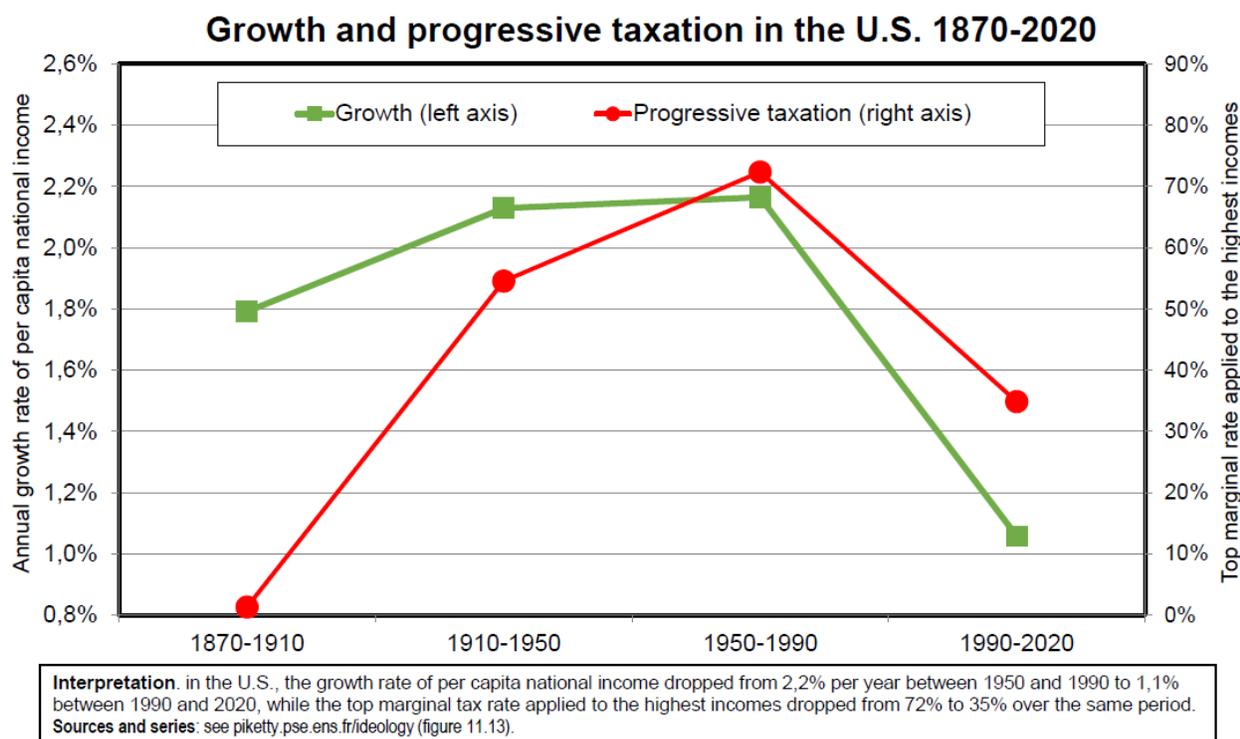


## Towards a circular economy



The idea of the circular economy frequently brings to mind issues of recycling waste and materials and making moderate use of natural resources. But if a new system is to emerge which is sustainable and equitable the whole economic model will have to be re-thought. With the differences in wealth which exist at the moment, no ecological ambition is possible. Energy saving can only come from economic and social restraint and not from excessive fortunes and life-styles. We will have to construct new norms of social, educational, fiscal and climate justice through democratic discussion. These norms will have to say no to the present hyper concentration of economic power. On the contrary, the economy of the

21<sup>st</sup> century must be based on the permanent circulation of power, wealth and knowledge.

It is the spread of property ownership and education which enabled social and human progress to become a reality in the 20<sup>th</sup> century. A powerful movement of reduction in social inequality and increased mobility (the first intellectual signs of which were already visible in the 18<sup>th</sup> and 19<sup>th</sup> centuries) gained momentum from 1900-1910 and into the years 1970-1980, thanks to an unprecedented level of investment in education. A new equilibrium was established with the rights of shareholders being matched by those of the wage-earners (particularly in Northern Europe) – the circulation of incomes and wealth was

# Le Monde

accompanied by progressive taxation (in particular in the USA), and so on.

This movement was interrupted in the decade 1980-1990 following the change in direction in the wake of the post-communist disillusion and lapse into the Reagan approach. Post-communism then became hyper-capitalism's best ally. Natural resources were over-exploited and privatised to the advantage of a minority, legal systems were systematically circumvented via fiscal paradises, any form of progressive taxation was completely eliminated. In Poutine's Russia, income tax is 13% whether your income is 1000 roubles or one billion roubles. The same excesses can be seen in China, where those close to those in power, have carved out empires for themselves which they transmit to their heirs with no inheritance tax. Hong Kong is thus an astonishing example of a country which has become even more unequal by submitting to the authority of a supposedly communist regime.

The Reagan approach in the 1980s was less radical: it lowered the rate of taxation applied to the wealthiest from 70% to 30%. Reagan intended to put an end to what he exposed as excessive redistribution and egalitarianism resulting from the New Deal and which, in his opinion, had weakened America's entrepreneurial spirit and anti-communist crusade. By liberating the energies of the entrepreneur, Reagan promised a new phase of unprecedented growth. Of course, the inequalities were going to increase, the number of millionaires would rise and they would be wealthier but all that would provide a degree of innovation which would benefit the masses meaning that everyone would gain thereby. In fact, the hold of billionaires over the American economy has grown considerably since the 1980s, with a concentration of property in the approaching the levels witnessed in Europe at the beginning of the 20<sup>th</sup> century.

The problem is that the dynamic increase in growth has not taken place: the national per capita income has witnessed its progression divided by two (2.2% per annum between 1980 and 1990, 1.1% between 1990 and 2020). Salaries have stagnated and a growing percentage of the population are beginning to doubt the benefits of globalisation. The hardening of Trump's nationalism is directly linked to this failure in Reaganism: since economic liberalism is not

enough, the Mexicans and the Chinese are now accused of stealing the hard labour of white America.

In reality, the failure of Reaganism mainly demonstrates that the hyper-concentration of property and power does not correspond to the requirements of a modern and circular economy. It is not because a person has made a fortune at the age of 30 that they should continue to concentrate power as a shareholder at the age of 50, 70 or 90 years. The decrease in growth is also explained by a worrying stagnation in educational investment since the 1990s as well as by the immense inequalities in access to education and training in both the United States and in Europe.

The challenge of global warming and the international awareness of the growing inequalities do act as leverage for change but we are still far from the goal. The OECD projects for the taxation of the profits of multinationals only concerns a small fraction of the latter and the scale of the contribution proposed is much more favourable to the rich countries than to the poor ones (as is demonstrated by [the work of ICRICT](#). *The Triumph of Injustice*, a book published this week in the United States by Emmanuel Saez and Gabriel Zucman, demonstrates that there are more ambitious solutions with the key element being financial transparency and the return to fiscal progressivity in order to finance health and education for all, and the ecological transition. The success of these ideas amongst the American democrats (in particular Warren and Sanders) does allow for optimism.

But Europe cannot simply stand by and wait for change to come from America. If we are to go beyond merely taking a stance, and finally give substance to the Green New Deal, it is urgent that strong measures for social and fiscal justice be taken in Europe. This may also be the price to pay for the hope of bringing the British Labour Party back into the European orbit and avoiding a disastrous Conservative victory in the forthcoming elections. Thirty years after the fall of the Berlin Wall, it is time for [the march towards equality, the circular economy and participatory socialism](#) to get back on track.