Bona diagnosis, bona curatio: How property economics clarifies the degrowth debate

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A B S T R A C T

This contribution postulates that a theoretical explanation of the foundational conditions of economic growth is a prerequisite for conceptually elaborating on the ways to foster degrowth. It suggests that reorienting the current unsustainable and inequitable path and implementing the degrowth transition in an ecologically sustainable and socially equitable manner requires a shift in the hierarchy of social norms, from the property-based economic rationale, where social and ecological considerations are subordinated to the specific requirements of capitalist expansion, towards an eco-social economic rationale, where economic activities are subordinated to social and ecological considerations and imperatives. Such an eco-social rationale could subordinate property capitalist expansion through the following, interrelated ways: limiting the scope of the property domain, regulating capitalisation practices, orienting investments, distributing returns and limiting the capitalist expansion of property. Nonetheless, getting out of the involutionary path of western development might require more radical alternatives, such as non-property, possession-based institutional arrangements and partnerships.

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1. Introduction

A motivating body of literature has recently contributed to clarify the meaning of the emerging notion of degrowth both as a scientific concept and as a social movement. While Martinez-Alier et al. (2010), in the line of Filipo (2009) and Gadrey (2010), investigate the origins of degrowth in the fields of ecological economics, social ecology, economic anthropology and eco-social activism, new clarifications have been proposed on the relations between degrowth and sustainable development (Abraham et al., 2011; Spangenberg, 2010) and degrowth and steady state (Kerschner, 2010).

Interestingly, the relation between degrowth and growth, which some consider as rather straightforward (Ariès, 2007; Latouche, 2009), appears more problematic to others (Gadrey, 2010; van den Bergh, 2011), who prefer the notion of a-growth or post-growth. Beyond this semantic debate (Kallis, 2011), the issue remains central: [t]he concept of growth is in itself vague and polymorphic, thus bringing (...) ambiguity to the term ‘de-growth.’ Unraveling the notion of growth in complex coupled ecological–economic systems should be a priority for enabling a fruitful dialogue towards enriching the sustainable de-growth idea.”

 Mobilising property economics to interpret the notion of economic growth, this contribution aims to shed some light on this intricate relation. My postulate here is that a sound theoretical appraisal of the process of growth is a prerequisite for an adequate conceptualisation, development and implementation of a degrowth transition (Abraham et al., 2011; Kallis, 2011) in a manner as sustainable, equitable and responsible as possible. In order to elaborate on this postulate, my paper is articulated as follows:

Section 2 presents how property economics explains the pressure for economic growth. Elaborating on the potential of property to secure capitalisation processes, it describes the circular and cumulative nature of property expansion through capitalisation and makes explicit how capitalist requirements, including the growth imperative, shape capitalist economic rationality and orient the evolution of the economic system. Based on this interpretation, Section 3 focuses on the ways to limit the pressure for economic growth by acting on the capitalist process: by limiting the scope of the property domain, regulating capitalisation and financial practices, directing investments and distributing monetary returns. However, getting out of the industrial capitalist system might require more radical alternatives, such as non-property, possession-based institutional arrangements and partnerships, which are presented in Section 4. Section 5 offers a concluding discussion on the intimate relations between the different lines of collective action that are elucidated by property economics.

2. Where Does the Pressure for Growth Come From? A Diagnosis

Sharing with most degrowth proponents the view that the road to ecological sustainability and social equity requires a real bifurcation from the present path of capitalist and industrial development, and that such bifurcation requires a multi-faceted political project (Abraham et al., 2011; Ariès, 2007; Bernard et al., 2003; Gadrey,
2.1. Property, Capitalisation and Self-expansion

The theoretical edifice elaborated by Heinsohn and Steiger (1996, 2000, 2006) and Steiger (2006, 2008) rests on a conceptual distinction between two types of institutional regimes: those based on possession and those based on property. In Heinsohn and Steiger’s terminology, possession rules define the rights and correlated duties towards the material use and yields of resources. In defining “who, in what manner, at what time and place, to what extent, and by exclusion of whom may physically use goods and resources” (Steiger, 2006: 186), possession rules set a predictable institutional structure for social reproduction. As such, possession regimes have existed throughout history, albeit in a great variety of forms depending on ecological and cultural conditions.

Property, in contrast, rests on the establishment of formal property titles that contain a very different, immaterial economic potential: the capacity for the proprietor to enter into credit relations. Property titles provide their holders with long-term exclusive rights over resources, both tangible and intangible. Their intrinsic value lies on the exclusion of non-proprietors, which is guaranteed by a set of rules and organisations that altogether constitute, securitise and shape the property regime. This unique security, which Heinsohn and Steiger (1996, 2000) call the property premium, is the key element that can be engaged to secure capitalisation processes (Veblen, 2004), in the primary form of the credit relation (Heinsohn and Steiger, 1996). When adequately titled, registered, protected and enforced (Steppacher, 2008), property has two main effects: (1) it crystallises power in the hands of an elite, the proprietors, whose material control over resources is the raison-d’être of the regime; (2) it allows for the circular and cumulative expansion, accumulation and concentration of power through capitalisation, the driving force of capitalism.

Unlike other types of ownership that define possession rules towards economic resources, property titles are dissociated from the resources they refer to. The disconnection provides the proprietor with the possibility to focus on the capitalist potential of the resource “by filtering out all the confusing lights and shadows of its physical aspects and its local surroundings” (de Soto, 2000: 41–2). This potential can be related to what Veblen (1904) called the potential earning-capacity, i.e. the capacity of any resource, both material and immaterial, to yield a future monetary return. In order to express such an earning capacity and thus to mobilise the capitalist potential of property, alternative options must be made comparable. Therefore, the heterogeneous complexity that characterises the complex relations linking economic resources to their ecological and social context has to be homogenised and expressed in monetary terms, which corresponds to the property value’s specific dimension. This disconnection from the ecological and social context widens the range of potential alternative actualisations and stimulates the proprietor to enter into a world of abstraction where any combination of technological and institutional expedients, both actual and future, can be conceived and mobilised. The transformation of a coastal area devoted to traditional fishing into a luxury resort illustrates how this abstract reasoning based on property can be disconnected from the local possession-based rationale.

Possession does not disappear in the property-based economy, as “[e]very property title has a possessional side” (Heinsohn and Steiger, 2000: 70). Thus property entails two different potentials: material and financial or capitalist. This dual potential can be actualised in parallel, since actualising the capitalist potential of property affects neither the physical features of resources nor their material yield. Moreover, not only can both potentials of property be simultaneously engaged, but the earning capacity of engaging property in a capitalisation process becomes an additional income stream to the concrete, material exploitation of the property. Such a dual actualisation allows for the circular and cumulative enrichment of proprietors, since a higher material yield usually implies a higher earning-capacity through capitalisation, which can itself be invested in increasing material productivity, creating a cycle of accumulation.

The capacity for proprietors to enter that cycle of accumulation results in the self-expansion of property-based economies, which may last as long as resources can be appropriated and capitalised. In this process, any resource or instrument that presents a potential economic value is rapidly integrated into the dynamics of exclusive appropriation and capitalisation. This includes natural and human resources, technology and know-how, patented as intellectual property, as well as intangible elements of political and economical power (Veblen, 1904; Nitzan and Bichler, 2009). The circular and cumulative causation that relates the two processes of commodification and capitalisation – the more resources that are appropriated, the larger the basis for capitalisation – explains why capitalist expansion is accompanied by accumulation and concentration, a point Marx has long insisted on, and why proprietors are constantly seeking new ways of expanding their economic power both through appropriation and capitalisation.

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2. The property economics’ terminology should be differentiated from the one present in much of the property rights literature. In the latter, possession is generally equated with physical control of resources (e.g. Bromley, 1989, 1992), while property rights rest on social rules that define rights and obligations, duties and sanctions, e.g. with respect to access, withdrawal, management, exclusion and alienation (Schlager and Ostrom, 1992). In Heinsohn and Steiger’s perspective, both possession and property correspond to institutional regimes that define social relations (rights, obligations and duties) towards resources, but only property, with the creation of formal and transferrable property titles, establishes the foundational conditions for the emergence of a genuine capitalist economy. However, as noticed by Steppacher (2008: 326), possession and property are ambiguous concepts that intersect both in empirical and theoretical terms. Therefore, these concepts would benefit from being considered as Weberian ideal types so defined as to make explicit the crucial role of property in the capitalist economy.

3. “Property rights are de jure claims. They entitle their holders to immaterial (non-physical) capacities which first constitute economic activities: (i) to burden property titles in issuing money against interest; (ii) to encumber these titles as collateral for obtaining money as capital; (iii) to alienate or exchange including sale and, and (iv) to enforce.” (Steiger, 2006: 186).

4. The exclusionary nature of property rights (Bromley, 1992; Polanyi, 1944) reflects the dual nature of any institutional arrangement (Bromley, 1989). However, in the property regime, the exclusiveness of rights is not limited in time, which makes the realisation of rights and duties an issue of a revolutionary nature, as this implies a restructuring of the regime as a whole.

5. As Marx (1867) and Polanyi (1944) insisted, a property regime emerges out of power asymmetries and violent social processes, such as previous human and natural exploitation; what Marx referred to as ‘primitive accumulation’.

6. “The value of any given block of capital (…) turns on its earning-capacity (…) not of its prime cost or of its mechanical efficiency. (…) But the earning-capacity which in this way affords ground for the valuation of marketable capital (or for the market capitalisation of the securities bought and sold) is not its past or actual earning-capacity, but its presumptive future earning-capacity.” (Veblen, 1904:152–153).

7. “During the period of the loan, lender and borrower continue the physical use of the possessory side of their burdened assets.” (Heinsohn and Steiger, 1997: 187). This was already noticed by Veblen (1904: 163ff).

8. “… any increase of the aggregate money values (…) will afford a basis for an extension of loans (…). The extension of loans on collateral (…) has therefore in the nature of things a cumulative character.” (Veblen, 1904: 105–106).

9. The constant pressure for capitalisation emanating by ever more concentrated property can be seen in the huge amount of liquidity in constant search for financing opportunities, a process that helps understanding phenomena such as the boom in financial derivatives, the creation of subprime mortgages and the rise of carbon finance.
2.2. Capitalist Requirements, Industrial Responses and Eco-social Crisis

The possibility of getting cumulatively richer by capitalising property is the primary reason why proprietors have constantly pressed – and I assume will always press – the economic system to grow. This leading pressure extends into the economic system through the contractual obligations that economic agents must fulfil once they have engaged their property in capitalisation processes. In a credit relation, the debtor must refund the loan and pay the interest in due time. Likewise, a company that has increased its capital through stock-option creation compels itself to pay regular dividends to its shareholders. Altogether these obligations impose the following requirements (Steppacher, 1999, 2008; van Griethuysen, 2010): solvency, an existence condition that requires monetary valuation of economic activities according to the “money of account” (Heinsohn and Steiger, 2000) defined by the creditor; profitability, which makes cost–benefit analysis a routine procedure; time pressure for income realisation, which permanently pressures the economic system to accelerate both production and consumption.

The capitalist requirements of solvency, profitability and time pressure are essential features of property-based capitalist expansion. Agents who fail to meet these requirements are eliminated (through the foreclosure or acquisition of their property), a process that further concentrates economic power. Likewise, economic behaviours oriented by alternative motivations will be discouraged, if not eliminated. Moreover, once engaged in the peculiar dynamics of capitalist expansion, the property economy does not move backwards: once a matter of choice, recourse to capitalisation practices becomes compulsory, as captured by Veblen (1904: 96), who pointed out that “under the regime of competitive business whatever is generally advantageous becomes a necessity for all competitors. Those who take advantage of the opportunities afforded by credit are in a position to undersell any others who are similarly placed in all but this respect.” In the final analysis, the capitalist requirements of solvency, relative profitability and time pressure, as well as the associated pressures for growth, innovation, acceleration and favourable institutional conditions become pervasive imperatives in a property economy (Harvey, 2007; Steppacher, 2008; van Griethuysen, 2010).

In the past, property-based economies have responded to those imperatives through trade, territorial expansion, property expansion, appropriation by dispossession and over-exploitation of renewable resources (Duchrow and Hinkelammert, 2004; Field, 1989; Harvey, 2003; Heinsohn and Steiger, 1996). With the advent of the thermo-industrial revolution (Grinevald, 1990) and the exploitation of fossil energy, technological innovation has become the main channel for responding to the growth mandate. Indeed, the potential of fossil energy for materialising exponential growth, as noticed by Georgescu-Roegen (1965), has so intimately matched the pressure for exponential growth induced by capitalist property expansion that this unique combination has become the techno-institutional core of western development.10 This specific combination, in which financial and technological superiority reinforce each other in a circular and cumulative manner (Steppacher, 2008), has provided the western elite with an unprecedented power, and has created a process of institutional and technological lock-in (Unruh, 2000) together with a cumulative deterioration of ecological and social contexts (van Griethuysen, 2010). It is from this involuntary development path that humankind must escape, should it intend to continue inhabiting the Biosphere for some time. In my understanding, managing such a transition in a way that is socially tolerable corresponds to the degrowth challenge.

2.3. Degrowth as a Change in Economic Rationale

By deciding which activities to finance, creditors and investors give the primary impulse to the capitalist expansion of the property economy. Therefore, as noticed by Steppacher (2008), economic rationality in a property-based economy is primarily defined from the point of view of the property of the creditor/investor.11 This focus on property and its monetary appraisal shapes the normative hierarchy of decision making in the property economy, that is, the capitalist economic rationality (Steppacher, 2008). In the capitalist rationality, environmental and social considerations are subordinated to capitalist requirements such as monetary growth, time pressure, monetary cost efficiency, profit-based innovations and favourable institutional conditions (Steppacher, 2008). Restraining competitors by supporting adequately designed policies, establishing voluntary labels to increase sales income, or establishing new property titles granting exclusivity over commonly possessed resources are among the situations where eco-social considerations can comply with the property’s specific requirements (van Griethuysen, 2010). Elements that negatively impact property tend to be “externalised” from the economic calculus of private agents, i.e., strategically shifted to third parties, such as non-proprietors, powerless people, future generations and society as a whole (Kapp, 1950), who do not hold property titles to raise in defence of their rights.

In arguing that economic activities must be subordinated to ecological sustainability and social equity, the degrowth project (Ariès, 2007; Kallis, 2011) proposes a very different hierarchy of social norms. Indeed, it corresponds to a complete reversal in the normative hierarchy of social choices, from a property-based capitalist economic rationality that subordinates eco-social considerations to capitalist requirements, to an eco-social economic rationale that explicitly subordinates economic decisions to ecological and social considerations. Sharing that normative hierarchy with a variety of social actors who condemn the dominance of capitalist decision criteria in social choices, the degrowth movement echoes particularly the critiques and propositions that were elaborated during the 60s and the 70s (e.g. Georgescu-Roegen, 1971, 1976; Illich, 1973; Kapp, 1965, 1972; Meadows et al., 1972; Partant, 1978; Sachs, 1980), before conservative forces countered and reversed the tendency in the 80s, bringing neoliberal policies back to the top of the political agenda, a dynamic that was accompanied and supported by sustainable development doctrine (Lélé, 1991; van Griethuysen, 2011a).

3. How to Foster Degrowth? A Curatio

Addressing the need to foster the cultural (r)evolution that is required as a basic support for the degrowth transition, many contributions elaborate on the ways to promote the transition in terms of emancipating human values from mass consumerism and materialism, by decolonising our imaginaries (Ilatouche, 2009), by political struggle (Ariès, 2007) or ideological voluntarism (Bernard et al., 2003). Others insist on the need to develop and concretely implement alternative initiatives and experiences (Gadrey, 2010; Martinez-Iglesias and Garcia, 2011). Having presented the growth imperative as a consequence of capitalist

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10 For Veblen (1904: 1): “[t]he material framework of modern civilization is the industrial system, and the directing force which animates this framework is business enterprise.” See Steppacher (2008) for an analysis of the combination of property and mineral-based industrial technologies.

11 “All economic decisions and evaluations are hierarchically differentiated, integrated, balanced and centred according to the impact they are likely to have with regard to the security, quantity, quality and value of property.” (Steppacher, 2008: 336).
property expansion, I will leave to others the task of elaborating on the ways to render the cultural context more favourable to the degrowth transition and shed instead some light on what institutional changes might be worth mobilising in order to foster the degrowth project.

In conformity with the conceptual appraisal of the capitalist expansion of the property economy I presented, I will consider how the two interacting processes of appropriation and capitalisation can be subordinated to eco-social considerations. Before investigating institutional alternatives to the property regime, which I address in the next section, I focus here on the ways to limit the pressure from growth that emanates from the capitalist expansion of property. Based on the conceptual analysis that I presented in Section 2, I suggest that capitalist property expansion could be subordinated to eco-social considerations through the following, interrelated ways: (1) limiting the scope of the property domain; (2) regulating capitalisation practices; (3) orienting investments, and (4) allocating monetary returns and distributing created wealth. Each of these policies aims to frame the capitalist expansion of property in a way that meets the overall objectives of ecological sustainability and social equity (5).

3.1. Limiting the Scope of the Property Domain

As the expansion of property through capitalisation originates in the exclusive and enduring rights provided by property titles to their holders, delineating the scope and temporality of the exclusive sphere of property is the most fundamental way to subordinate property expansion to eco-social considerations. It is also the most appropriate level for collective action to take place, since most capitalisation processes emerge out of proprietors' financial practices and prove difficult to regulate afterwards.

While neoclassical economists favour private property and market-based instruments as the means of integrating eco-social considerations into capitalist rationality, most critical institutional economists (e.g. Bromley, 1989; Commons, 1934; Kapp, 1976) insist on the need to go behind market and fiscal instruments in order to adjust the formal institutional framework in which economic agents operate. Legal regulation, in particular, by exogenously redefining rights, duties and obligations, could ensure that environmental or social goals are met — at least in principle.12 But eco-social legislation has further consequences. Because the reciprocal nature of institutions ensures that “restraint for one is liberation for another” (Bromley, 1989: 38), stricter eco-social obligations imposed on proprietors not only reduce the scope of exclusiveness provided by property titles, but reduce the correlated exclusion of non-proprietors as well. Thus, by increasing private eco-social responsibility, legislation can restrain the tendency towards widening inequalities. Furthermore, additional obligations not only limit the material uses of property that disrupt the environment or negatively impact people, but simultaneously reduce the immaterial potential for capitalisation, and consequently, the pressure for growth that would emanate from such capitalisation. Simply put, eco-social legislation limits the expansion of the property economy at two distinct but related levels: the material and the financial one.

3.2. Regulating Capitalisation

Setting the frontiers of the capitalist expansion of property by regulating capitalisation practices appears to be an essential policy element of an integrated strategy for degrowth. In doing so, it is useful to distinguish between first-order capitalisation processes, such as credit relations or stock-option creation, and second-order capitalisation practices, such as derivatives creation, securitisation and leveraging.13 First-order capitalisation processes can be regulated in accordance with the basic principles of sound banking, i.e., issuing money “... not only against interest but also against good securities and with sufficient capital of the issuing bank” (Steiger, 2006: 188). Yet, credit regulation should not only strengthen the resilience of the banking system, a conventional justification for financial regulation,14; it should also protect debtors against bankruptcy and socio-economic exclusion. Too many historical and contemporary examples illustrate how credit, in highly asymmetric financial relations, has taken defaulted debtors towards the trap of cumulative indebtedness, exclusion and misery.15

Strict regulation of the second-order capitalisation processes should be implemented for various reasons. Firstly, while not anchored in concrete and secure institutional foundations, second-order capitalisation processes have been the greatest contributor to the monetary capital created in the last decades, resulting in the exploitation of human and natural resources in order to fulfil the promises of artificially high monetary returns. Secondly, with most of that money being of a speculative nature, second-order capitalisation practices have created a highly unstable financial environment, the volatility of which imposes dramatic losses for numerous economic agents, individuals, households, enterprises and even countries. In fact, the question remains whether second-order capitalisation should be regulated as strictly as possible, or simply banned. In my view, only first-order capitalisation processes that lead to environmentally and socially sound investments are compatible with the degrowth project.

Obviously, other measures, such as a taxation of capital transactions (Felix, 1994; Tobin, 1978) and other issues, such as the origin of money to be invested and the role of tax havens and offshore financial centres, should be incorporated into an articulated strategy aiming at delineating frontiers of capitalisation that are ultimately compatible with the common goals of ecological sustainability and

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12 Taxes and other fiscal instruments, whose impact on the price structure might be significant, are integrated into private agents’ cost-benefits calculus, which induces the risk that eco-social objectives will not be met whenever perceived as too costly by private agents, a situation that legal regulation might avoid (Kapp, 1972). However, by modifying the legal boundaries of economic activity, legislation also affects the structure and amount of costs to be borne by private economic agents. As such, it impacts directly on relative profitability and competitiveness, and therefore affects the very heart of economic agents’ institutional strategies (Bromley, 1989). Partly moulded by such institutional strategies, reflecting power asymmetries, eco-social norms are, in practice, often far from reflecting ecological and social imperatives (van Griethuysen, 2011b).

13 By first order capitalisation, I refer to financial products derived from formally institutionalised assets, such as credit loans based on formal property titles or stock options created by a corporation on behalf of its increasing capitalisation value. First-order capitalisation processes can be regulated in accordance with the basic principles of sound banking, which reinforce the dissociation from real economic conditions and develop further abstract and speculative practices.

14 Strengthening the resilience of banks and the global banking system is at the core of the reform programme elaborated under the auspices of the Bank for International Settlements. Referred as “Basel III”, that programme imposes stricter capital requirements, notably by raising the quality of the capital to be encumbered as banks’ minimal reserve, the creation of a countercyclical capital buffer and the introduction of a leverage ratio as a backstop to the risk-based capital and to contain excessive leveraging (BCBS, 2010). Questions remain about the repercussions of that programme that aims at “a significant increase in the capitalisation of the banking sector” (C Cecchetti, 2010: 1), notably in terms of concentration in the banking sector and safeguards manipulation by the biggest financial agents.

15 The social exclusion of indebted peasants after the introduction of property into the possession-based regime of British India (Steppacher, 2008), the US subprime crisis following the creation of mortgage contracts specifically designed for the “Ninja” (standing for No Income, No Job or Assets), the microcredit crises in India (Wright and Sharma, 2010) all show how unsound capitalisation practices affect the most vulnerable agents, whose bankruptcy benefits the richest. Most often, such processes depict cases of accumulation by dispossession (Harvey, 2003), where dispossession happens indirectly, throughout sequential processes of commodification, capitalisation, insolvency and foreclosure.
social equity. Yet, in all these cases, a global, collective authority backed by strong political support would be required, which might be seen at best in its infancy.

3.3. Orienting Investments

While the expansion of the property economy requires ever higher and quicker monetary returns, the degrowth transition will require substantial outcomes in terms of social fairness and ecological conditions. In that perspective, the major (re)evolution in investment practices relates to the selection criteria which investments are decided upon. In particular, investment criteria need to depart from: (1) the monetary criteria of the property economy, and rely instead on an appropriate combination of eco-biophysical and socio-cultural criteria chosen to reflect different aspects of social life; (2) the criteria of relative profitability of individual investments, and consider instead alternatives in terms of balances between social ends and means; (3) the inherent bias towards short-term returns, and rely instead on a differentiated appraisal of the various temporalities of the human and ecological processes at stake.

Among the criteria of particular significance for a degrowth policy, I may cite here the importance of managing natural resources in a way that accounts for the ecological and economic differences between biotic and mineral resources (Steppacher and van Griethuysen, 2008). A further consideration is the spatial organisation of economic activities, as planning and regulation could be anchored in the local, community-level (Hines and Lang, 2001), with subsequent levels being organised through principles of self-reliance and subsidiarity (Galtung, 1980), possibly leading to the emergence of a multilevel regime (van Griethuysen, 2002). Most sectors of production could be reoriented in this way, such as the food sector, where investments can be directed towards local, sustainable agriculture and breeding practices. These changes need to be elaborated in interconnection within the overall objective of reducing the economic throughput of matter and energy, an issue of particular relevance for industrial sectors (Ayres and Ayres, 1996). Investments in sustainable agriculture and renewable energy are worth mentioning as alternatives to the current path of world development, which has proven incapable of reducing its dependence upon fossil fuels (Unruh, 2006).

When elaborating criteria for adequate, responsible investment, we should differentiate between the investing actors such as the public sector, private agents or institutional investors. Defining criteria for responsible public investments requires substantial discussion and widespread deliberation on the notion of quality of life, as defined by a social appraisal of heterogeneous ecological and social indicators, such as working conditions, education and health standards and pollution levels (Kapp, 1972). Imposing criteria on private agents in favour of responsible investments will require a radical change in the power balance of business agents who, in the ongoing process of property expansion, have little choice but to favour institutional changes that are compatible with the capitalist requirements they are subordinated to (van Griethuysen, 2010). Implementing alternative criteria into the practices of institutional investors, such as pension or mutual funds, may be relatively easier. In the ongoing climate of ecological, social and financial crises, a rising public awareness might result in higher demands on investors, both institutional and commercial, for more responsible investments not only in terms of financial security but also in terms of ecological and socioeconomic repercussions (Sparkes, 2008).

3.4. Allocating Returns and Distributing Created Wealth

Defining the modalities of an equitable distribution of the wealth created by both self-organised capitalisation processes and collectively-oriented investments could be an essential policy instrument towards social equity, both at the intra- and inter-generational level. While cases of social justice within a generation are to be counted as historical exceptions, taking future generations into account in a fair distribution of resources and other means of development should still be striving for as a long-term objective. This would, however, require a cultural maturity that is a far cry from the current individualist and consumerist propensity actively promoted by business actors competing within a self-expansory property economy, as already noticed by Veblen in 1904.

Nonetheless, allocating part of the wealth created by capitalisation processes to specific activities, funds or populations through various instruments and policies remains a central part of an integrated degrowth strategy. In case of monetary returns on property capitalisation, fiscal and other monetary instruments can be mobilised. Should the created wealth circumvent the monetary dimension and relate to non-monetary assets, ad hoc procedures and policies could be elaborated to assure a fair redistribution of such wealth. This would be especially important should property titles be involved. Finally, it must be recalled that distributive policies do not only concern the allocation of monetary returns, but also the initial distribution of rights, obligations and duties towards natural and human resources. Therefore, reducing property expansion and concentration through distributive policies is closely linked with reducing the scope of property’s exclusive sphere by embedding it in a wider institutional set-up.

3.5. Framing Property’s Capitalist Expansion

The policy proposals presented above share the common objective of subordinating the expansionary path of the property economy to an eco-social economic rationale, where economic activities are subordinated to ecological and social considerations and objectives. A reflection on how to articulate these proposals into an integrated strategy towards ecological sustainability and social equity will be needed, though it can only be proposed here at the conceptual level.

Instead of relying on the property-based normative hierarchy that subordinates environmental and social considerations to the capitalist requirements of solvency, profitability and time pressure, the degrowth project implies a shift to an institutional framework that is driven instead by a set of environmental and social standards. Such an institutional framework involves a redefinition of the social relationships, responsibilities, rights and obligations of the various members of the social structure, in conformity with the normative hierarchy of that eco-social rationale. Proponents of eco-development (Kapp, 1972; Sachs, 1980; Riddel, 1981) already suggested this path in the 70s. In practice, maximum environmental thresholds and minimum social standards, much in the same vein as Kapp’s (1965) ecological maxima and existential minima, can set an eco-social framing for property expansion and act as the dynamic frontiers of a

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16 Alternative financial practices, such as outcome sharing, where investors share both losses and profits with entrepreneurs, a practice existing in Islamic finance (El-Gamal, 2006), or alternative money-type devices for exchange, such as local currencies (Jacobs, 2000) can be mentioned here as alternative practices relying on possession-based economic rationales.

17 An important literature (e.g. Kapp, 1965, 1972; Miles, 1992) has addressed the importance of departing from monetary indicators and relying instead on real-life economic indicators to anchor a mode of development that respects both human and natural reproduction.

18 According to Steppacher (1996), investments in an eco-social rationale are decided upon a number of different aspects of social life, including cultural and environmental considerations. Alternatives are balanced and centred on society’s cultural pillars, which usually leads to a collective investment in a combination of means in order to reach a combination of ends.

19 The Basel III framework imposes constraints on discretionary capital distribution, like dividend payment and bonuses in specific periods of financial and economic stress (BCBS, 2010). That policy might be generalised and expanded in scope within a distributive policy.
Among the possession-based institutional modalities that can be conceptually distinguished (such as state, common or individual possession), the common possession regime is worth mentioning here. Denominated as “common property” in the property rights literature (whereas it can neither be encumbered, used as collateral nor sold), common possession refers to a wide array of social contexts in which the rights and obligations designed for regulating the material disposition of natural resources arise from an authority that is jointly assumed by the members of the society (Bromley, 1992; Ostrom, 1990; Polanyi, 1944).

Today, most common possession regimes face external pressures and need to be protected by external actors such as states or international organisations in order to function. Strengthening common possession regimes and customary institutions through their formal recognition by external actors, e.g., through the formalisation of institutional status for areas self-managed by communities, is a way not only to secure common-pool resources from dispossession, but also to support social knowledge and economic rationales that differ from property-based capitalist rationality. In addition, as common possession regimes generally rest on principles such as the indivisibility of ownership, which prevents ownership from being formally divided between community members, and exoinalienability, which prevents the rights over resources from being alienated to non-community members (Rouland, 1988), these regimes constitute concrete alternatives to property-based modalities that often lead to dispossession, mismanaged credit operations, bankruptcy and economic exclusion.

Other approaches to resource co-management, where resources are managed jointly by different actors such as public authorities, NGOs, private actors or local communities, might be considered within the degrowth project. Interestingly, these different kinds of partnerships might combine capitalist economic rationality with a possession-based rationale, as in the state and community partnership depicted by Hoffmann (2005) between the state water company of Cochabamba and local communities. This partnership rests on sharing tasks and associated costs in relation to the construction, operation and maintenance of a drinking water system. As illustrated by Hoffmann (2005: 186–188), the partnership mobilises both capitalist and possession-based economic rationalities. First, the partnership mobilises the capitalist economic rationality: the sharing of tasks and costs not only reduces the state company’s overall monetary burden, making the refunding of contracted public debt easier, but this sharing also allows the company to sell the water to the communities at a lower price, which meets up with the community’s limited solvent demand. Second, the partnership mobilises a possession-based economic rationale: the internal self-organisation of communities recognises both monetary and non-monetary contributions. This allows insolvent people to contribute for their water consumption not by paying for it, but by contributing to the overall burden, for instance by working on the maintenance of the infrastructure. By valuing the non-monetary contributions of insolvent community members, such partnerships possibly meet both the capitalist constraints of solvency, by reducing the overall monetary costs, while simultaneously meeting the social goal of reducing exclusion, by economically satisfying the needs of insolvent people and enhancing social participation.

22 The “Indigenous and Tribal People Convention” elaborated by the International Labour Organisation in 1989 to establish a formal recognition of customary institutions of indigenous and tribal people is worth citing here. See Borrini-Feyerabend et al. (2010) for a review of the recent developments in the formal recognition of local communities’ customary institutions.

23 For a detailed description of these “Community Conserved Areas”, see Borrini-Feyerabend et al. (2004).

24 For a panorama of experiences in a co-management setting, see Borrini-Feyerabend et al. (2004), who propose approaches, methods and tools promoting the emergence of this new type of collaboration.
5. Concluding Remarks

This contribution rests on the postulate that the degrowth project requires firm theoretical foundations to be successfully implemented. Mobilising the property economics theory initially elaborated by Heinsohn and Steiger (1996), I presented a theoretical description of the capitalist mode of development as a cumulative sequence of appropriation and concentration of assets through capitalisation and finance, which results in increasing inequities and widening ecological degradation due to the subordination of eco-social considerations to capitalist imperatives. In this theoretical perspective, reorienting the current unsustainable and inequitable development path and implementing the necessary degrowth transition in an ecologically sustainable and socially equitable manner requires a shift from the property-based hierarchy of social norms, where social and ecological considerations are subordinated to the capitalist economic rationale, towards an eco-social rationale, where economic activities are subordinated to social and ecological considerations and imperatives. While a general reorientation of the economic system is needed, this contribution focuses on policies that could subordinate property capitalist expansion to eco-social considerations.

Key elements for mitigating the pressure for growth that emanates from capitalisation processes are to limit the scope of the property domain, through eco-social legislation and the regulation of capitalisation and financial practices, distinguishing between first-order capitalisation processes, such as credit relations or stock option creation, and second-order capitalisation practices, such as derivatives creation, securitisation and leveraging. Another essential step towards an integrative degrowth policy is an elaboration of criteria for responsible private and collective investments, with the aim of anchoring economic activities in the local scale, using biotic resources sustainably and managing mineral resources responsibly, while promoting a technological diversity that lowers the risk of future locked-in situations. Furthermore, in order to meet the social objectives of ecological sustainability and social fairness, investment criteria have to switch from property-based, monetary evaluation criteria, to social and ecological criteria, which corresponds to a turn-around in the normative hierarchy of economic decision making. Finally, allocating wealth in accordance with social and ecological considerations can, with adequate distribution, positively affect the environmental and social domains, while limiting the cumulative process of exclusive accumulation and social exclusion.

In a more radical break with the capitalist expansion of the property economy, alternative institutional arrangements to the private property regime, such as state property and common possession, could be elaborated and implemented, with possible articulations within a global, multilevel regime. Based on political and institutional principles such as self-reliance and subsidiarity, such a regime could aim at regulating the use and control of common resources in a way that aims at ecological sustainability, social equity and responsibility towards future generations. In such an organisation, new kinds of partnerships, such as state–community partnerships should be positively encouraged in an effort to anchor the multilevel institutional arrangements at the local scale.

All the policy options proposed above share the common goal of setting governance modalities that promote eco-social objectives. Similarly, they all require fundamental institutional changes, which will entail a complete reversal in the hierarchy of social norms and values. Obviously, such radical changes will face systemic opposition from the current socioeconomic system, as every option that shows incompatibility with property requirements is discriminated against in the ongoing process of worldwide property expansion (van Griethuysen, 2010). Counterstrategies developed by powerful economic agents are foreseeable, while the support of decision-makers and external funding will be hard to find. Therefore, the most essential struggle the degrowth movement should involve itself in is institutional in nature, and the outcome of that struggle will depend on the ability of the movement to find allies and mobilise social and political support. In particular, it will be crucial to establish strategic alliances that rest on mutual and cumulative support from diverse social actors who share with the degrowth project the normative hierarchy that characterises an eco-social rationale. I thus share Kallis’ (2011: 878) interpretation of degrowth as “a multi-faceted political project that aspires to mobilise support for a change of direction, at the macro level of economic and political institutions and at the micro level of personal values and aspirations.”

Favourable institutional evolution, both at the formal level of collective rules and entitlements, and at the more fundamental level of social values and habits of thought, is at the very heart of the degrowth challenge to establish a sustainable and equitable mode of development. Such a struggle for ecological sustainability and social fairness will not be successful without a fundamental cultural evolution towards social maturity and consciousness, both at the individual and the collective levels. In such a process, property economics, when adequately integrated into the framework of critical institutional and ecological economics, might prove its usefulness in many ways: by giving an adequate economic account of the manner in which human activity, driven by capitalist economic rationality and powered by hydrocarbon-based industrial technology, has gone beyond the resilience thresholds of the Biosphere; by identifying the urgency of decreasing the depletion of natural resources and lowering the anthropic disruption of the Biosphere by drastically reducing economic throughput; by explaining the institutional and technological locked-in situation into which the western path of economic development, both capitalist and industrial, has led our societies; by helping to elaborate a new institutional architecture based on an eco-social rationale; by increasing the chances of success of the required reorientation by analysing the complex web of forces that act as inertial factors impeding that reorientation; and finally, by making people increasingly aware and critical of that web through sound theoretical explanations.

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