social interaction. The location and identification of problems in turn clarifies the value aspect that the problem implicates. Such mapping of value institutional interaction would seem to be indispensable to a comprehensive map of the sustainable development process. A value by value description would mark the following:

1. Problems of the participators
2. Problems of the perspectives of the participators – their identifications, demands and expectations.
3. Problems of the basis of power accessible to the participators and their uses.
4. The problems generated by the arenas of interaction, be they spatial, temporal, institutional, or characterized by crisis. In short, arenas generate particular problems implicating value.
5. The strategies of action that participators might use could include coercive or persuasive modalities of action. These could include military, economic, diplomatic, and the use of propaganda.
6. The importance of measuring the outcomes of social interaction and their approximation to the goals of sustainable development.

7. The effects that may enhance or retard the approximations of the goals of sustainable development.

The importance of that model is that its approach to people, values, institutions and outcomes has a near-fit with the seventeen goals expressed in the UN's sustainable development project. What we intend to focus on in this paper is an aspect of sustainable development, wealth distribution and the effects of radical inequality on a global basis. This will provide a stronger basis for better understanding the appropriate theory and prospects of sustainable development in the common global interest. We start by drawing on our earlier paper where we provided a summary of radical inequality in the United States. We then examine the problem of radical inequality from a global perspective. We then examine one of the consequences of radical inequality, namely, the growth of plutocracy. The emergence of plutocracy has manifested itself in not simply ignoring the concerns of a climate change and radical inequality, but its aggressive desire to deny that these are problems at all. This leads us to the importance of decision and values in the construction of a sustainable paradigm of political economy.

The American Experience with Radical Inequality

For decades Americans have experienced an inexorable expansion of inequality within the economic system. Reputable economists tell us that one percent of our population takes one quarter of our nation's income. One percent of our population controls forty percent of our nation's wealth. One percent of our population has seen their incomes rise by over eighteen percent. Many of modern society's valuable people have not benefitted from this disparity in wealth. Moving the majority of American citizens to the bottom of the economic system has been an approach of the American right wing. One of the assumptions of the right wing is that if we have a bigger economic pie there will be more to go around. Unfortunately, the arithmetic is the other way around. The bigger the pie, the less the American citizens share in its bounty. This creates an extinction of opportunity for American people. This extinction is a major social and economic loss. The success and the genius of American civilization has been its belief in human capacity, human capital and the

critical importance of human resources for national prosperity.⁴ Those who do reap these excessive benefits, also promote the idea that national investment in education and human resources, investment in technical innovation and sound infrastructure are a waste of scarce resources. Essentially, conservative policies have hugely empowered the financial oligarchs while undermining the participation of the overwhelming majority of citizen stakeholders in the process. They promote no version of a national common interest and see only the vista of narrow special selfish interests.

Probably the most impressive victory of the financial oligarchs was their promotion of the economic theories of neo-liberalism. The center point of this approach was to oppose any and all government regulation. The great success was the deregulation of the financial sector. It is suggested that the New Deal is what drives republicans to eliminate popular social safety nets. The New Deal produced popular policies and its political success was reflected in Roosevelt being elected four times.

For a long time, conventional economics has entrenched itself in both academic and intellectual circles and in policy arenas. It has experienced sharp and trenchant attacks on its organizing theories, methods of analysis and more importantly, its unapologetic lack of concern for the undesirable outcomes for human society that it consistently generates. This calls for a new paradigm in political economy. The new paradigm will require a serious revision of its fundamental premises, its failed methods and its lack of concern for the social consequences of its theoretical inadequacy.

American economist, Thorstein Veblen's viewed the businessman as not the wealth creator but rather the saboteur of the system.⁵ Carrying Veblen's meditations into the contemporary context we find that these insights have a curiously contemporary relevance that are best illustrated in the context of the financial crisis of 2008. It should be noted that many economists liberated from the old paradigm had in fact anticipated the problems of the housing bubble. These economists suggested that the crisis was rooted in a financial sector devoid of meaningful regulatory standards. The issue with the theme of the conventional paradigm is that it is incapable of recognizing the flaw of radical deregulation; a process that contributed to the destruction of the financial markets.

A new paradigm at the very minimum must be able to assign responsibility to finite decision makers and to clearly recognize that the management of political economy is a matter of human choice and decision and not a matter of meta-physical speculation. A new paradigm must generate a method and procedure that lead to economic accountability and improved choices for the common good. The central elements that implicate a new paradigm of economic thinking rest in the acknowledgement of the centrality of human capital as the prime concern of responsible economics. Second, there must be recognition of the facts and conditions of great economic transformations and an understanding of the balance between the freedom of contract and responsible social regulation to guide the freedom of contract in constructive ways. Constructive ways implicate the fundamental values of liberty, equality, security, and social justice.

The central problems that are a current global priority which call for new paradigm thinking include economy and employment, energy and ecology, human capital in terms of education, health and welfare, money and finance, security, and global governance. The method for a new political economy must be contextual, it must be problem-oriented, it must be multi-method, it must maintain a focus on the dynamics of global interdependence and global inter-determination. A new paradigm must also examine the concepts of free market and command economies while clarifying the base values, which underline the wealth process. It should examine the strategies relating to the conservation, production, and distribution of wealth, introducing strategies relating to finance.

One of the important limits on the conventional paradigm of political economy is its stress on excluding certain segments of reality that are generally seen as inconvenient externalities. This approach essentially is excluding the relevant social universe of human interaction, which involves the broadest possible range of economic activity. Excluding such activity excludes its economic value and distorts the outcomes of economic inquiry. Let me provide an illustration from the fields of law and economics that provide some promise in bringing in the context to inquiry about the interrelationship of law and economics.

One of the externalities seen by the conventional paradigm of political

equality was that environmental resources were unlimited. As climate change disproves this thesis, it is obvious that a new economics must consider the potentials and limits of the ecology of the planet. In short, the new economic thinking has its focus on development in terms of human capital and its potentials for improving the human prospect. Thus, we must examine the theory of global sustainable political economy. Power, wealth, enlightenment, skill, wellbeing, affection, respect, rectitude and aesthetics are all values, which determine development.

The rise of the neo- liberal economy validates the role of the private sector’s control over the political economy. The private sector, corporately exercised, generates a tendency to plutocracy. Neither of these perspectives solves the problem of realistic indicators of economic value, how to measure it, and how to make it serve the common interests. In short, the old paradigm distorts reality. Unfortunately, conventional theory under-appreciates the salience of service-related value as an indication of producing wealth in society.

The Aggregate Wealth of the Top One Percent of the U.S. Population

The overview of inequality in the U.S. may be better understood if we provide a statistical basis for the aggregate position of net-worth in the U.S.:

Table 1: Income, net worth, and financial worth in the U.S. by percentile, in 2010 dollars ⁶

Wealth or income class	Mean household income	Mean household net worth	Mean household financial (non-home) wealth
Top 1 percent	\$1,318,200	\$16,439,400	\$15,171,600
Top 20 percent	\$226,200	\$2,061,600	\$1,719,800
60th-80th percentile	\$72,000	\$216,900	\$100,700
40th-60th percentile	\$41,700	\$61,000	\$12,200
Bottom 40 percent	\$17,300	-\$10,600	-\$14,800

From Wolff (2012); only mean figures are available, not medians. Note that income and wealth are separate measures; so, for example, the top 1% of

income-earners is not exactly the same group of people as the top 1% of wealth-holders, although there is considerable overlap.

For an indication of the distribution of net-worth and financial worth over time, the following table provides a good overview:⁷

Table 2: Distribution of net worth and financial wealth in the United States, 1983-2010

	Total Net Worth¹		
	Top 1 percent	Next 19 percent	Bottom 80 percent
1983	33.8%	47.5%	18.7%
1989	37.4%	46.2%	16.5%
1992	37.2%	46.6%	16.2%
1995	38.5%	45.4%	16.1%
1998	38.1%	45.3%	16.6%
2001	33.4%	51.0%	15.6%
2004	34.3%	50.3%	15.3%
2007	34.6%	50.5%	15.0%
2010	35.4%	53.5%	11.1%

	Financial (Non-Home) Wealth		
	Top 1 percent	Next 19 percent	Bottom 80 percent
1983	42.9%	48.4%	8.7%
1989	46.9%	46.5%	6.6%
1992	45.6%	46.7%	7.7%
1995	47.2%	45.9%	7.0%
1998	47.3%	43.6%	9.1%
2001	39.7%	51.5%	8.7%
2004	42.2%	50.3%	7.5%
2007	42.7%	50.3%	7.0%
2010	42.1%	53.5%	4.7%

¹ Total assets are defined as the sum of: (1) the gross value of owner-occupied housing; (2) other real estate owned by the household; (3) cash and demand deposits; (4) time and savings deposits, certificates of deposit, and money market accounts; (5) government bonds, corporate bonds, foreign bonds, and other financial securities; (6) the cash surrender value of life insurance plans; (7) the cash surrender value of pension plans, including IRAs, Keogh, and 401(k) plans; (8) corporate stock and mutual funds; (9) net equity in unincorporated businesses; and (10) equity in trust funds.

Total liabilities are the sum of: (1) mortgage debt; (2) consumer debt, including auto loans; and (3) other debt. From Wolff (2004, 2007, 2010, & 2012).

** The implications of the division of wealth in the United States were explored by the economist Edward Wolffe in *The Multinational Monitor*

The Role of Decision in Facilitating Radical Inequality

In order to explore the social conditions that conspire to increase the assets of the richest one percent, often at the expense of the rest of the population, it should be kept in mind that these disparities are not an inevitable consequence of market forces, which naturally produce such outcomes. It is probably the case that law is a critical factor in the radical redistribution of income. For example, legislatively the Congress of the United States has repeatedly cut taxes on high incomes. It has also softened its treatment of capital gains and other kinds of investment income. This has resulted in massive benefits to the one percent. In the context of the strength of labor in a market, the government's policies have made it more difficult for unions to organize workers to balance the power of capital. Moreover, government and corporate policies pay extraordinary salaries to top executives, regardless of how good or bad they are. In the context of financial institutions, de-regulation has allowed the financial sector to create value out of complex mathematical equations, market these instruments of value, and make a killing of the sales. In this regard, the repeal of Glass-Steagall resulted in the creation of powerful and dangerous financial behemoths, which resulted in a concentration of financial benefits to the financial sector. The incredible growth of inequality is, in effect, the outcome of the policy process itself. And the critical influences on the policy process are reflected in the interest group politics of American society. In this context interest groups compete without restraint, indicating serious limits in the ideology of American pluralism. In effect this means that the money-class will engage in political competition for the purposes of extinguishing its opponents. The agenda of the money-class, under the label of authentic conservatism, is clearly to undo the implicit compact of the social democratic state. That compact included social protections, reasonable financial regulation, progressive taxation, and a commitment to civil rights and equality.⁸ The massive expenditures on efforts to influence congress by lobbying and also to influence the composition of congress by the massive

infusions of money into the electoral process have, in effect, been validated by the Supreme Court decision to limit the power of Congress to regulate the expenditure of campaign funds. Experts estimate that for the 2016 election over \$8 billion dollars will be spent.⁹

The growing inequality of wealth in the U.S., with a small proportion of the population reaching a lion's share of economic growth, is now being widely recognized as a serious problem for the culture and civilization of the United States.¹⁰ The critical question today is whether, under cover of American democracy, the political culture of the United States is now gravitating to the notion of a plutocracy. In a plutocracy, the system of governance is dominated by a minority of its wealthiest citizens. The problem of plutocracy in American life was well diagnosed by President, Theodore Roosevelt. According to Roosevelt, "...we had come to the stage where for our people what was needed was a real democracy; and of all forms of tyranny the least attractive and the most vulgar is the tyranny of mere wealth, the tyranny of a plutocracy."¹¹ Paul Krugman in his book, *The Conscience of a Liberal*, states that plutocracy became entrenched because of the following factors. "The poorest quarter of American residents (African-Americans and non-naturalized immigrants) were ineligible to vote, the wealthy funded the campaigns of politicians they preferred, and vote buying was "feasible, easy and widespread", as were other forms of electoral fraud such as ballot- box stuffing and intimidation of the other party's voters."¹² The concern with plutocracy in the United States reflects a concern of the global dimensions of the ascendants of plutocracy in the governance of the nation-state.

U.S. law now permits corporations to disperse funds in federal elections without restraint. It would be useful to provide some further contextual background to the effects of this case on the American electoral process. The net effect of this precedent was that nearly \$1 billion in new spending money emerged in the Federal elections. Super PACs became a routine part of the vocabulary of National elections.¹³ Additionally, non-profit corporations could contribute to campaigns through Super PACs without disclosing the source of the funds they were contributing.¹⁴ For example, the American Crossroads PAC and Crossroads Grassroots Policy Strategies Non-Profits created by political operative Karl Rove raised \$123 million of which 62% was undisclosed.¹⁵ The Court's ruling also influenced non-federal elections. "Laws restricting spending by outside interest groups in elections

were invalidated in 24 states, extending the impact of the high court decision to races for governor, state supreme court and beyond.”¹⁶

The term “dark money” has been conceived as the expression referring to these non-disclosed funds, which fuel election campaigns.¹⁷ The donors who possess this dark money have been granted confidentiality. The rise of this phenomenon followed the 2014 elections. In addition to Super PACs, a multitude of non-profit groups make expenditures to influence political races. These non-profits have very few reporting requirements in regards to their donations, as they are not political committees. The amount of private donations for the 2016 presidential election is expected to greatly surpass that of the 2012 campaigns. According to Reuters, it will be likely impossible for the democrats to match the nearly \$900 million dollars that the Koch brothers will spend during the 2016 election campaign cycle.¹⁸ Democratic strategist Bill Burton notes, "It's a staggering amount of money and it's probably just the beginning."

Plutocracy vs. Democracy

The evidence connecting super PACs and their donors appears in the following table:¹⁹

Rank Name Total Given Ideology:

1 Sheldon Adelson & family \$93.3 million Republican	6 William S. Rose (Specialty Group) \$12.1 million Republican
2 Harold Simmons & wife, companies \$30.9 million Republican	7 United Auto Workers \$11.8 million Democratic
3 Bob Perry \$23.5 million Republican	8 National Education Association \$10.8 million Democratic
4 Fred Eychaner \$14.1 million Democratic	9 Michael Bloomberg \$10 million Independent
5 Joe Ricketts \$13.1 million Republican	10 Republican Governors Association \$9.8 million Republican

When we look at these numbers, which are payments to influence the elections, it is worthwhile to consider these financial facts in the context of the aggregate funds spent directly to influence policymakers in Washington. This is of course to consider the financial foundations of Washington’s lobby industry. Current reports indicate that the official total of funds expended on

lobbying activity in Washington is \$3.2 billion, however, investigative reporting indicates that the real figure is vastly in excess of this and is estimated to be closer to \$9 billion. The major lobbyists include Public Relations Firms, Law Firms, In-House and Corporate Public Relations Departments, Trade Associations and Policy Advocates representing interests such as the natural gas, petroleum, clean coal, food marketing, aerospace, film, biotechnology, healthcare industries, the financial sector, and specific corporations and corporate interests, for example TransCanada's Keystone XL Pipeline, Apple, Science Applications International Corporation (SAIC), and Monsanto.²⁰ The fact that there is a \$9 billion slush fund to fuel and disperse these funds in the Washington arena of politics. It is notoriously obvious there will be some form of connectivity between the general and specific interests of the donor and the dependency of the recipient or his agents and affiliates. In politics, there is nothing for nothing. In short, as indicated earlier, the infusion of extraordinary amounts of cash into the political process results in the disproportionate influence of those that command the wealth. Consequently, we have an allocation of power disproportionately skewed in favor of the wealthy elite at the expense of the people. In the book *Beyond Plutocracy-Direct Democracy of America*, the following statement is presented:

“Capitalism, the market economy, is our best form of economic relationship. At its best it promotes freedom of action and interaction, motivates personal and local decision making, creativity, improvement, entrepreneurship, and productivity; and it creates much wealth. But an unbridled capitalism that reigns supreme concentrates excessive power and wealth into the hands of ruthless, greedy elites within and among nations who then create, populate, and use self-serving governments to exploit the rest of the populace and override the common good. Unbridled capitalism often plays nations and people against one another in a most underhanded way in search of its Holy Grail: maximum growth and profit and minimum responsibility no matter what the environmental and human costs. Creating constitutions, governments, laws, rules, and economic entities that cause the fruit of the labor of millions to be taken from them and handed to the sly, cunning, manipulative few is economic rape, and it becomes, at its worst, economic terrorism.”²¹

The Global Dimensions of Radical Inequality:
Oxfam and the Problem of Global, Radical Inequality

The report of Oxfam on the current state of global inequality reflects the concern that global inequality points its concern at the global poverty and

what it means today. Global poverty is measured in economic terms as one billion people live on less than one dollar a day. A more meaningful indication is given in the recent UNDP report, which shows that poverty is not merely a deprivation of material resources but indeed a fundamental violation of essential dignity. This is what the UN reports indicates: ‘a human condition characterized by the sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights.’ (UN 2001) ²²

In the Oxfam study, it is indicated that there is a deepening global inequality crisis. The United States then is a particular example of the crisis itself. According to Oxfam, the eighty wealthiest people on earth own some \$1.9 trillion dollars. ²³

At the bottom-end of the stratification scale are 3.5 billion people who share the same amount. In short, the richest one percent of the world’s population owns nearly half of the world’s wealth. The measure of global inequality in terms of these figures is absolutely staggering. Oxfam indicates “from Ghana to Germany, South Africa to Spain, the gap between rich and poor is rapidly increasing and economic quality has reached extreme levels...the consequences are corrosive for everyone. Extreme inequality corrupts politics, hinders economic growth, and stifles social mobility. It fuels crime and even violent conflict. It squanders talent, thwarts potential, and undermines the foundations of society.”

The Contribution of Crony Capitalism to Radical inequality

The following provides a checklist of global billionaire wealth described as crony-capitalism:

Crony-capitalism in action:





Conclusion

In this paper, we have drawn on the approach to political economy that we recommended in last year's conference in Brasilia 2014. Essentially, we stressed the importance of contextuality and contextual mapping. But central to our approach was that we needed to develop a contextual map to the entire global social, and eco-social process. That is the context within which the radical drift to inequality in the United States and the Oxfam study in the larger world community is happening. In that approach we pointed out that one of the most important outcomes of the social process and indeed the global social process are the outcomes about the production and distribution of effective power. Power in society is expressed in terms of decision-making. We would need a more detailed specification of the nature of public and private decision making that conspires to accelerate the conditions of radical inequality. From the evidence available in the public sphere it is obvious that throughout the planet we have seen the emergence of an economic elite that has been able to use its wealth as a base of power to get more wealth and to get more power. This represents a drift towards plutocracy. We can see this most clearly in the way in which money may now be infused into elections and as well the vast amounts of money spent of influencing the legislature and the executive. Hacker and Stiglitz have shown us that these outcomes, which distribute wealth and income so disproportionately to the top are matters of politics, of decision which focuses on the special interests of the economic elite at the expense of the larger body politic. Thus, it is quite clear that we need an appropriately broad lens of inquiry to capture the social interaction conditioned

by values and shaped however effectively or ineffectively by the institutions that have been evolved to specially reflect and deliver values to all social participants. A key to understanding the value institutional relationship is to consider the extent to which the instruments of decision and policy shape the production and the distribution of all values. A political economy that seeks to cure the malady of radical inequality must similarly be focused on how effective and controlling decisions are made and put into effect in the public interest of all social participants. This would seem to be a critical challenge that must be a part of the evolving theory of sustainable development if it is to be given any currency. In conclusion, radical inequality represent in effect an expropriation of human capital by expropriating the decision making capacity of the individual social participant. At the heart of sustainable development, there needs to be a radical redistribution of decision-making capital to the instrumentality of human and social capital so that the creativity and the productive contribution of all members of society may contribute to the sustainability of social, political and economic arrangements of a global basis. Radical inequality undermines the emergence of sustainable development as an integral part of a global political economy.

Notes

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14. Michael Beckel, "Nonprofits outspent super PACs in 2010, trend may continue" *ibid.*, Part III: Nonprofits, the stealth super PACs, 56.

15. These startling numbers certainly call into doubt Chief Judge Sentelle's statement that "contributions to groups that make only independent expenditures cannot corrupt or create the appearance of corruption." *Speechnow.org v FEC*, 14.

See also Michael Beckel, "Crossroads political machine funded mostly by secret donors" in *Consider the Source*, Part II: Super PACs crash the parties, 13.

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**The World Socialist Website is predictably skeptical of the concentrations of wealth generated by neo-liberal capitalist economy. The following are some representative quotations:

**Here are some quotations drawn from their website