

## Fordism, Finance-driven Capitalism, and Climate Change

Review of *Capitalism and Climate Change: Theoretical Discussion, Historical Development and Policy Responses* by Max Koch. New York: Palgrave Macmillan, 2012, pp. 240, ISBN: 9780230272514, £55 (hbk.)

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Max Koch's *Capitalism and Climate Change* is part of a growing literature that focuses on the negative environmental impacts of capitalism (e.g. Magdoff and Foster, 2011; Sayre, 2010). What makes Koch's book an important and welcome addition to existing scholarship is that it analyses capitalism as a concrete-dynamic phenomenon. That is, rather than merely focusing on capitalism in general (as a mode of production), Koch sets out to analyse how actual forms of capitalism (social formations), particularly post-war Fordism and the finance-driven capitalism of the neoliberal era, have impacted and are impacting negatively on the climate.

The book's introduction provides a clear and concise account of the nature of the climate crisis and outlines the focus of the book. Then follow fourteen short and well-written chapters, which are grouped into four parts. Drawing on the works of Karl Marx and ecological economists such as Herman Daly and Nicholas Georgescu-Roegen, the first part deals in general terms with the tensions between nature and capitalism. Moreover, it outlines the theoretical framework on the basis of which later chapters analyse different phases in the development of capitalism, namely a version of regulation theory. This theoretical perspective, developed by scholars such as Michel Aglietta, Robert Boyer, and Bob Jessop, suggests that specific capitalist social formations can be seen to consist of an accumulation regime that is more or less successfully stabilised by accompanying modes of regulation and consumption. On this view, consumption "is not seen as an isolated

phenomenon, the result of autonomous individual choices” but is instead “understood in its social genesis and context” (p. 41).

The next two parts deal with the Fordist and finance-driven forms of capitalism and their respective impacts on the climate. Koch tells the well-known story of how Fordist production techniques initially emerged in the United States and subsequently became the cornerstone of a new accumulation regime in the Atlantic space. This regime was stabilised by a mode of regulation that, for instance by means of Keynesian social and economic policies, allowed for a high level of demand for automobiles, radios, televisions, refrigerators and a host of other mass-produced and standardised goods. Koch does a very good job accounting for the mode of consumption underpinning Fordist capitalism. However, the main contribution of his account of the Fordist production-consumption nexus is that it puts into focus its reliance on new forms of cheap energy, not least oil, and the ensuing environmental consequences. It is also pointed out that the demand for (fossil) mineral resources in the Atlantic space turned many developing countries into “extraction societies” (p. 79) that were never able to benefit from the economic growth associated with the Fordist accumulation regime. As Koch states, the origins and development of global warming relates directly to “the upswing and generalisation of the Fordist production and consumption norm in the Western world and of the simultaneous establishment of an international division of labour in industrialised and extraction societies” (p. 83). He substantiates this, for instance, by providing data showing how a massive increase in the CO<sub>2</sub> emissions of developed countries occurred between 1950 and 1973, the heyday of Fordist capitalism.

After an account of the crisis of Fordist capitalism, Koch then turns his attention towards the finance-driven accumulation regime that gradually emerged after the 1970s – a regime characterised by, inter alia, transnationalised production and the liberalisation of international capital flows. He suggests that this new system was based on the weakening of organised labour, a development that also put pressure on wages and thus demand levels in the Atlantic space. This inbuilt problem was dealt with partly by maintaining and even increasing levels of private consumption by facilitating the increased indebtedness of households, partly by exporting the Western consumption norm to other parts of the world. The result is

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that “at no other point in time have so many people in the world participated in consumption patterns that used to be the privilege of elites” (p. 120).

This popularisation of consumption practices that used to be the privilege of the few obviously has ecological downsides. Apart from requiring that ever-increasing quantities of the planet’s finite natural resources go into the production of consumer goods, the spread and intensification of the Western consumption norm has also increased the mobility of many people significantly. The explosion in the number of cars and the increased use of aeroplanes are important contributing factors to the high and growing levels of CO<sub>2</sub> emissions. Related to this Koch also develops a rare and important critique of the academic industry. As he points out, academics travel by plane to conferences and meetings in distant locations in order to create or maintain a reputation in their fields. As the system currently works, “choosing not to attend conferences on other continents or reaching them by train or ferry smacks of the parochial and provincial” (p. 118). Moreover, it is not taken into consideration that these trips are in many cases “unnecessary from the point of view of knowledge diffusion and plainly irresponsible from an egalitarian and sustainable perspective” (p. 118).

Hence, while Fordist capitalism depended on the consumption of massive quantities of fossil fuels, so too does the succeeding finance-driven form of capitalism. Demand for fossil fuels such as oil, coal and gas has only continued to increase and constituted more than 80 percent of the world’s energy resources in 2007. On the basis of detailed data Koch reaches a clear conclusion: “Taken together, the evidence implies that more than 30 years of post-Fordist restructuring ... have not been accompanied by any indication of independence from Fordism’s fossil-fuel energy regime” (p. 125). Unsurprisingly, the consequence has been increasing CO<sub>2</sub> emissions in every single world region since 1973, with the exception of Eastern Europe. As Koch observes, the Western production and consumption patterns continue to be environmentally unsustainable: “Worse still, the accelerated export of Western ideas of progress, welfare and lifestyle to the rest of the world has brought the planet closer to climate collapse” (pp. 129-30).

The last part of the book deals with the international framework of climate regulation, focusing for instance on the Kyoto process. Koch underscores that huge global inequalities and power asymmetries are major obstacles in negotiations on climate change. He also deals in detail with carbon-trading

schemes and subsequently analyses why such free-market instruments to climate change have proved inefficient. In this context he makes the crucial point that the commodification of carbon emission has been preferred over the previously preferred instrument, taxation, not on the assumption that it is more efficient, but rather because emissions-trading creates opportunities for speculation and profit-making. As such it resonates well with the finance-driven form of capitalism and is in the interest of a range of economic and political actors. Confronting these interests, Koch remarks, “the question of whether carbon trading contributes anything to climate protection is indeed secondary” (p. 175).

*Capitalism and Climate Change* covers an impressive range of topics and its analyses are clear and highly convincing. There are, however, a few omitted issues that could have been relevant to discuss. For instance, the analysis of Western consumption patterns, which mentions how in the era of finance-driven capitalism “new generations of home computers, laptops and iPods were launched on the market at ever shorter intervals” (p. 117) could have benefitted from a discussion of ‘artificial obsolescence’ – namely, the phenomenon by which many products are deliberately designed to become outdated or wear out prematurely (on this see Latouche, 2009). Another issue is how transnationalised production and increased trade in the current system of global (finance-led) capitalism entails long-distance transportation of parts, raw materials, intermediate and final products. This transportation, which is premised on the availability of relatively cheap oil, has enormous negative environmental impacts that it would have been relevant to consider in more detail. In this context rising energy prices and ‘Peak Oil’ are topics that could also have been addressed.

More fundamentally, while reading the book one wonders whether its author believes that the current climate crisis can be mitigated within the framework of a new form of capitalism, or whether a completely different way of organising economic life might be necessary. Koch addresses this question in his concluding chapter, which also neatly summarises the arguments of the book. Here he points out that the necessary changes in production and consumption cannot take place within the current accumulation regime and makes the following statement:

Respecting the principles of ecological reproduction means that humanity can no longer afford itself the luxury of not questioning capitalism or the efficiency of markets in relation to social and ecological issues. It was, after all, during the historically relatively short existence of the capitalist mode of production that climate change emerged, worsened and became a threat to human civilisation (p. 186)

This statement seems to suggest that a break with the capitalist mode of production (and not just the current accumulation regime) is necessary if the climate crisis is to be adequately dealt with. However, when outlining his vision of a system that could mitigate the climate crisis, Koch talks about a 'sustainable growth strategy' that *inter alia* involves:

the reconfiguration of social, state and market steering and the establishment of international institutions ... powerful enough to limit and steer capital valorisation in accordance with ecological laws – and in particular to specify boundaries to greenhouse gas emissions for companies, countries and individuals, according to climate science expertise (p. 186)

Koch's vision thus seems to be one of a new phase of (green) capitalism rather than a break with this mode of production. While a new form of capitalism could surely be less environmentally destructive than contemporary capitalism is, one might question whether an economic system that is inherently reliant on endless economic growth and expansion can in fact ever become environmentally sustainable. As Herman Daly, among others, has pointed out, the notion of 'sustainable growth' is a contradiction in terms: economic growth is unsustainable by definition because the physical dimension of the economy is a subsystem of the non-growing ecosystem (see Daly, 1992). In line with this it would seem to me that a new growth strategy is not what the fragile climate of Planet Earth needs; what it needs is a 'degrowth strategy' which also involves massive redistribution on a global scale, combined with increasingly localised production and consumption patterns. As Koch does not substantiate the suggestion that 'sustainable growth' and by

extension a 'sustainable growth strategy' is in fact possible, this aspect of his vision of a system that can mitigate climate change fails to fully convince.

These very minor flaws do not however detract from the value of *Capitalism and Climate Change*, which does indeed deliver exactly what its author promises. Koch should be congratulated for writing a theoretically sophisticated, empirically rich, analytically robust and well-structured book that sets new standards for political economy research on what is arguably the most important topic of our time, namely the grossly unsustainable nature of capitalism and the (globalisation of the) Western lifestyle. This excellent book deserves to be widely read by scholars and students in all branches of the social sciences, and particularly by anybody interested in political economy.

### **Bibliography**

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