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# Inequality, instability, and ecological crisis – Systemic analysis as foundation for envisioning transformation

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## Abstract

Rising inequality, financial and economic instability and the increasing ecological and climate crisis are key challenges for society today. Although these phenomena are deeply intertwined with the functioning of the economic system there is no fully developed macroeconomic theory that establishes their systemic causes as well as their interconnections. This shortcoming affects the design of a sound macroeconomic policy programme that addresses these issues. The emerging fields of social-ecological macroeconomics and post-growth economics acknowledge the urgency of the above phenomena and the need of working towards a coherent theoretical framework that helps exploring possible trajectories towards a more ecologically and socially sustainable economy (cf. Rezai & Stiglitz 2016, Hardt & O’Neill 2017, Jackson 2009/2017, Dietz & O’Neill 2013). This paper proposes to embed the study of the above phenomena in an analysis of the functioning of the capitalist economic *system*. For this purpose, it discusses both the general characteristics and dynamics of capitalist economies as well as its specific functioning at the current historical juncture.

Analysing patterns of accumulation and profit-making proves instructive both to understand current developments in the economic system but also the dynamics underlying financial and economic instability, inequality and environmental degradation. One common thread is the argument that a shift in the nature of economic activities has taken place, increasing speculative, rent- and interest-based activities at the cost of decreasing the importance of production.

The causes and effects of these changes have been discussed in relation to all the three phenomena raised above. Shifts in investment patterns and strategies of accumulation that are connected to inequality and instability are being discussed in terms of ‘Financialised/Finance-led capitalism’ (e.g. Fine 2010, Foster 2007, Guttman 2016, Lapavistas 2013), ‘Rentier capitalism’ (e.g. Standing 2017, Piketty 2014), or ‘Managerial capitalism’ (Lévy & Duménil 2018). When it comes to environmental degradation, the continuation of enclosures and primitive accumulation, ‘accumulation by dispossession’ (Harvey 2003), ‘value-grabbing’ (Andreucci et al. 2017) and ‘pseudo-commodification’ (Felli 2014) are key. Connected to these changes are shifts in the distribution of power with rentiers and financiers gaining power relative to industrial capitalists.

Accounting for the connection of the concrete forms of ecological degradation, rising inequality and financialisation and instability with the abstract characteristics and dynamics of the capitalist economic system provides the ground for assessing possibilities, limitations and challenges for a deeper social-ecological transformation. Awareness of the interconnectedness of the different phenomena helps to avoid designing policies that address one at the cost of the other, and ideally come up with ideas that tackle the three at a time. Acknowledging the (shifting) distribution of power related to the current conjuncture of capitalism

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contributes to the identification of potential barriers to change, and ways of dealing with it. By scrutinising these aspects, this paper aims to contribute to the development of economic theory and policy that helps envisioning and bringing about a different economy.

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